

AQSE Rulebook



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GLOSSARY

In these **rules** the following terms and expressions shall have the following meanings unless the context otherwise requires, and similar expressions shall be construed consistently with them unless the context requires otherwise:

Term	Definition
AIM	an MTF operated by the London Stock Exchange plc for the trading of equity securities
algorithmic trading	means trading in financial instruments where a computer algorithm automatically determines individual parameters of orders and/or quotes such as whether to initiate the order and/or quote, the timing, price or quantity of the order and/or quote or how to manage the order and/or quote after its submission, with limited or no human intervention, and does not include any system that is only used for the purpose of routing orders and/or quotes to one or more trading venues or for the processing of orders/quotes involving no determination of any trading parameters or for the confirmation of orders/quotes or the post-trade processing of executed transactions
Apex Security	a security admitted to trading on the Apex (APX) segment of the AQSE Growth Market
Aquis Stock Exchange	Aquis Stock Exchange Limited, a company incorporated in England with registered company number 4309969
AQSE Main Market Security	a security admitted to the Official List of the UKLA traded on the Aquis Stock Exchange regulated market
AQSE Growth Market	The market segment for securities of an issuer admitted to trading under the AQSE Growth Market Rules for Issuers
AQSE Growth Market Rules for Issuers	the rules setting out the admission and disclosure responsibilities of issuers admitted to the AQSE Growth Market
AQSE Growth Market Security	an unlisted security admitted to trading on the AQSE Growth Market and traded on an MTF operated by Aquis Stock Exchange
AQSE Security	a security admitted to trading on the Aquis Stock Exchange , or in relation to which an application has been made by a member for such security to be admitted to trading on Aquis Stock Exchange
Aquis Stock Exchange hours	the hours specified by market notice
AQSE Trading	an MTF operated by Aquis Stock Exchange
AQSE Trading security	a security admitted to trading on an EU- regulated market or MTF and traded on AQSE Trading

Term	Definition
Aquis Stock Exchange trade id	an identification number generated by Aquis Stock Exchange that is provided to the submitter of a trade in the case of a trade report submitted to Aquis Stock Exchange
authorised individuals	individuals that have been notified by the market maker to Aquis Stock Exchange as having the authority to instruct withdrawal of quotes submitted by the market maker on the particular user account
average daily turnover (ADT)	the average daily turnover of a Aquis Stock Exchange security calculated by the relevant competent authority in accordance with Article 33 of MiFID
back	where the best offer price of a security is lower than the best bid price
best bid	the highest bid price displayed in a Aquis Stock Exchange security by a market maker
best bid offer spread	the range of prices between the highest bid price displayed in an AQSE Security by a market maker and the lowest offer price displayed in an AQSE Security by a market maker
best offer	the lowest offer price displayed in a security by a market maker
bid price	the price at which a market maker is prepared to buy a security
bid situation	circumstances in relation to an AQSE Security where a potential transaction means that the terms of the City Code apply to dealings in that AQSE Security
buy-in agent	a member that is free of any conflict of interest with the member or participant the subject of the buy-in to which it will act as agent in accordance with rule 6.19.
buy-in extension period	the period in which a trade may be settled prior to the commencement of the buy-in procedure as specified in a settlement direction .
buy-in procedure	the procedure to effect a buy-in as set out at rules 6.15 to 6.30
broker	an investment firm that is authorised to provide the investment service of the execution of orders on behalf of clients or on own account and/or the reception and transmission of orders
broker to broker trade	a trade between members or between a member and a participant that is a broker where neither of the parties to the trade are registered as a market maker in the AQSE Security
business day	each day that Aquis Stock Exchange has designated as a day on which Aquis Stock Exchange is open for business in accordance with the business calendar detailed in rules 5.1-5.2

Term	Definition
cash compensation	the cash compensation calculated and paid in accordance with rules 6.31 to 6.37
choice	a situation where the best bid and best offer for a Aquis Stock Exchange security are the same
City Code	the City Code on Takeovers and Mergers
client	any natural or legal person on whose behalf a trade is executed by a member or participant
COBS	the Conduct of Business Rulebook issued by the UK competent authority
Code of Market Conduct	the code published and as amended from time to time by the UK competent authority regarding conduct on prescribed markets (currently located in the part of the FCA Handbook in Business Standards which has the title Market Conduct)
Companies Act	the Companies Acts 1989 to 2006
competent authority	the authority designated by each member state in accordance with Article 67 of MiFID II
cross	two trades in the same Aquis Stock Exchange security where a buy and sell order of two or more parties are matched by a member at the same price and on the same terms
deferral period	the period chosen by the receiving member or participant to defer completion of the buy-in period as determined in accordance with rule 6.30
disciplinary committee	the committee established by Aquis Stock Exchange in accordance with and for the purposes of the rules set out in the disciplinary procedures
disciplinary procedures	the disciplinary procedures covering the responsibilities of members and issuers in relation to investigations and enquiries conducted by Aquis Stock Exchange , and the procedures which Aquis Stock Exchange will follow when it wishes to commence disciplinary proceedings against a member or an issuer , which form part of the rules and are available for inspection on the Aquis Stock Exchange website: http://www.nexexchange.com
direct electronic access	a serviced provided by a member through which a client of that member can trade report to Aquis Stock Exchange under the member's trading system, but without manual intervention by the member
employee	a person employed (or formerly employed) by a member or issuer , whether under a contract of service or for services (including a trading contract) and any person who is (or was) associated with a member or issuer and in relation to a member or issuer any person who is (or was) exercising control (including a controller), or in the opinion of Aquis Stock Exchange is (or was) influencing or directing any part of the business or affairs of the member or issuer whatever their status or capacity

Term	Definition
EMS (Exchange Market Size)	the minimum quantity, as specified by Aquis Stock Exchange , of Aquis Stock Exchange securities for which a market maker is obliged to quote a firm, two-way price on Aquis Stock Exchange
entitlement	any dividend (whether cash or scrip), bonus issue, rights issue or other right or entitlement attached or accruing to a security or otherwise affecting it
equity security	a share, depository receipt, ETF certificate or other similar financial instrument that is admitted to trading on Aquis Stock Exchange , or in relation to which an application has been made by a member for such security to be admitted to trading on Aquis Stock Exchange
firm or firm quote	a market maker's quote that is subject to the provisions of rule 3.15
former member	as defined in rule 2.26
FCA Handbook	the rules and codes of conduct issued by the UK competent authority
FSMA	the Financial Services and Markets Act 2000
group	as defined in section 1261 of the Companies Act 2006
holding company	as defined in section 1159 of the Companies Act 2006
home competent authority	the competent authority of the home member state of a member
home market	<p>i) the regulated market on which a AQSE Trading security was first admitted to trading or, where a AQSE Trading security was admitted to more than one regulated market simultaneously, the market where the turnover for that security is highest; or</p> <p>ii) where a AQSE Trading security is not admitted to trading on a regulated market, the home market shall be the MTF which first admitted AQSE Trading security to trading</p>
home member state	as defined in Article 4 (55) of MiFID II , being the member state in which a member has its registered office
indicative	in the circumstances set out in rule 3.9, a market maker's quote that is not firm
indicative quote period	the period prior to the commencement of the mandatory quote period during which market makers may submit quotes for display, with said quotes being indicative
illiquid equity security	an equity security that does not fall within the meaning of having a liquid market in accordance with MiFIR Article 2(1)(17)
illiquid non-equity security	a security, other than an equity security , that does not fall within the meaning of having a liquid market in accordance with MiFIR Article 2(1)(17)
Illiquid securities	Illiquid equity securities and/or illiquid non-equity securities

Term	Definition
investment firm	any legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis as defined in MIFID II Article 4(1)
ISIN code	the International Securities Identification Number allocated to a Aquis Stock Exchange security
issuer	the issuer of a Aquis Stock Exchange security
large in scale	an order which is equal to or larger than the minimum size of orders provided for in MiFIR and reflected in the parameters
liquid equity security	an equity security that falls within the meaning of a liquid market in accordance with MiFIR Article 2(1)(17) as determined using reference data from ESMA, as applied in the UK.
mandatory quote period (MQP)	the normal trading hours of the home market for each Aquis Stock Exchange security . Where Aquis Stock Exchange is the home market , the mandatory quote period shall be 08:00-16:30 UK time
market confidential information	the meaning given in Chapter 1 of these rules
market condition or market condition message	as defined in rules 5.16-5.17
market maker	a member that is authorised to provide the investment service of dealing on own account and has been permitted by Aquis Stock Exchange to undertake the functions of a market maker in accordance with Chapter 3
market making activities	the activities of a market maker where it deals as principal in an AQSE Security in any of the following capacities: <ul style="list-style-type: none"> i) by posting firm, simultaneous two-way quotes of comparable size and at competitive prices, with the result of providing liquidity on a regular and ongoing basis to the market; ii) as part of its usual business, by fulfilling orders initiated by clients or in response to clients' requests to trade; iii) by hedging positions arising from the fulfilment of tasks under points (i) and (ii)
market notice	any notice promulgated, published or disseminated by or with the approval of Aquis Stock Exchange
market making agreement	the agreement entered into between a member and Aquis Stock Exchange pursuant to which the member agrees to act as a market maker in relation to certain securities

Term	Definition
market making strategy	a market maker that engages in algorithmic trading shall be considered to be pursuing a market making strategy when its strategy, when dealing on own account, involves posting firm, simultaneous two-way quotes of comparable size and at competitive prices relating to one or more financial instruments on Aquis Stock Exchange with the result of providing liquidity on a regular and frequent basis to the overall market
market principles	principles of conduct and fair dealing set out in Chapter 1
market segment	AQSE Main Market, AQSE Growth Market, or AQSE Trading as defined on the Aquis Stock Exchange website: www.nexexchange.com
matched principle trading	a trade where a member interposes itself between the buyer and the seller in such a way that the member is never exposed to market risk throughout the execution, with both sides executed simultaneously and the trade is concluded at a price where the member makes no profit or loss, other than a previously disclosed commission, fee, or charge, for the trade
maximum spread	the maximum difference allowed by Aquis Stock Exchange between the bid price and offer price of a market maker as provided for in the parameters
member	an investment firm which has been admitted to membership of Aquis Stock Exchange , having the right to connect and submit data to Aquis Stock Exchange , and shall so far as applicable include an applicant for membership of Aquis Stock Exchange
member state	a member state of the European Union from time to time
MIFID	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, as applied in the UK
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments, as applied in the UK
MIFIR	Commission Regulation (EC) No 600/2014 of 15 May 2014 implementing MIFID II, as applied in the UK.
MTF (Multilateral Trading Facility)	a multilateral system, operated by an investment firm or a market operator, as defined in article 4.1 (22) of MiFID II
negotiated trade	a trade on the Aquis Stock Exchange that is between: <ul style="list-style-type: none"> a) two members of Aquis Stock Exchange involved in any of the following capacities: <ul style="list-style-type: none"> i) one is dealing on own account when the other is acting on behalf of a client; ii) both are dealing on own account; iii) both are acting on behalf of a client. b) one member of Aquis Stock Exchange acting in the capacity of either of the following:

Term	Definition
	<ul style="list-style-type: none"> i) acting on behalf of both the buyer and the seller; (e.g. a cross trade) ii) dealing on own account against a client order. <p>and on terms which:</p> <ul style="list-style-type: none"> a) in respect of a liquid equity security, is within the best bid offer spread at the time of the trade, subject to the volume cap; b) in respect of an illiquid equity security and where there is no spread on the quote book at the time of the trade, is within a percentage of a suitable reference price as set out in the parameters, or the price is reasonable taking in to account the market conditions at the time of the trade: or c) in respect of an equity security is subject to conditions other than the current market price.
offer price	the price at which a market maker is prepared to sell shares
on-Exchange or on-Exchange trade	a trade in a Aquis Stock Exchange security that satisfies the criteria set out in rules 3.1-3.2
optional quote period	the period following the end of the MQP during which market makers may elect to but are not required to remain open in Aquis Stock Exchange securities, with said quotes being firm to an enquiring member except to another registered market maker in the Aquis Stock Exchange security that has closed its quote
parameters	a document entitled "Trading Parameters" setting out the systems and control parameters of Aquis Stock Exchange. The document is available at www.nexexchange.com .
participant	a party to an on-Exchange trade reported to Aquis Stock Exchange that is an investment firm but is not a member
person	an individual, corporation, partnership, association, Trust or other entity as the context admits or requires
portfolio trade	a trade in more than one Aquis Stock Exchange security where those Aquis Stock Exchange securities are grouped and traded as a single lot against a specific reference price
put through	where a member acting as agent or principal simultaneously buys from and sells to a market maker a given quantity of a security at the same price and on the same terms
recognised BIC code	a bank identification code which identifies a member or a participant
regulated activity	an activity of the kind contemplated by section 22 and Schedule 2 of FSMA
regulated market	a market for financial instruments as defined in article 4.1 (21) of MiFID II

Term	Definition
Regulatory Information Service	a Regulatory Information Service that is approved by the UK competent authority as meeting the Primary Information Provider criteria and that is on the list of Regulatory Information Services maintained by the UK competent authority
RIE	an investment exchange recognised by the UK competent authority as a Recognised Investment Exchange in accordance with Part 18 of FSMA
riskless principal trade	two or more trades by which a member as principal either: <ul style="list-style-type: none"> a) simultaneously buys and sells a given quantity of a Aquis Stock Exchange security; or b) immediately allocates a Aquis Stock Exchange security which it has bought or sold as principal to a client's account pending further instructions, or to facilitate the production of an average price confirmation
roll-over trade	a set of trades, the effect of which is to postpone the final settlement of a position in a Aquis Stock Exchange security by closing an existing unsettled trade and entering into a new trade in the same Aquis Stock Exchange security , which creates a new position for settlement on a later date
rules	these rules (including appendices and schedules to them) as amended or extended from time to time, and any market notice issued in accordance with these rules
settlement agent	any person providing services relating to the settlement of trades in Aquis Stock Exchange securities
settlement direction	the procedure set out in rules 6.8 to 6.14 to require a member to settle its trades
settlement facility	a facility with rules and practices relating to clearing and settlement of securities which is overseen or supervised by a central bank or other supervisory body with respect to the provision of clearing and settlement services, and such facility has: <ul style="list-style-type: none"> a) arrangements in making deliveries and payments, in all relevant jurisdictions; b) procedures to detect and deal with the failure of a member to settle in accordance with its rules; c) arrangements for matching trades and ensuring the parties are in agreement about trade details; d) arrangements to take action to settle a trade if a member does not settle in accordance with its rules; and e) arrangements to monitor its member settlement performance.

Term	Definition
short sale	<p>any sale of an AQSE Security which the seller does not own at the time of entering into the agreement to sell, including such a sale where at the time of entering into the agreement to sell, the seller has borrowed or agreed to borrow the AQSE Security for delivery at settlement, not including:</p> <ul style="list-style-type: none"> i) a sale by either party under a repurchase agreement where one party has agreed to sell the other an AQSE Security at a specified price with a commitment from the other party to sell the AQSE Security back at a later date at another specified price, ii) a transfer of an AQSE Security under a securities lending agreement, or iii) entry into a futures contract or other derivative contract where it is agreed to sell an AQSE Security at a specified price at a future date
standard settlement	the standard settlement cycle prescribed by the settlement facility selected for the settlement of a trade.
subsidiary	as defined in section 1159 of the Companies Act 2006
subject to conditions other than the current market price	<p>a negotiated trade in an equity security that is subject to conditionals other than the current market price of the equity security where any of the following circumstances apply:</p> <ul style="list-style-type: none"> a) the transaction is part of a portfolio trade, being transactions in five or more different financial instruments where those transactions are traded at the same time by the same client and as a single lot against a specific reference price; b) the transaction is executed by a management company as defined in Article 2(1)(b) of Directive 2009/65/EC or an alternative investment fund manager as defined in Article 4(1)(b) of Directive 2011/61/EU which transfers the beneficial ownership of financial instruments from one collective investment undertaking to another and where no investment firm is a party to the transaction; c) the transaction results in the delivery of financial instruments in the context of the exercise of convertible bonds, options, covered warrants or other similar financial derivative; d) the transaction is a securities financing transaction; e) the transaction is carried out under the rules or procedures of a trading venue, a CCP or a central securities depository to effect buy-in of unsettled transactions in accordance with Regulation (EU) No 909/2014;
SYSC	the part of the FCA Handbook in High Level Standards which has the title Senior Management Arrangements, Systems and Controls.
systematic internaliser	an investment firm which, on an organised, frequent and systematic basis, deals on own account by executing client orders outside a regulated market or MTF as further defined by Article 4(1)(20) of MiFID II and delegated legislation
takeover panel	the Panel on Takeovers and Mergers

Term	Definition
trade report	a report to Aquis Stock Exchange by a member in such form as Aquis Stock Exchange may specify of the details of a trade effected on Aquis Stock Exchange which Aquis Stock Exchange may publish, subject to the criteria set out in these rules
trade reporting period	the period each day between 07:15 hours and 17:15 hours when Aquis Stock Exchange will accept trade reports
Union	the European Union
unique trade identifier	a unique reference assigned to a trade in Aquis Stock Exchange securities by the reporting member
UK competent authority	the authority designated by the UK in accordance with Article 48 of MiFID including any successors to the Financial Conduct Authority
UKLA	the United Kingdom Listing Authority
user account	a specific user account for a member that may be used to segregate the member's business
volume cap	in respect of a liquid equity security , a cap equal to: <ul style="list-style-type: none"> a) the percentage of trading in the liquid equity security carried out on a Aquis Stock Exchange market of no more than 4% of the total volume of trading in the liquid equity security across all trading venues across the Union over the previous 12 months; and b) overall Union trading in the liquid equity security being no more than 8% of the total volume of trading in that liquid equity security on all trading venues across the Union over the previous 12 months.

CHAPTER 1:

SCOPE AND MARKET PRINCIPLES

Scope

These **rules** apply to trading of all securities on **Aquis Stock Exchange**. Securities on **Aquis Stock Exchange** may be traded on:

- a. the **AQSE Growth Market**: where an unlisted security is admitted to trading on the **AQSE Growth Market** and traded on an MTF operated by **Aquis Stock Exchange**;
- b. the **AQSE Main Market**: where a security is admitted to the Official List of the **UKLA** and traded on the **Aquis Stock Exchange regulated market**; or
- c. **AQSE Trading**: where a security is admitted to trading on an EU- **regulated market** or admitted to trading on **AIM** and traded on an MTF operated by **Aquis Stock Exchange**.

Market Principles

As an **RIE**, **Aquis Stock Exchange** has a regulatory obligation to ensure that its **rules** allow for business conducted by means of its facilities to be conducted in an orderly manner so as to afford proper protection to investors in **AQSE Securities**. In accordance with this objective, **Aquis Stock Exchange** will always seek to maintain a fair and orderly market in **AQSE Securities** and ensure that its facilities are not used for any improper purpose.

To meet the objective described above, **Aquis Stock Exchange** has adopted the **market principles** set out in this Chapter, to which **members** are required to have proper regard in relation to all **on-Exchange trades**. **Members** must ensure that their staff always abide by the **market principles**.

Use of the facilities of Aquis Stock Exchange

The First Principle

A **member** must observe a proper standard of market conduct in relation to its use of the facilities of **Aquis Stock Exchange**. In particular, a **member** must not:

- a. undertake any action or course of conduct which creates or is likely to create a false or misleading impression as to the market in, or the price or value of, an **AQSE Security**;
- b. cause the creation of, or enter into, any artificial trade relating to an **AQSE Security**;
- c. input or report, or cause to be inputted or reported, any fictitious trade or false price to any **Aquis Stock Exchange** system;
- d. cause or do any act or engage in any course of conduct the sole or main intention of which is to move the price of an **AQSE Security** or the level of any index of which an **AQSE Security** is a constituent;
- e. effect a trade at a price that differs to a manifestly unreasonable extent from any **firm quote** displayed or published by **Aquis Stock Exchange**;
- f. do any act or engage in any course of conduct which is likely to damage the fairness, reputation or integrity of **Aquis Stock Exchange**;
- g. do any act or engage in any course of conduct (or refrain from acting or engaging in any course of conduct) that causes or contributes to a breach of the **rules** by the **member** or another;
- h. do any act or engage in any course of conduct (or refrain from acting or engaging in any course of conduct) which is likely to breach the **Code of Market Conduct** or any other applicable regulatory requirement or to cause or assist another to so do; or
- i. use **Aquis Stock Exchange** for an improper purpose.

Guidance

Short Positions

To protect the fairness, reputation and integrity of **Aquis Stock Exchange**, **members** must ensure that they have a viable settlement plan in place in relation to all positions they take in **Aquis Stock Exchange Securities** (both in an agency and principal capacity). In particular, **members** should have regard to the nature of the **AQSE Security** in question, and to prevailing **market conditions**, before taking significant short positions.

Roll-Over Trading

The use of **roll-over trades** as a trading strategy could in some circumstances create a misleading impression of the volume of **client** order flow in **AQSE Securities**. While the use of **roll-over trades** may be justified in isolated cases, their sustained or persistent use is likely to breach paragraph (a) above, even if not intended to have that effect. This is especially the case in less liquid **AQSE Securities**.

The Second Principle

A **member** must exercise due care, skill and diligence in relation to its use of the facilities of **Aquis Stock Exchange**. In particular, a **member** must take all reasonable steps:

- a. to ensure that all quote and trade data submitted to **Aquis Stock Exchange** in accordance with the **rules** is accurate, complete and timely;
- b. to ensure that errors in reported data are corrected as soon as possible; and
- c. to avoid the duplication of reported data.

Dealings with members or participants of Aquis Stock Exchange

The Third Principle

A **member** must act honestly, fairly and professionally in relation to the conclusion of **on-Exchange trades** with **members** or **participants** of **Aquis Stock Exchange**.

Dealings on behalf of clients

The Fourth Principle

A **member** must comply with all rules and regulatory obligations imposed by its **home competent authority** (or equivalent third country regulator) owed to **clients** in relation to the conclusion of **on-Exchange trades** on their behalf. A **member** shall at all times act in the best interests of its **clients** and, where applicable, operate arrangements for the prompt, fair and expeditious execution of **client** orders.

Guidance

Members authorised by the **UK competent authority** should pay particular attention to the requirements of **COBS** insofar as relevant to their activities on **Aquis Stock Exchange**.

Dealings with regulatory authorities

The Fifth Principle

A **member** must deal with **Aquis Stock Exchange**, its **home competent authority** and any other regulatory authority, body or agency with oversight of the **member** in an open and co-operative manner.

Trades in AQSE Growth Market Securities

The Sixth Principle

Where a **member** elects that a trade in a **AQSE Growth Market Security** will be affected on an alternative execution or reporting venue, it must ensure that the trade is effected under the rules of a venue that applies standards of pre- and post- trade transparency which are no less exacting than the requirements of **MiFID** and that has satisfied its **home competent authority** that it is able to maintain an orderly market.

Guidance

The alternative execution or reporting venue must apply pre-trade and post-trade transparency arrangements which are equivalent to the arrangements required for a **regulated market** or **MTF** accepting trades in **regulated market** shares.

Confidentiality

All information given by a **member** to **Aquis Stock Exchange** in accordance with these **rules** other than where submitted for onward dissemination shall (unless already in the public domain otherwise than through the fault of **Aquis Stock Exchange**) be treated as confidential (“**market confidential information**”).

For the purposes of these **rules**, **market confidential information** includes any information relating to any **member** and its affairs, any information relating to any **clients** of any **member** and any information furnished to **Aquis Stock Exchange** in accordance with these **rules**, including any information which may be obtained by **Aquis Stock Exchange** as a result of any enquiry or investigation made in accordance with these **rules**.

All **market confidential information** shall be received by **Aquis Stock Exchange** in confidence and used only for the performance of its regulatory responsibilities as an **RIE**. **Aquis Stock Exchange** shall not disclose any **market confidential information** to any third party unless such disclosure is:

- a. expressly permitted in writing in advance by the **member**, or other **person** who has provided the **market confidential information** concerned, and, if different, the **person** to whom it relates;
- b. necessary to co-operate with any authority, body or **person** having responsibility for the supervision of regulated activities in the UK or elsewhere discharging a similar function (including other Recognised Bodies); or
- c. Otherwise required or permitted by law or for **Aquis Stock Exchange** to initiate, maintain or defend legal proceedings in court.

Amendments to the rules

These **rules** may be altered, amended or extended at any time by **Aquis Stock Exchange** by **market notice**, subject to such conditions as may be prescribed by such **market notice** and in accordance with the responsibilities placed on **RIEs** with regard to consultation with its users.

Regulatory functions of Aquis Stock Exchange

Aquis Stock Exchange shall not be liable in damages for anything done or omitted to be done in the performance of its obligations as an **RIE**, including any obligation to which it is subject under these **rules**, unless it is shown that the act or omission in question was taken in bad faith.

CHAPTER 2: MEMBERSHIP

Applications to be a member

General

- 2.1 Application may be made to join **Aquis Stock Exchange** as a **member**. **Members** can carry out the activities of a **broker** and/ or of a **market maker**. The approval of applications to be a **member** shall be at the discretion of **Aquis Stock Exchange**.

Suitability

- 2.2 A **member** firm must be an **investment firm** within a **member state** and duly authorised for the performance of the activities undertaken on Aquis Stock Exchange as a **member**.

Application procedure

- 2.3 Each applicant for membership will be required to submit a completed **Aquis Stock Exchange** membership application form, and a business profile, comprising a description of the activities which the applicant wishes to perform on **Aquis Stock Exchange**.
- 2.4 These activities may include acting as a **market maker** (with full quote entry and trade reporting capability) and/ or a **broker**.
- 2.5 The permitted activities of a **broker** include the conclusion of **on-Exchange trades** in all **AQSE Securities** (whether on its own account or on behalf of a **client**) and the submission of **trade reports** where it has trade reporting responsibility in cases where a **market maker** does not participate in a particular trade.
- 2.6 An **investment firm** does not have the right to submit quotes or **trade reports** to **Aquis Stock Exchange** unless it has received the prior approval of **Aquis Stock Exchange** in relation to its activities as a **member**.
- 2.7 As part of the membership application process an assessment of technical readiness will be performed to confirm that an applicant has established a network connection to the **Aquis Stock Exchange** trading platform for the submission of quotes and/or **trade reports**.

Guidance

Aquis Stock Exchange may at its discretion dispense with the requirement for a **broker** to establish and maintain a network connection to the **Aquis Stock Exchange** trading platform if a particular applicant or **broker's** activities comprise submitting trade reports on trades with no market maker participation on an infrequent basis provided always that any **trade reports** submitting by such broker are done so in accordance with these rules.

A **member** must inform **Aquis Stock Exchange** if it wishes to amend its business profile in relation to its activities on **Aquis Stock Exchange** at any time.

- 2.8 Where a **member** merges with, or is taken over by, a non-member, **Aquis Stock Exchange** reserves the right to request the **member** to submit a new membership application if there is a material change in the controllers, partners or directors of the **investment firm** concerned or in its business activities.

Controls to prevent submission of erroneous quotes and trade reports to Aquis Stock Exchange

- 2.9 A **member** should have sufficient management systems, procedures and controls designed to prevent the submission of erroneous quotes or **trade reports** to **Aquis Stock Exchange** and avoid contribution to or creating disorderly trading conditions, including, but not limited to:
- adequate pre-trade controls on price, volume and value of quotes and usage of the Aquis Stock Exchange trading system and post-trade controls on its trading activities;
 - sufficiently qualified staff in key positions
 - technical and functional conformance testing;
 - policy for the use of kill functionality; and
 - provisions as to whether clients of the member have direct electronic access to the Aquis Stock Exchange trading system, and if so, appropriate conditions in respect of such access.

Guidance

In assessing the adequacy of its arrangements, a **member** will need to evidence the provision of adequate controls, systems, alerts and testing which may include some, or all, of the following:

- adequate pre-trade controls on price, volume and value of orders and usage of the Aquis Stock Exchange trading system;
- the **member's** controls to ensure that any alerts generated are responded to promptly and appropriately
- technical and functional conformance testing;
- the ability of those dealing with quote entry or **trade reporting** to override an alert;
- policy on the use of kill functionality;
- the training, education and guidance provided by the **member** to its **employees** dealing with the submission of quotes or **trade reports**;
- the access controls over quote entry or trade reporting applied by the **member**;
- where applicable, certification that any algorithms deployed by the member have been tested to avoid contribution to or creating disorderly trading conditions prior to their deployment or substantial update; and
- provisions on whether direct electronic access is given to its clients, and if so, the due diligence undertaken and conditions applicable to those clients.

Direct Electronic Access

2.10 A **member** must undertake due diligence on any client it allows **direct electronic access** to **Aquis Stock Exchange** to assess the suitability of any such client.

Guidance

Due diligence undertaken by a **member** on any client it allows or may allow **direct electronic access** shall include:

- the governance and ownership structure of the client;
- the types of strategies to be undertaken by the client;
- the operational set-up, the systems, the pre-trade and post-trade controls and the real-time monitoring of the client;
- the responsibilities within the client for dealing with actions and errors;
- the historical trading pattern and behaviour of the client;
- the level of expected trading and order volume of the client;
- the ability of the client to meet its financial obligations to the member;
- the disciplinary history of the client, where available.

Member's must review their client due diligence processes annually, including an annual risk-based reassessment of the adequacy of its clients' systems and controls, in particular taking into account changes to the scale, nature or complexity of their trading activities or strategies, changes to their staffing, ownership structure, trading or bank account, regulatory status, and financial position.

Determination of application

2.11 **Aquis Stock Exchange** may:

- a. grant an application;
- b. reject an application; or
- c. grant an application subject to such conditions as it considers appropriate and shall, as soon as reasonably practical after reaching a decision, give the applicant written notice of that decision and, in the case of the grant of an application, issue a **market notice** of the applicant's admission as a **member**.

2.12 If **Aquis Stock Exchange** grants an application subject to conditions, it shall include in the notice of its decision the grounds on which **Aquis Stock Exchange** has reached its decision.

Continuing obligations of members

- 2.13 A **member** must at all times comply with the membership requirements contained in Chapter 2, and in particular it is a condition of membership that the **member** must, on a continuing basis, remain authorised by its **home competent authority** (or equivalent third country regulator) for the performance of each of the investment activities contemplated by its business profile.
- 2.14 Where **Aquis Stock Exchange** reasonably considers that a **member** is no longer complying with any requirement of membership, has contravened the **rules**, or is no longer fit and proper to retain its membership, **Aquis Stock Exchange** may take action in accordance with the **disciplinary procedures**.

Voice-recording

- 2.15 A **market maker** shall use and maintain voice-recording equipment and keep recordings in respect of its market making activities for a period of at least six months.

Notification requirements

- 2.16 A **member** must notify **Aquis Stock Exchange** as soon as possible of any proposed change in:
- a. its name and/ or legal status;
 - b. any business name under which it carries on business on the **Aquis Stock Exchange** market;
 - c. the address of its head office or registered office;
 - d. one or both of the two principal contacts available to respond promptly to regulatory enquires and to receive **market notices** and communications;
 - e. the **recognised BIC codes** to be used in relation to business conducted on **Aquis Stock Exchange**; or
 - f. its provision or use of settlement or clearing arrangements, including details of the settlement codes that the **member** or any agent acting on its behalf will be using in relation to trades on **Aquis Stock Exchange**, or any change in the settlement system to which a code relates.

Intervention action

- 2.17 A **member** must notify **Aquis Stock Exchange** immediately in the event of:
- a. significant financial difficulties which threaten or may threaten the continued viability of the **member** or any company in the same **group**; or
 - b. any intervention action (including any disciplinary proceedings whether actual, pending or threatened) by its **home competent authority** (or equivalent third country regulator) which affects, or is likely to affect, its **entitlement** or ability to perform the investment activities set out in its business profile.

Market Making Agreements – Algorithmic Trading

- 2.18 A **market maker** that engages in **algorithmic trading** to pursue a **market making strategy** must enter into a **market marking agreement** with **Aquis Stock Exchange**. The **market making agreement** shall apply to all relevant **AQSE Securities** in which the market maker engages in a **market making strategy**.
- 2.19 A **market maker** that is subject to a **market making agreement** may notify **Aquis Stock Exchange** of its intention to cease pursuing a **market marking strategy** and of its intention to exit from the **market making agreement** in one or more instruments.

Sums due to Aquis Stock Exchange

- 2.20 A **member** must pay such fees as **Aquis Stock Exchange** may from time to time specify in relation to its membership status as and when such fees fall due.

Suspension, withdrawal and resignation of membership

- 2.21 In the event that a **member** no longer complies with any requirement of membership, is no longer fit and proper to retain its membership, or may impair the integrity of the market, **Aquis Stock Exchange** may impose on that **member** such requirements or restrictions on the activities of that **member** as **Aquis Stock Exchange** may in its discretion consider appropriate.
- 2.22 In addition, **Aquis Stock Exchange** may:
- a. suspend or withdraw the membership of the **member** concerned; or
 - b. suspend a particular **user accounts** of the **member**.
- 2.23 The **member** will be notified in writing of any action taken or proposed to be taken by **Aquis Stock Exchange** in accordance with this rule and the **member** concerned may initiate a challenge or appeal in accordance with the **disciplinary procedures** within ten **business days** of being notified of the decision of **Aquis Stock Exchange**.
- 2.24 **Aquis Stock Exchange** may publish details of such action taken by **market notice**.
- 2.25 A **member** may, with the agreement of **Aquis Stock Exchange**, resign its **membership** by giving not less than three months' prior written notice.
- 2.26 **Aquis Stock Exchange** may:
- a. waive all or part of the notice period;
 - b. postpone the effective date of resignation; or
 - c. impose such other measures that it considers necessary for the protection of investors who may be **clients** of the **member**.
- 2.27 A **member** must supply **Aquis Stock Exchange** with such information concerning the circumstances of the resignation as is, in the opinion of **Aquis Stock Exchange**, necessary for it to determine whether to exercise its powers under this rule.
- 2.28 **Aquis Stock Exchange** may, in its discretion, refuse to accept a notice of resignation given by a **member**, or reject such a notice after it has been given but before it takes effect, if such action is considered necessary to safeguard the orderly operation of **Aquis Stock Exchange** (in particular, pending settlement of any unsettled market positions in respect of **Aquis Stock Exchange securities**).

Continuing obligations of members after cessation of membership

- 2.29 Any **member** ceasing to be a **member** (a "**former member**") shall remain responsible for its conduct whilst a **member** and subject to the **rules** for a period of twelve months following the date on which its **membership** ceased.
- 2.30 However, if **Aquis Stock Exchange** commences an investigation into any fact or matter relating to the **former member** or commences disciplinary proceedings against the **former member** during this 12-month period, the **former member** will remain subject to the **rules** until such investigation or disciplinary proceedings have been concluded.

Non-EU members

- 2.31 In determining whether an applicant not ordinarily resident and located within a **member state** is fit and proper to be admitted to **membership**, **Aquis Stock Exchange** will take into account such matters as it considers appropriate, including:
- a. the financial and business standing of the applicant;
 - b. whether the applicant has one or more **employees** competent to undertake the role of compliance officer, which role must include being responsible for advising the **member** and its **employees** on the application of the **rules** to that **member**, and responsible for monitoring its ongoing compliance with the **rules**;

- c. whether the applicant has one or more **employees** who are competent to undertake the functions of a money-laundering reporting officer (as defined in the **FCA Handbook**);
- d. whether the applicant has one or more **employees** who can demonstrate to the satisfaction of **Aquis Stock Exchange** that they have adequate knowledge and experience of the practices, procedures and customs of **Aquis Stock Exchange** appropriate to the applicant's proposed business profile and that the applicant has in place adequate arrangements for dealing with the absence or incapacity of any such **employees**;
- e. the applicant's arrangements with respect to the retention of trade data; and
- f. whether the applicant has in place internal systems and procedures appropriate to its proposed activities as contemplated in its business profile (see rule 2.3) including, but not limited to, meeting the obligations of an investment firm under **MiFID II** and is duly authorised as such.

2.32 **Aquis Stock Exchange** may also require **employees** or controllers of an applicant not ordinarily resident and located within a **member state** to attend one or more interviews with **Aquis Stock Exchange** or may require the applicant to produce such evidence as **Aquis Stock Exchange** may reasonably require to verify any information provided by it.

2.33 By making an application to be a **member**, an applicant authorises **Aquis Stock Exchange**, its **employees** and its advisers to make enquiries concerning the applicant, its **employees** and controllers and to obtain information from, and pass information to, any authority, body or **person** having responsibility for the supervision of regulated activities or other financial services or for law enforcement, whether in the United Kingdom or elsewhere.

CHAPTER 3:

TRADING RULES OF AQUIS STOCK EXCHANGE

On-Exchange trade

- 3.1 An **on-Exchange trade** is a trade in an **AQSE Security** or a **AQSE Trading Security** where at least one party to the trade is a **member** (whether acting as principal or agent) and the parties agree that the trade will be conducted subject to, and in accordance with, the **rules**.

Guidance

Agreement between the parties that a trade will be **on-Exchange** may relate to specific trade(s) or be general in nature.

In accordance with Chapter 4 of the **rules**, an **on-Exchange trade** must be reported to **Aquis Stock Exchange**. A trade may only be considered **on-Exchange** when reported and such report has been accepted by **Aquis Stock Exchange**.

- 3.2 A trade may be brought **on-Exchange** where:
- the **member** is a registered **market maker** in that security and has fulfilled its obligations;
 - the trade is **large in scale** in **equity securities**;
 - the trade is a **negotiated trade** in **equity securities**;

Trading day

- 3.3 The trading day consists of:
- an **indicative quote period** prior to the **MQP** during which **market makers** may display **indicative** quotes;
 - a **mandatory quote period (MQP)** during which, subject to rules 3.6-3.8, **market makers** must submit continuous **firm** two-way prices; and
 - an **optional quote period** after the end of the **MQP** during which **market makers** may elect to continue to quote. Subject to rule 3.10 such quotes will be **firm**.
- 3.4 The times for the above periods will be communicated by means of **market notice** from time to time.

Quote obligations of market makers

Provision of firm two-way prices during the MQP

- 3.5 A **market maker** must submit to **Aquis Stock Exchange** two-way prices in not less than the **EMS** for the **AQSE Security** in which it is registered during the **MQP** for any **business day** where the **home market** is open (and which is not a **UK bank holiday**). These prices shall be **firm** in accordance with rule 3.15.
- 3.6 On **business days** where the **home market** is closed a **market maker** may elect whether or not to submit quotes but if the **market maker** elects to do so the quotes will be **firm**.
- 3.7 On **business days** where the **home market** is open that are **UK bank holidays** a **market maker** may elect whether or not to submit quotes but if the **market maker** elects to do so the quotes will be **firm**.

Obligations during a trading halt on the **home market**

- 3.8 Where automatic execution is halted in an **AQSE Security** which is traded on the **home market's** order book, a **market maker** may elect to remain open or close its quotes for the duration of the trading halt. Where the **market maker** elects to remain open its quotes will be **firm**.

Guidance

The provisions of rule 3.8 apply during an intra-day or end of day auction on an order book on the **home market**.

Obligations outside of the MQP

- 3.9 Where a **market maker** displays prices between the start of the **trade reporting period** and the start of the **MQP** these prices will be **indicative**.
- 3.10 Where a **market maker** elects to remain open following the end of the **MQP**, the **market maker** shall quote two-way prices in not less than the **EMS** and that quotation is **firm** to a **member** except to another **market maker** registered in the **AQSE Security** which has closed its quotation.

Maximum spread and tick size

- 3.11 A **market maker** may only submit a price on **Aquis Stock Exchange** within the applicable **maximum spread**.
- 3.12 **Aquis Stock Exchange** may suspend the application of the **maximum spread** in either all or specified **AQSE Securities** from time to time.
- 3.13 A **market maker** may only quote within the relevant tick size as set out in the **parameters**.

Timely correction of incorrect quotes

- 3.14 If a **market maker** becomes aware that it has submitted an incorrect quote in an **AQSE Security** to **Aquis Stock Exchange**, it must immediately submit a corrected quote to **Aquis Stock Exchange**.

Dealing obligations

Dealing at displayed price and size

- 3.15 A **market maker** must, upon enquiry, actively offer to buy from and sell to a **member** that is not a registered **market maker** in the **AQSE Security** at a price and size that is at the displayed price and size of the **market maker** or the **EMS**, whichever is larger, subject to rules 3.20 and 3.21 and must deal at that price and size if the **member** accepts the offer.
- 3.16 **Market makers** may interact with **brokers** through complementary dealing services in order to conclude **on-Exchange trades**, subject to compliance with all other obligations under the **rules** (including the submission of **trade reports** to **Aquis Stock Exchange**).

Guidance

Complementary dealing services include request-for-quote and other electronic dealing services.

One call one stock

- 3.17 Unless otherwise agreed, and subject to rule 3.19, a **market maker** is only obliged to provide a quote for and/or execute one trade in a single telephone call from a **member**.

"Dealer in front/trade in progress"

- 3.18 A **market maker** shall be entitled, where it is in the course of responding to a prior quote request or effecting a trade, to declare "dealer in front" or "trade in progress" to any **member** making a quote request in the same **AQSE Security**, and to decline to give or delay giving a quote in respect of that **AQSE Security**, and shall not

be required to deal at any prices quoted until the quote request and/or trade in progress has been completed and the **market maker** has had a reasonable opportunity to update the prices at which it is prepared to issue a **firm quote**.

- 3.19 Where, in relation to any **AQSE Security**, a **market maker** declares “dealer in front” and the enquiring **member** does not effect a trade in that **AQSE Security**, the enquiring **member** is entitled to ask for a quote in a different **AQSE Security** in the same call.

Obligation to deal at price provided

- 3.20 Where the **market maker** in an **AQSE Security** gives a **member** a **firm** two-way price and size in which it is prepared to deal, the **market maker** must deal at that price up to the size quoted unless:
- a. the **member** makes a counter bid or offer; or
 - b. the **member** requests a quote in another **AQSE Security**; or
 - c. the call in which the quote request was made has been terminated.
- 3.21 Where a **market maker** agrees with a **member** that a quote is to have an extended validity (for example where the **member** wishes to “take the price out”), then the quote shall remain valid until:
- a. it is cancelled by either the **market maker** or the **member**; or
 - b. the agreed time period elapses.

Back and choice

- 3.22 A **market maker** must monitor its quotes and adjust its quotes on a timely basis in order to avoid actively contributing to **back** and **choice** prices.
- 3.23 A **market maker** which actively contributes to a **back** or **choice** shall be obliged to deal at its displayed price and size upon enquiry from a **member**, including (for this purpose only) with another **market maker** which is registered in the same **AQSE Security**. Unless a **market maker** is actively contributing to a **back** or **choice** it is not obliged to deal at its displayed price and size for the duration of the **back** or **choice**.
- 3.24 Where during the **MQP** a **choice** or **back** persists for longer than is reasonable taking into account the liquidity of the **AQSE Security** (but in any event for 5 minutes or more), **Aquis Stock Exchange** may require a **market maker** which is actively contributing to such price to update its quote or close its quote.

Guidance

A **market maker** may actively contribute to a **back** or **choice** by changing its prices or passively by failing to change its quote in response to a moving market within a reasonable period of time.

Obligation to deal with another registered market maker

- 3.25 Where a **market maker** registered in an **AQSE Security**, who has not caused a **back** or **choice** contacts another **market maker** also registered in that **Aquis Stock Exchange security**, the **market maker** approached must effect a trade with the enquiring **market maker** at the approached **market maker**'s displayed price and in up to the **EMS** where the enquiring **market maker**:
- a. wishes to sell the **AQSE Security**, and it is displaying a lower **bid price** and a lower **offer price** than the **market maker** approached; or
 - b. wishes to buy the **AQSE Security**, and it is displaying a higher **bid price** and a higher **offer price** than the **market maker** approached.
- 3.26 Where a **market maker** changes its quotation to create a new **best bid** or **best offer** within 5 minutes of the end of the **business day**, it shall either:
- a. remain open for at least 5 minutes after that change; or

- b. if it closes its quotation, it must be prepared to deal at the new price and size upon enquiry if called upon to do so. This obligation remains until the **market maker** has dealt at the new price and size or until five minutes has elapsed since it changed its price, if sooner.

Pending client orders

- 3.27 A **market maker** which does not complete business disclosed to it by a **member** must not act in a way likely to prejudice the completion of that business with other **market makers**. In particular, for a period of 3 minutes (or other period agreed in advance by the **market maker** and **member**, which may be less than three minutes (“the restricted period”)), it must not attempt to deal with another **market maker** in that **AQSE Security**.

Guidance

In certain circumstances, a period of less than 3 minutes might be appropriate and is allowed provided both parties agree. For example, where given the liquidity of the **AQSE Security** or the proportion of the **client** order which remains outstanding, the **broker** could reasonably be expected to complete its business in a shorter timescale.

- 3.28 If, where rule 3.27 applies and the **market maker** is or becomes the sole **best bid** or **best offer** during the period referred to in rule 3.27, the **market maker** must immediately change its displayed price and may not thereafter declare “dealer in front” in accordance with rule 3.18.

Guidance

If the **market maker** changes its displayed price to comply with rule 3.28 and by maintaining the same spread creates a new best price on the opposite side of the touch the **market maker** is not required to widen its spread to avoid this outcome.

- 3.29 During the restricted period specified in **rule 3.27**, a **market maker** may change its quote, provided that in doing so it does not alter the **best bid** or **best offer** being displayed in the **AQSE Security**, either by it or another **market maker**.
- 3.30 If the **market maker** is maintaining its quote during the restricted period specified in rule 3.27 and is challenged by another **member**, it may elect to deal at its displayed price or declare “dealer in front” and quote a revised price over the telephone.
- 3.31 The restrictions on the **market maker** set out in **rule 3.27** shall not apply where during the restricted period:
- the **market maker** has dealt at a revised price having declared “dealer in front” in accordance with rule 3.18; or
 - a competing **market maker** creates a new **best bid** or **best offer** in that **AQSE Security**, which may include a **choice** or a **back**; or
 - the **market maker** is informed by the enquiring **member** that it has completed the order; or
 - Aquis Stock Exchange** has issued a **market condition message** to this effect.

Portfolio trades

- 3.32 **Trade reports** must be submitted for **portfolio trades** in accordance with rules 4.12-4.13.
- 3.33 The **client** must be notified of any discount or premium applied.

Short selling

- 3.34 A **member** must not carry out a **short sale** of an **Apex Security** or any other transaction which creates, or relates to, a financial instrument and the effect or one of the effects of that transaction is to confer a financial advantage on the natural or legal person in the event of a decrease in the price or value of an **Apex Security**.
- 3.35 **Rule 3.34** shall not apply to **market making activities**.

CHAPTER 4: TRADE REPORTING

Introduction

- 41 This Chapter sets out the obligation of **members** to provide **trade reports** to **Aquis Stock Exchange** in respect of all business transacted **on-Exchange**. The **rules** in this Chapter cover **members'** obligations, the party responsible for reporting, what must be reported, the deadline for reporting and the method. They also contain provisions on the way in which **trade reports** may be cancelled or amended and the publication arrangements for the **trade report** data.

Requirement to trade report

- 42 All **on-Exchange trades** entered into by a **member** must be reported to **Aquis Stock Exchange** in the form of a **trade report** in accordance with the **rules**.
- 43 For the purposes of these trade reporting **rules**, the trade is executed as soon as the terms of the trade with regard to the price and volume are agreed between the buyer and the seller.

Guidance

In the case of a trade that includes multiple legs and an agreement on the terms of each of the legs is a pre-condition to the execution of the trade, the trade is executed when all the legs have been put in place and agreed.

Responsibility for trade reporting: market maker participation

- 44 The following **rules** must be applied to determine the **member** responsible for submitting a **trade report** to **Aquis Stock Exchange**:
- where a trade is executed with or by a **market maker** in respect of an **AQSE Security**, it is the responsibility of the **market maker** to **trade report** to **Aquis Stock Exchange**; and
 - where a trade is executed between two **market makers** in respect of an **AQSE Security**, it is the responsibility of the selling **market maker** to **trade report**.

Guidance

A **member** which is registered as a **market maker** in one or more **AQSE Securities** under these **rules** will be treated as a **market maker** in all **AQSE Securities** for the purposes of determining its **trade reporting** responsibilities under this chapter.

Responsibility for trade reporting: no **market maker** participation

- 45 Where a trade is not executed with or by a **market maker**, the following rules must be applied to determine the **member** responsible for submitting a **trade report** to **Aquis Stock Exchange**:
- for a trade between **members**, the selling **member** must **trade report**; or
 - for a trade between a **member** and a non-member, the **member** must **trade report**; or
 - for a trade between two **clients** via a **member** (e.g. a **cross**), the **member** must **trade report**.

Guidance

The associated guidance to rule 3.20 provides examples of the types of permissible **on-Exchange trades** where neither party is registered as a **market maker** in the **AQSE Security** concerned, which are available for both principal and agency business.

- 46 The responsibility for the submission of a **trade report** under rule 6.4(a) may be passed from the selling **member** to the buying **member** with the express prior consent of both parties.

Information required in a trade report

4.7 Each **trade report** must include the following details:

- a. the identity of the reporting **member** using its **recognised BIC code**;

Guidance

A **member** will be allocated one or more logon ids and **user accounts** to the **Aquis Stock Exchange** trading system. The specific logon used by a **member** will automatically populate its **trade reports** with the **recognised BIC code** assigned to that logon id and **user account**.

Where, within a **member's group**, the **market maker** arm and the **broker** arm have separate **recognised BIC codes**, each arm is treated separately for the purposes of establishing its trade reporting responsibilities. A **member** must ensure that the correct trading system logon is used for submitting the **trade reports** by the relevant arm within the **group**.

Where a trade is effected by a **member** which uses the facilities of a **settlement agent**, the **member** that executed the trade must submit the **trade report** in its own name and using its **recognised BIC code** and not that of the **settlement agent**.

- b. the trading day on which the trade was executed;
- c. the trading time, at which the trade was executed, reported in the local time of **Aquis Stock Exchange**;
- d. the buy/sell indicator, which identifies whether the trade was a buy or sell from the perspective of the reporting **member**;
- e. trading capacity, to identify whether the **member** executed the trade on its own account or on behalf of a **client**;
- f. instrument identification, consisting of the **ISIN code**, identifying the financial instrument which is the subject of the trade;
- g. the legal entity identifier (LEI), identifying the legal entity for which the security relates;
- h. the trading board identification.

Guidance

For each **AQSE Security**, there are multiple trading boards on the **Aquis Stock Exchange** trading system. The particular trading board to which a **trade report** is directed determines the status of the trade as to whether the **AQSE Security** is classified as "liquid" or "non-liquid" under **MiFID**, and the currency.

The boards on the **Aquis Stock Exchange** trading system for the purposes of *trade reporting* are as follows:

Board ID	Description
CCC/Aquis Stock Exchange-exl	An AQSE Security which is a "liquid share" traded <i>on-Exchange</i>
CCC/Aquis Stock Exchange-exn	An AQSE Security which is not a "liquid share" traded <i>on-Exchange</i>

Where CCC is the ISO 4217 + GBX currency code applicable to all instruments traded on this board, for example, GBP, USD, EUR, and GBX.

- i. the unit price, namely the price per **AQSE Security** excluding commission and (where relevant) accrued interest. In the case of a debt instrument, the price may be expressed either in terms of currency or as a percentage;

- j. the currency in which the price is expressed (which will be automatically populated in accordance with the currency classification of the trading board to which the **trade report** is directed);
- k. size, namely the quantity of **securities** which are the subject of the trade;
- l. the identity of the counterparty, using the **recognised BIC code** for a **member** or **participant** or “**CLIENT**” for a non-member that is not an **investment firm**;
- m. the applicable market identification code (MIC) for the Aquis Stock Exchange trading venue on which the trade occurred;
- n. a **unique trade identifier** allocated by the **member**, which must not duplicate another **unique trade identifier** previously used by the same **member** during the previous 5 trading days;
- o. the appropriate trade type indicator in accordance with rule 4.9
- p. the appropriate sub-trade type indicator, if applicable, in accordance with rule 4.9;
- q. any trade reporting conditions in accordance with rule 4.11;
- r. completion of the immediate publication field if immediate publication is desired for a trade that would otherwise be subject to deferred publication; and
- s. the settlement due date.

Trade Type indicators

- 48 Every **trade report** must carry one of the trade type indicators set out in Column A of Table 2 below and may carry one of the applicable sub trade type indicators set out in Column B of Table 2 below.
- 49 It is the responsibility of the reporting **member** to ensure that a **trade report** contains the correct trade type, and sub trade type if applicable.

TABLE 2 - TRADE TYPE AND SUB TRADE TYPE INDICATORS FOR TRADE REPORTS

Column A: Permitted Trade Types	Column B: Possible Additional Sub Trade Types
“O” trade (<i>on-Exchange ordinary trade</i>)	“M” trade (<i>market maker to market maker trade</i>) “X” trade (<i>cross trade</i>) “B” trade (<i>broker to broker trade</i>)
“N” trade (<i>on-Exchange negotiated trade</i>)	“R” trade (<i>riskless principal trade</i>) “P” Trade (<i>portfolio trade</i>)
“L” trade (<i>on-Exchange large in scale trade</i>)	n/a

Trade Types

- “O” for any *on-Exchange trade* where one or both parties are registered as a **market maker** in the **Aquis Stock Exchange security**;
- “101” for any *on-Exchange negotiated trade* in **liquid securities** (“NLIQ”)
- “102” for any *on-Exchange negotiated trade* in **illiquid securities** (“OILQ”)

“103” for any **on-Exchange negotiated trade subject to conditions other than the current market price** (“PRIC”)

“L” for an **on-Exchange trade** that is large in scale compared to normal market size

Sub Trade Types

“M” a trade between two **market makers** registered in the **AQSE Security** concerned;

“X” a trade effected as a **cross**, a **put through**, or a **riskless principal trade** at the same price and on the same terms;

“B” a trade effected between two **members** where neither **member** is registered as a **market maker** in the **AQSE Security** in question;

“R” the following trades:

- a. if reporting a **riskless principal trade** between non-**members** where the buying and selling trades are executed at different prices or on different terms (this requires a **trade report** with trade type indicator “R” for each trade); or
- b. if a **market maker** is reporting both legs of a **riskless principal trade** where the buying and selling trades are executed at different prices (this requires a **trade report** with trade type indicator “R” for each trade);

“P” a **portfolio trade**.

Trade conditions

4.10 Where the terms of a trade are inconsistent with the **market conditions** prevailing at the time of the trade, the following **trade report** conditions must be used (“SDIV”):

CD	special cum dividend	CR	special cum rights
XD	special ex dividend	XR	special ex rights
CS	cash settlement	CB	special cum bonus
SP	special price	XB	special ex bonus
GD	guaranteed delivery		
D	a trade subject to conditions other than current market price		

Trade reports for portfolio trades

4.11 A **trade report** must be submitted in accordance with rule 4.2 for every trade that is part of a **portfolio trade** and for which a **trade report** is required as soon as execution of the trade has been confirmed.

4.12 The date and time of the trade on each **trade report** must be the date and time specified in the agreement with the **client** and the trade price must be either the actual trade price or the strike price, exclusive of any discount or premium.

Average price trades and portfolio trades

4.13 If a **member** effects a series of trades in an **AQSE Security** for its **client** and strikes an average price for the purpose of rendering a confirmation to the **client**, the **member** must submit a **trade report** for each individual trade, stating the actual price of each trade. A **member** must not submit a **trade report** for the average price contract with the **client**.

4.14 If a **member** effects a **portfolio trade**, the **trade reports** for each constituent trade must be submitted as close to real time as possible, having regard to the need to allocate prices to particular shares. Each constituent trade will be assessed separately for the purposes of determining whether deferred publication in respect of that **portfolio trade** is available under rule 4.2.

Technical capability

- 4.15 **Members** must maintain the technical capability to submit **trade reports** to **Aquis Stock Exchange**. A **trade report** must be accepted by the **Aquis Stock Exchange** systems to be a valid **trade report** in accordance with these **rules**.

Timing for trade reporting

- 4.16 Unless otherwise prescribed, **trade reports** must be submitted within the deadlines set out in these **rules**, with reference to the time of execution of the particular trade.
- 4.17 For trades executed after 08:00 and during the **trade reporting period**, the **trade report** must be submitted as close to real time as possible and in any event no later than 1 minute after the time of execution of the trade.
- 4.18 Where a trade is effected between the start of the **trade reporting period** and 08:00 hours, the **trade report** must be submitted before 08:00 hours or as close to real time as possible, and in any event no later than 1 minute after the time of execution of the trade, whichever is the later.
- 4.19 Where a trade is executed in the last 1 minute of a **trade reporting period**, the **trade report** must be submitted before the end of the **trade reporting period**.
- 4.20 Where a trade is effected outside the **trade reporting period**, the **trade report** must be submitted before 07:45 hours during the next **trade reporting period**.

Deferred publication arrangements

- 4.21 **Aquis Stock Exchange** will delay from publication:
- a. trades in **equity securities** that are **large in scale** and that are entered into by a **member** dealing on own account with a **client** other than through **matched principal trading** and another counterparty (**Trade reports** for agency trades will be subject to immediate publication); and
 - b. trades in **illiquid non-equity securities**.

Guidance

A **member** which has reported a trade that qualifies for deferred publication under rule 4.22 shall be entitled to use the deferred publication period to provide order protection. In particular, a **member** shall be entitled to offer to improve upon the price or size of a trade it has reported during the period ahead of its publication. In the event that any improvement is achieved, the **trade report** must be amended before it is published to reflect the final terms of the transaction.

- 4.22 Where a **trade report** is eligible for deferred publication, such delays will be applied automatically:
- a. in the case of trades in **equity securities** that are **large in scale** for such period as set out in the **parameters**, unless the reporting **member** requests immediate publication using the field of the **trade report** referred to in rule 4.7r above; and
 - b. in the case of trades in **illiquid non-equity securities**, until 17.20hours on the second working day after the date of the trade.
- 4.23 Trades in **equity securities** that have been trade reported as **market maker to market maker** trades ("M" subtrade type) will not be subject to deferred publication, regardless of the size of the trade.
- 4.24 A **member** must not aggregate trades in order to be eligible for deferred publication or add subsequent trades to a trade in order to increase its size so as to be eligible for deferred publication.

Guidance

In general, the period of up to 1 minute allowed for making a **trade report** should be regarded as an absolute maximum and **Aquis Stock Exchange** will expect **trade reports** to be provided within a significantly shorter period of time on a consistent basis. **Aquis Stock Exchange** will monitor **members'** performance against this requirement and **members** will be asked to explain why it takes up to 1 minute to submit **trade reports** on a persistent or frequent basis.

An example of when it may be acceptable to use the full 1minute period is where a **member** is reporting the constituent trades within a **portfolio trade**, such that it needs to allocate a unit price to each share in the portfolio.

Trade report corrections

- 425 If a **member** becomes aware of a **trade report** submitted in error, or of an inaccuracy contained in a reportable field of any **trade report**, it must immediately submit a cancellation to Aquis Stock Exchange which shall contain all the original **trade report** details including the original Trade ID and, where correcting an error in the original **trade report**, submit a new **trade report** (which must contain the corrected trade details, the original Trade ID and advising it is an amended **trade report**). In particular, the **member** must submit either a cancellation or an amended **trade report** containing the correct information and must take such other action as **Aquis Stock Exchange** may reasonably require in remedying any such errors.
- 426 If a correction is to be made more than three days after submission of the original **trade report** the **member** must contact the **Aquis Stock Exchange** regulation department to arrange for correction of the **trade report**.
- 427 A **member** must not submit a correction for the sole purpose of re-reporting a trade to obtain or extend any delay in publication.

Guidance

Where a correction to a **trade report** is submitted more than three trading days after publication of the **trade report**, **Aquis Stock Exchange** will publish a flag indicating that the correction was made more than three days after publication of the original **trade report**.

CHAPTER 5: MARKET OPERATIONS

Aquis Stock Exchange hours

- 5.1 The **Aquis Stock Exchange** market shall be open for business on such **business days** and during such hours as **Aquis Stock Exchange** may from time to time specify by a **market notice**.

Aquis Stock Exchange business calendar

- 5.2 **Aquis Stock Exchange** may be open for business on each weekday including **UK** bank holidays where any **home market** of a **Aquis Stock Exchange security** is open for business.

Stock coverage

- 5.3 The list of **AQSE Securities** will be communicated by means of **market notice** from time to time.

Suspension of trading

- 5.4 An **AQSE Trading Security** which is suspended by the **home market** for a regulatory reason will be subject to a suspension by **Aquis Stock Exchange**.

- 5.5 If a **market maker** becomes aware of a **home market** suspension it should inform **Aquis Stock Exchange** and any other **members** seeking to trade **AQSE Trading Security**.

- 5.6 **Aquis Stock Exchange** will suspend trading in an **AQSE Security** when instructed to do so by the **UK competent authority**.

Suspensions/ removal from trading/ trading halts on Aquis Stock Exchange

- 5.7 **Aquis Stock Exchange** will not exercise its power to suspend or remove from trading an **AQSE Security** where such step would be likely to cause significant damage to the interests of investors or the orderly functioning of **Aquis Stock Exchange**.

- 5.8 Subject to rule 5.7, **Aquis Stock Exchange** may suspend or remove from trading **AQSE Securities** (regardless of whether or not such **AQSE Securities** have been suspended from trading or removed from trading by the **home market**), and such decision will be taken in accordance with the **rules** applicable to the particular **market segment** of the **AQSE Security**.

Guidance

Aquis Stock Exchange may suspend or remove from trading on **Aquis Stock Exchange**, **AIM securities** if in the opinion of **Aquis Stock Exchange**:

- the **issuer** is unwilling or unable to announce in a timely fashion information considered by **Aquis Stock Exchange** to be relevant to an accurate assessment of the value of its **AQSE Securities**; or
- there is a disorderly market in the **AQSE Securities** (because of a decline in the number of shares in public hands or for some other reason) or the protection of investors otherwise requires.

- 5.9 Where **Aquis Stock Exchange** elects to suspend or remove from trading a **AQSE Growth Market Security** it will make public this decision by issuing a **market notice** to this effect and may communicate relevant information to the **UK competent authority**.

- 5.10 **Aquis Stock Exchange** may declare a trading halt in one or more **AQSE Securities** on **Aquis Stock Exchange**.

- 5.11 In circumstances where a trading halt has been declared by **Aquis Stock Exchange**, **members** may conduct business on other execution venues on which the affected **AQSE Securities** are traded; rule 5.12 does not apply to such trades on any such execution venue.

Dealing in a suspended Aquis Stock Exchange security

- 5.12 A **member** may not enter **on-Exchange trades** in an **AQSE Security** that has been suspended from trading on **Aquis Stock Exchange** unless prior written permission has been provided by **Aquis Stock Exchange**. A decision to grant or refuse permission shall be at the sole discretion of **Aquis Stock Exchange**.

Conditional dealing

- 5.13 **Aquis Stock Exchange** will allow conditional dealing in an eligible security provided that it is satisfied that there can be a fair and orderly market for the trading of that security.

For this rule, an eligible security is a security which is the subject of an application for an Official Listing under the provisions of EU Directive 2001/34/EC, and in connection with which any applicable listing document (approved by an EU **Competent authority**) has been published.

- 5.14 A **member** may undertake conditional dealing in accordance with the guidelines set out on the **Aquis Stock Exchange** website, <http://www.nexexchange.com>, subject to:

- a. an application having been made by a **member** to engage in conditional dealing;
- b. publication of the **offer price** and full allocation details; and
- c. approval of listing particulars or other documentation, as applicable.

- 5.15 If the proposed Official Listing of the eligible security does not proceed, all **on-Exchange trades** conducted during the conditional dealing period are void and must be cancelled in any relevant settlement system.

Market condition

- 5.16 **Aquis Stock Exchange** may declare a **market condition** which may apply to the whole market or a particular **market segment** or to specified **Aquis Stock Exchange securities** and which may waive, suspend or amend obligations under the **rules**.

- 5.17 Where **Aquis Stock Exchange** declares a **market condition** it will issue a **market condition message** to inform market users.

Systems difficulties

Quotes

- 5.18 If a **market maker** experiences systems difficulties that prevent it from opening or updating its quotes it must immediately inform **Aquis Stock Exchange** of the proposed action to resolve such difficulties and must keep **Aquis Stock Exchange** informed of the progress in resolving the difficulties.

- 5.19 If a **market maker** experiences systems difficulties described in rule 5.18, that **market maker** may close its quotations in respect of the affected **Aquis Stock Exchange securities**.

- 5.20 A **market maker** that closes its quotations under rule 5.19 should re-open its quotes as soon as it is able to do so, having notified **Aquis Stock Exchange** prior to doing so.

Deletion of quotes by Aquis Stock Exchange at the request of authorised individuals

- 5.21 If the **market maker** is unable to withdraw its quotes it may request **Aquis Stock Exchange** to withdraw specified quotes or all of its quotes.

- 5.22 **Aquis Stock Exchange** will only accept instructions to delete quotes from **authorised individuals** of **market makers**.

Guidance

Market makers have primary responsibility for deleting their own quotes. Where this is not possible because of technical difficulties the **Aquis Stock Exchange** regulation department may delete quotes at the **market maker's** request.

Aquis Stock Exchange will maintain a list of **authorised individuals**, who have been authorised by the **market maker** to request the deletion of quotes and will only action requests received from individuals that are named in the list for the **user account** concerned. **Market makers** that operate different **user accounts** will therefore need to provide a list of individuals authorised to delete quotes on behalf of each user.

Details of the procedures to be followed in respect of the provision of the list and the required form are available on the **Aquis Stock Exchange** website www.nexexchange.com

- 5.23 The authorised individual must provide the following information for a quote to be deleted:
- a. the name of the **member**;
 - b. the **recognised BIC code** of the **member**;
 - c. the user name of the **member**;
 - d. the name of the authorised individual calling;
 - e. contact details for the caller;
 - f. the reason for the request;
 - g. the name of the **AQSE Security**;
 - h. the symbol;
 - i. the **ISIN code**; and
 - j. the board.
- 5.24 The **Aquis Stock Exchange** regulation department will use reasonable endeavours to delete any quotes as soon as possible following a valid request. However, the **market maker** will be responsible for any trades that take place between a request having been received and the deletions being effected.

Trade reporting

- 5.25 If a **member** (including a **market maker**) experiences systems difficulties that prevent it from **trade reporting** in accordance with the **rules**, the **member** must immediately inform **Aquis Stock Exchange** of the proposed action to resolve such difficulties and must keep **Aquis Stock Exchange** informed of the progress in resolving the difficulties. **Aquis Stock Exchange** shall, if it considers such action necessary for the maintenance of an orderly market, issue a direction to the **member** in relation to the conduct of **on-Exchange** business during that period. In deciding to make a direction, **Aquis Stock Exchange** shall consider the nature and severity of the systems difficulties.

Guidance

The direction may require the **member** to take such action as **Aquis Stock Exchange** considers appropriate and may include one or more of the following steps:

- a. retain **trade reports** pending their submission to **Aquis Stock Exchange** once the systems difficulties are resolved;
- b. submit **trade reports** to **Aquis Stock Exchange** by email or, if submission by email is not possible, by telephone for trades meeting certain criteria (usually if the trade to which the report relates is larger than 6 x **EMS**); and
- c. suspend the operation of certain automated dealing services.

Power of Aquis Stock Exchange to delete orders and cancel trades

Deletion of **market maker** quotes by **Aquis Stock Exchange**

- 5.26 **Aquis Stock Exchange** reserves the right to delete any quote submitted to **Aquis Stock Exchange** by a **market maker** where **Aquis Stock Exchange** believes it necessary to preserve market orderliness or market integrity.

Cancellation of trades

- 5.27 **Aquis Stock Exchange** reserves the right to cancel trades where **Aquis Stock Exchange** deems it necessary to preserve the orderliness of the market or market integrity.

Registration and de-registration of a market maker

- 5.28 A **member** whose approved business profile allows it to operate as a **market maker** and who wishes to make a market in **Aquis Stock Exchange** securities shall register as such with **Aquis Stock Exchange** in accordance with the registration procedure set out on the **Aquis Stock Exchange** website, <http://www.nexexchange.com>.
- 5.29 A **market maker** may not de-register from an **AQSE Security** within 3 months of its initial registration or re-register in an **AQSE Security** within 3 months of de-registration in respect of the same **AQSE Security**.
- 5.30 A **market maker** may request to de-register from an **AQSE Security** with immediate effect. **Aquis Stock Exchange** may grant such request or de-register a **market maker** from an **AQSE Security** on its own initiative where **Aquis Stock Exchange** considers appropriate. **Aquis Stock Exchange** reserves the right to refuse a **market maker** permission to de-register with immediate effect. Where de-registration is effected by **Aquis Stock Exchange**, **Aquis Stock Exchange** shall not be obliged to provide any reason.

Guidance

A **market maker** may request **Aquis Stock Exchange** to temporarily withdraw from its market making obligations. **Aquis Stock Exchange** will only approve such request in exceptional circumstances which may include where **Aquis Stock Exchange** has declared a **market condition**, where a **market maker** is experiencing systems difficulties or when a **market maker** is conflicted during a **bid situation**.

- 5.31 A **market maker** may submit a written appeal against refusal of registration or against withdrawal of registration to **Aquis Stock Exchange**. **Aquis Stock Exchange** will consider such an appeal and **Aquis Stock Exchange** may uphold, quash or amend the original decision. The decision of **Aquis Stock Exchange** shall be final.

PTM levy

- 5.32 Any trades in **Aquis Stock Exchange** securities of **issuers** incorporated in the United Kingdom will be subject to the PTM levy, if applicable, at the rates specified by **market notice** from time to time.

Publication of trade data – volume, price and time

Guidance

Aquis Stock Exchange will make public the price, volume and time of the reported trades in as close to real time as possible and identify such trades as **on-Exchange trades**. If there is any disruption to the **Aquis Stock Exchange trade reporting** service for receiving and disseminating **trade reports**, **Aquis Stock Exchange** will inform **members** without delay.

CHAPTER 6: CLEARING AND SETTLEMENT

Obligations to settle

- 6.1 A **member** shall ensure that it has the facilities to settle every **on-Exchange trade** according to the systems and rules of a **settlement facility** and that every **on-Exchange trade** is settled, free of any charge or encumbrance.
- 6.2 A **member** shall be responsible for the settlement of all trades it enters into on **Aquis Stock Exchange** irrespective of whether the trade was entered into for the account of a **client** or another or whether the **member** is using the services of a **settlement agent**.
- 6.3 A **member** shall ensure that these **rules** and the rules of the nominated **settlement facility** form part of the contractual arrangements in respect of every trade and are enforceable in all relevant jurisdictions.

Settlement facility

- 6.4 The parties to a trade must agree the **settlement facility** to be used for the matching and settlement of the trade and shall identify **Aquis Stock Exchange** as the trading venue in the settlement instructions to the **settlement facility**.

Settlement period

- 6.5 Unless otherwise agreed between the parties to the trade at or prior to the time of the trade, trades shall be for **standard settlement**.
- 6.6 Without affecting a **member's** responsibility for settlement of all trades entered into by it and the power of **Aquis Stock Exchange** to impose sanctions on **members** and order restitution, the failure to deliver **Aquis Stock Exchange securities** or pay on the due date for settlement, shall not in itself be grounds for treating the contract as repudiated and time shall not be of the essence unless **Aquis Stock Exchange** so determines.

Postponement or extension of settlement period

- 6.7 **Aquis Stock Exchange** may postpone or extend a settlement period for all trades or for trades in specified **Aquis Stock Exchange securities** effected on a given business day, indefinitely or for a specified period.

Settlement direction

- 6.8 In the event of a failure to comply with a settlement obligation within the settlement period agreed by the parties to a trade, the receiving **member** or **participant** shall to submit a **settlement direction** request to **Aquis Stock Exchange** in writing without undue delay.
- 6.9 A **settlement direction** request must be submitted for each individual trade for which the submitting **member** or **participant** requires a **settlement direction** to be issued.
- 6.10 The submission of a **settlement direction** request to **Aquis Stock Exchange** shall also be deemed to be a report by that **member** or **participant** that there has been a breach of these **rules** by another **member** or **participant** which may result in the failing **member** or **participant** being subject to the **disciplinary procedures**.
- 6.11 When submitting a **settlement direction** request, a **member** or **participant** must provide **Aquis Stock Exchange** with all information that **Aquis Stock Exchange** shall deem relevant which shall include full details of the trade and the possible solutions and resolutions that the submitting **member** or **participant** has investigated.
- 6.12 **Aquis Stock Exchange** shall issue notice of the **settlement direction** to the failing **member** or **participant** on the same day as it receives the **settlement direction** request specifying:
- a. details of the trade in respect of which the **settlement direction** request has been received;
 - b. the **buy-in extension period** available to the failing **member** or **participant** within which the trade may be settled, as determined in accordance with column A of the table below (subject to rule 6.13);

- c. the timeframe for the **buy-in procedure**, as determined in accordance with column B of the table below.

Nature of the relevant AQSE Securities	Column A	Column B
	Extension period	Timeframe for delivery
Liquid equity securities (excluding liquid equity securities traded on the AQSE Growth Market)	4 business days after the intended settlement date	4 business days after the extension period
All other securities (excluding securities traded on the AQSE Growth Market)	7 business days after the intended settlement date	7 business days after the extension period
Securities traded on the AQSE Growth Market	15 days after the intended settlement date	7 business days after the extension period

6.13 Based on the asset type and liquidity of the security concerned, **Aquis Stock Exchange** may increase the **buy-in extension period** to a maximum of seven **business days** where a shorter extension period would affect the smooth and orderly functioning of the market.

6.14 For operations where:

- a. one party has sold the **Aquis Stock Exchange securities** for cash (the first trade) with a commitment of the other party to sell the equivalent **Aquis Stock Exchange securities** to the first party for a price that is determined or determinable (the second trade); or
- b. one party transfers the **Aquis Stock Exchange securities** to another party (the first trade) with a commitment of that other party to return equivalent **Aquis Stock Exchange securities** to the first party (the second trade);

and the intended settlement date of the applicable second trade is set within 30 **business days** after the intended settlement date of the first trade, **Aquis Stock Exchange** may increase the **buy-in extension period** to facilitate an effective **buy-in procedure**.

Buy-in procedure - initial verification

6.15 On the **business day** following the expiry of the extension period specified in the **settlement direction**, the receiving **member** or **participant** shall verify whether a buy-in is possible.

6.16 The **buy-in procedure** shall only be considered not possible where:

- a. the relevant **Aquis Stock Exchange security** no longer exist; or
- b. the failing **member** or **participant** is subject to insolvency proceedings.

6.17 Where the **buy-in procedure** is not possible as determined according to rule 6.15 to 6.18, the receiving **member** or **participant** shall notify the failing **member** or **participant** of the results of the verification and the sum of the **cash compensation**.

6.18 Where on the last **business day** of the **buy-in extension period**, some but not all of the relevant **Aquis Stock Exchange securities** are available for delivery to the receiving **member** or **participant**, the receiving **member** or **participant** and failing **member** or **participant** shall partially settle the initial settlement instructions, save where the relevant settlement instruction has been put on hold by the **settlement facility** on the instructions of the receiving **member** or **participant**.

Buy-in procedure and notifications

- 6.19 Where the **buy-in procedure** is possible, the receiving **member** or **participant** shall appoint a **buy-in agent** on the **business day** following expiry of the **buy-in extension period** and notify the failing **member** or **participant** thereof.
- 6.20 Upon receipt of the notification of appointment of a **buy-in agent**, the failing **member** or **participant**:
- a. shall ensure that any relevant settlement instruction relating to the settlement fail is put on hold; and
 - b. may only deliver the relevant **Aquis Stock Exchange securities** to the **buy-in agent** where the **buy-in agent** gives prior consent.
- 6.21 Prior to receipt of the notification of appointment of a **buy-in agent**, the failing **member** or **participant** may still deliver the relevant **Aquis Stock Exchange securities** directly to the receiving **member** or **participant**.
- 6.22 The receiving **member** or **participant** shall notify the results of the buy-in to the failing **member**, **Aquis Stock Exchange** and to the relevant **settlement facility** at the latest on the last **business day** of the timeframe for delivery determined in accordance with column B of the table set out at rule 6.12. Where the buy-in is successful in part or in full, the notification of the results of the buy-in shall include the quantity and price of the bought-in **Aquis Stock Exchange securities**.
- 6.23 The bought-in **Aquis Stock Exchange securities** may only be considered as delivered for the purposes of rules 6.22 where they have been received in the securities settlement system operated by the relevant **settlement facility** by the receiving **member** or **participant**.
- 6.24 The failing **member** or **participant** shall reimburse the **buy-in agent** for all sums incurred to effect the **buy-on procedure**, including any execution fees resulting from the buy-in. Such amounts shall be clearly disclosed to the parties.
- 6.25 Where the buy-in fails in part or in full, the notification of the results of the buy-in shall include the amount of the **cash compensation** unless that notification specifies that the execution of the buy-in is deferred in accordance with rule 6.30.
- 6.26 Where the execution of the buy-in is deferred, the receiving **member** or **participant** shall notify the results of that deferred buy-in to the failing **member** or **participant**, the relevant **settlement facility** and **Aquis Stock Exchange** at the latest on the last **business day** of the **deferral period**.
- 6.27 The receiving **member** or **participant** shall accept and pay for the bought-in **Aquis Stock Exchange securities**.
- 6.28 The receiving **member** or **participant** and the failing **member** or **participant** shall ensure that the following is carried out at the end of each **business day** on which the receiving **member** or **participant** receives the bought-in **Aquis Stock Exchange securities**:
- a. the settlement instructions relating to the settlement fail are cancelled; and
 - b. the new settlement instructions are entered into the relevant securities settlement system for any non-delivered **Aquis Stock Exchange securities** and the relevant **settlement facility** receives the information necessary to identify such new settlement instructions accordingly.
- 6.29 The failing **member** and receiving **member** or **participant** shall ensure that the relevant settlement instructions relating to the settlement fail are cancelled upon payment of the **cash compensation** or at the latest on the second **business day** after the notification of the amount of **cash compensation**.

Buy-in failure and cash compensation

- 6.30 If the buy-in fails or is not possible, the receiving **member** or **participant** can choose to be paid **cash compensation** or to defer the execution of the buy-in for the period indicated in the table below. If the relevant **Aquis Stock Exchange securities** are not delivered to the receiving **member** or **participant** at the end of the **deferral period**, **cash compensation** shall be paid.

Nature of the relevant AQSE Securities	Deferral period
Liquid equity securities (excluding liquid equity securities traded on the AQSE Growth Market)	4 business days
All other securities (excluding securities traded on the AQSE Growth Market)	7 business days
Securities traded on the AQSE Growth Market	7 business days

6.31 **Cash compensation** shall be paid to the receiving **member** or **participant** no later than on the second **business day** after the end of either the **buy-in procedure** or the **deferral period**, where the **deferral period** was chosen.

Calculation of the cash compensation

6.32 The **cash compensation** shall be calculated in either of the following ways:

- a. for settlement instructions against payment, the difference between the market value of the relevant **Aquis Stock Exchange securities** on the **business day** before the payment of the **cash compensation** and the settlement amount included in the failed settlement instruction where that settlement amount is lower than that market value; or
- b. for settlement instructions free of payment, the difference between the market value of the relevant **Aquis Stock Exchange securities** on the **business day** before the payment of the **cash compensation** and the market value of those **Aquis Stock Exchange securities** on the day of their trade, where the market value of those **Aquis Stock Exchange securities** on the day of their trade is lower than on the **business day** before the payment of the **cash compensation**.

6.33 Where not already included in the market value of the relevant **Aquis Stock Exchange securities**, the **cash compensation** to be paid shall include a component reflecting exchange rates variation, as well as corporate entitlements and accrued interest.

6.34 The market value referred to in rule 6.32 shall be determined as follows:

- a. for **equity securities**, the value determined on the basis of the closing price of the most relevant market in terms of liquidity referred to in Article 4(6)(b) of **MiFIR**; or
- b. for all other **Aquis Stock Exchange securities**, the value determined on the basis of the closing price of the trading venue within the European Union with the highest turnover.

6.35 The market value referred to in rule 6.32 and the component reflecting exchange rates variation, corporate entitlements and accrued interest, referred to in rule 6.33, shall be disclosed to **members** and **participants** in a detailed breakdown.

6.36 Where the price of the relevant **AQSE Securities** agreed at the time of the trade is lower than the price effectively paid for those **AQSE Securities** pursuant to rule 6.27, the failing **member** or **participant** shall pay the price difference to the receiving **member** or **participant** no later than on the second **business day** after the **AQSE Securities** have been delivered following the buy-in.

6.37 The **cash compensation** and the price difference referred to in rule 6.36 may only be considered as paid where the cash payment has been received by the receiving **member** or **participant**.

Consistent and systematic failure to deliver securities

6.38 A **member** or **participant** that fails to comply with its obligation to settle a trade on the intended settlement date may be deemed to have committed an act of misconduct, determined in accordance with the **disciplinary**

procedures. This may lead to sanctions being imposed on it or disciplinary proceedings being brought against it.

- 6.39 **Aquis Stock Exchange** may suspend any **member** or **participant** that fails consistently and systematically to deliver **Aquis Stock Exchange securities** on the intended settlement date and disclose to the public its identity after giving that **member** or **participant** the opportunity to submit its observations.
- 6.40 A **member** or **participant** shall be considered as consistently and systematically failing to deliver in a security settlement system where its rate of settlement efficiency, determined by reference to the number or to the value of settlement instructions, is at least 15% lower than the rate of settlement efficiency of that securities settlement system, during at least a relevant number of days over the 12 previous months.
- 6.41 The relevant number of days shall be determined for each **member** or **participant** as 10% of the number of days of activity of that **member** or **participant** in the security settlement system over the 12 previous months.
- 6.42 When calculating a **member's** or **participant's** rate of settlement efficiency, exclusive reference shall be made to settlement fails caused by that **member** or **participant**.

CHAPTER 7: DEFAULT RULES

Interpretation

In these default rules the following terms shall have the meaning set out herein:

- “**agent**” means a **member** acting on behalf of a **person** in an agency capacity;
- “**counterparty**” means the **person(s)** who contracts as a principal with the defaulter in respect of an **unsettled market contract** whether directly or through the agency of a **member** and/or a third party;
- “**defaulter**” means a **member** which has been declared to be in default under these default rules;
- “**default committee**” means the committee of **persons** appointed from time to time by **Aquis Stock Exchange**, from the membership committee or otherwise, to determine whether a **member** should be declared a **defaulter**;
- “**default price**” means the price determined by the **default manager** on, in the absence of exceptional circumstances (as so judged by the **default manager**) the following bases:
 - in respect of a **Aquis Stock Exchange security** in which trading is not suspended at the date of a declaration of default, the applicable middle market price on **Aquis Stock Exchange** immediately before a declaration of default;
 - in respect of a **Aquis Stock Exchange security** in which trading is suspended, or has been withdrawn, at the date of a declaration of default, a price determined by reference to the following factors:
 - the applicable middle market price on **Aquis Stock Exchange** immediately before the date of the suspension or withdrawal;
 - the prices at which any trades were last effected in the relevant **Aquis Stock Exchange security** on **Aquis Stock Exchange**;
 - the opinion of any professional adviser instructed by the **default manager** to provide a third-party valuation of the relevant **Aquis Stock Exchange security**; and
 - information from the registrar or company secretary of the relevant company as to the consideration for any recent transfers in the relevant **Aquis Stock Exchange security**.
- “**market contract**” means an **on-Exchange trade**;
- “**Aquis Stock Exchange documentation**” means the rules and any other contractual arrangements entered into by **Aquis Stock Exchange** with a **member** from time to time;
- “**principal**” means a **member** or other **person** acting as **principal**;
- “**relevant office-holder**” has the meaning attributed to it in section 189 of the UK Companies Act 1989;
- “**unsettled market contract**” means a market contract in respect of which the rights and liabilities of the parties to the market contract have not been discharged whether by performance, compromise or otherwise.

7.1 The definitions set out in these default rules shall apply in addition to those set out in the Glossary in the **rules**.

7.2 Subject to rule 7.1 these default rules are without prejudice to, but in the case of any conflict take precedence over, any other provision of the **rules** or other **Aquis Stock Exchange** documentation.

The default manager

7.3 **Aquis Stock Exchange** shall appoint and may from time to time remove and replace a default manager who shall have power to represent **Aquis Stock Exchange** in relation to, and to assist in the administration of the affairs of, a **member** which has been declared a defaulter in accordance with the **rules** and to perform such functions in relation thereto as **Aquis Stock Exchange** may from time to time determine (subject to the provisions of any applicable laws of any territory).

7.4 The powers and functions of the **default manager** shall include the right to:

- a. obtain from a **defaulter** copies of or information as to its original books of account, records and all other necessary documents;
 - b. attend meetings of creditors;
 - c. summon that **member** or any officer thereof before such meetings;
 - d. enter into a strict examination of every account;
 - e. investigate and report to **Aquis Stock Exchange** upon any contracts found to have been effected at unfair prices and, where deemed appropriate by the **default manager**, having regard to any applicable insolvency law provisions;
 - f. require that **member** or any officer thereof to assist with any inquiries raised; and
 - g. issue such certificates as may be required pursuant to these default rules.
- 7.5 One or more deputy **default managers** may also be appointed by **Aquis Stock Exchange** and reference in these default rules to the **default manager** shall include a deputy **default manager** unless the context otherwise requires.
- 7.6 The **defaulter** and all **members** must co-operate fully at all times with **Aquis Stock Exchange** and the **default manager** and must promptly provide such information as **Aquis Stock Exchange** or the **default manager** may request in connection with the implementation of these default rules or the exercise by **Aquis Stock Exchange** of its rights or the fulfilment by it of its obligations under the **Companies Act 1989** or **FSMA** in respect of such default rules including information regarding market contracts entered into by the defaulter and the names of **counterparties**.

Declaration of defaulters

- 7.7 A **member** may, and shall if **Aquis Stock Exchange** is so directed pursuant to section 166 or 167 of the **Companies Act 1989**, be declared a **defaulter** by direction of the default committee where the **member**:
- a. is unable to fulfil its obligations in respect of one or more market contract; or
 - b. appears to be or to be likely to become so unable.
- 7.8 A declaration of default shall be made in such manner as **Aquis Stock Exchange** shall decide.
- 7.9 Once a **member** has been declared a **defaulter** in accordance with default rule 7.7, the rules and procedures set out in these default rules shall apply to any **unsettled market contract** to which the **defaulter** is at the time of default a party.

Cessation of membership

- 7.10 Any **member** declared a **defaulter** shall thereupon cease to be a **member**, but shall nevertheless be bound to take or refrain from taking all such action, and suffer all such things to be done, as the default rules require in the case of a **defaulter** and shall continue to be bound by the default rules in relation to all matters, trades and circumstances arising while it was a **member**.

Notifications

- 7.11 Upon a declaration of default, the **default manager** shall, as soon as is reasonably practicable:
- a. notify the **defaulter** of the declaration;
 - b. in relation to any **unsettled market contracts** to which the **defaulter** is party as **principal (unsettled principal market contracts)**, notify the **counterparty** and the **defaulter** of the default and of any decision taken under these default rules in relation to those **unsettled principal market contracts**;
 - c. in relation to any **unsettled market contracts** to which the **defaulter** is a party as **agent (unsettled agency market contracts)**, notify the parties to such contracts of the default and the identity of the other party to the contract.

Establishing the net amount due

- 7.12 **Aquis Stock Exchange** shall establish the net amount to be paid to the **defaulter** by each counterparty or claimed from the **defaulter** by each **counterparty** as the result of the application of these default rules to any **unsettled principal market contract** after:
- a. aggregating all sums due by each **principal** to the other in relation to such contracts; and/or
 - b. offsetting the aggregate sums due by each **principal** to the other in relation to such contracts.

Certification

- 7.13 **Aquis Stock Exchange** shall certify the net amount to be paid to or claimed from the **defaulter** as the result of the application of these default rules to any **unsettled principal market contract**, or, if such be the case, that none is to be paid, and shall notify the parties to such contracts.

Fixing the default prices on declaration of default

- 7.14 In every case of declaration of default, the **default manager** shall for any **Aquis Stock Exchange security** which is the subject of an **unsettled principal market contract** fix the **default price** and notify the **defaulter** and its **counterparty** of the **default price**.
- 7.15 The determination of **default prices** by the **default manager** shall, in the absence of manifest error, be final and binding on all concerned.
- 7.16 In respect of an **unsettled principal market contract** the amount of any consideration which is unpaid or overpaid shall, with reference to the terms of the contract, be calculated by the **default manager** who shall ensure that the calculated amount is included in establishing the net amount for certification.

Unsettled principal market contracts

- 7.17 It shall be a term of every **unsettled principal market contract** that from and after the making of a declaration of default in respect of a **member** which is party thereto as a **principal**, the obligations of the **defaulter** and the **counterparty** under the contract to deliver and pay against delivery shall be discharged and be replaced by an obligation on one of them to pay to the other the amount calculated in accordance with default rules 7.17-7.21 and the liability of each other **person** who is party thereto as **agent** shall thereupon cease.
- 7.18 If the **default price** exceeds the **contract price**, the **defaulter** shall:
- a. if the **unsettled principal market contract** was for purchase by the **defaulter**, be entitled to receive from the **counterparty** the amount of such excess;
 - b. if the **unsettled principal market contract** was for sale by the **defaulter**, be obliged to pay to the **counterparty** the amount of such excess.
- 7.19 If the **default price** falls short of the **contract price**, the **defaulter** shall:
- a. if the **unsettled principal market contract** was for purchase by the **defaulter**, be obliged to pay to the **counterparty** the amount of such shortfall;
 - b. if the **unsettled principal market contract** was for sale by the **defaulter**, be entitled to receive from the **counterparty** the amount of such shortfall.
- 7.20 If the **default price** is the same as the **contract price**, neither the **defaulter** nor the **counterparty** shall be obliged to make any payment to the other.
- 7.21 For the purpose of discharging the amounts calculated in respect of all **unsettled principal market contracts** as between the **defaulter** and the **counterparty**:
- a. there shall be aggregated all the relevant amounts which are in the same currency, treating amounts due by the **defaulter** as positive and amounts due by the **counterparty** as negative ("currency aggregate");
 - b. if a currency aggregate is not denominated in sterling, it shall be converted into sterling at the spot rate of exchange as set by the Bank of England for the purchase of sterling with the relevant currency on the day of declaration of default ("currency aggregate sterling equivalent");

- c. all the currency aggregate sterling equivalents and in the case of any currency aggregate denominated in sterling, the amount of that currency aggregate shall then be aggregated ("final sterling amount");
- d. if the final sterling amount is a negative figure, the **counterparty** shall be obliged to pay to the **defaulter** in sterling an amount equal to the final sterling amount; and
- e. if the final sterling amount is a positive figure, the **defaulter** shall be obliged to pay to the **counterparty** in sterling an amount equal to the final sterling amount.

7.22 A **member** acting as an **agent** in relation to an **unsettled principal market contract** in respect of which default rules 7.17-7.21 take effect shall not be liable for any amount due to or from a **counterparty** in relation to such **unsettled principal market contract** by virtue thereof.

Securities already delivered

7.23 Default rules 7.17-7.22 will not apply in respect of securities the subject of a market contract which have been delivered and paid for prior to declaration of default, and those securities shall not be returned.

Unsettled agency market contracts

7.24 Notwithstanding the declaration of default, those **persons** who are parties as **principal** to an **unsettled agency market contract** shall remain obliged to complete that contract on the terms on which it was originally dealt.

7.25 For a trade falling under default rule 7.24 the **default manager** shall provide details of the **defaulter's client** in respect of any such contract to the non-defaulting **member** and the non-defaulting **member** shall write to that **client** forthwith in a form prescribed by **Aquis Stock Exchange** requiring him to settle the contract.

7.26 If the **member** which originally dealt the **unsettled agency market contract** with the **defaulter** is unable to settle the contract with the **defaulter's client** within one month of writing to that **client** pursuant to default rule 7.25, having made all reasonable efforts to do so, then such **member** shall be permitted to close the **unsettled agency market contract** by purchasing or selling securities in the market and either accounting for any profit arising to that **client** or claiming any loss arising against that **client**.

7.27 If the **default manager**, in relation to an **unsettled agency market contract** in the form of an agency **cross** to which the **defaulter** is a party, is unable to settle the contract with the **defaulter's client**, within one month of writing to that **client** pursuant to default rule 7.25, having made all reasonable efforts to do so, then the **default manager** shall be permitted to close the **unsettled agency market contract** by purchasing or selling securities in the market and either accounting for any profit arising to that **client** or claiming any loss arising against that **client**.

Delivery of securities on default

7.28 Where a **member** is declared a **defaulter**, securities in the process of delivery:

- a. to the **defaulter** shall be returned to the deliverer; and
- b. from the **defaulter** shall be passed to the **default manager** and not delivered to the taker.

Exceptions from these default rules

7.29 Any **unsettled principal market contract** or **unsettled agency market contract** that is dealt for settlement by means of any settlement process will be subject to these default **rules** unless:

- a. the settlement process will proceed despite the declaration of default because:
 - i. the contract entered into by the **defaulter** is to be settled through that settlement process through the service of an agent; or
 - ii. the process replaces or alters the rights and obligations of the contracting parties such that the declaration cannot disrupt or interrupt the process;
- b. in respect of **unsettled market contracts**, the settlement process has default rules that, in the opinion of **Aquis Stock Exchange**, adequately provide for their binding resolution.

Co-operation with other authorities

- 7.30 **Aquis Stock Exchange** may consult any **RIE**, any other exchange or clearing house, the relevant **competent authority** or any other regulatory or other appropriate body, any relevant office-holder or any other relevant **person**, before or any time after taking action under these default rules in relation to a **member**.
- 7.31 **Aquis Stock Exchange** may pass on any details of, or other information in its possession relating to, a **defaulter** or its **market contracts** or relating to a **member** in respect of whom action has been taken under these default rules to any **RIE**, any other exchange or clearing house, **competent authority** or any other regulatory or other appropriate body, any relevant office-holder or any other relevant **person**, or to any other body or authority having responsibility for any matter arising out of or in connection with the default and otherwise co-operate with any such **persons** in connection with such default.

Alteration to these default rules

Any amendment, revocation or addition to these default rules may take effect so as to affect default proceedings in progress at such time as **Aquis Stock Exchange** may determine.