



## **Disclosure Booklet A**

### **Information and Disclosure Statements**

## ***Opening your***

## ***Account at***

## ***Marex ....***

**We** are pleased that you have selected the Marex North America, LLC (“Marex”) as your brokerage firm. For your convenience, we have included all necessary forms and information in two booklets. Booklet A includes information and Disclosure Statements, and Booklet B or C contains Customer Application and Agreements.

**You** must do the following to open your account at Marex:

- Carefully read the information and Disclosures contained in Booklet A and retain for your records.
- Complete the required sections of Booklet B or C and return the entire booklet to your Account Executive.

**If** you have any questions concerning the opening of your account, please contact your Account Executive.

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## **IMPORTANT NOTICE TO INTRODUCED CUSTOMERS**

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If your account has been introduced to the Marex North America, LLC ("Marex") by an Introducing Broker, we want you to be aware of the relationship between Marex, the Introducing Broker and the Account Executive who services your account in its day-to-day activities.

Please be aware of the following:

**Marex will accept only funds remitted from the account holder which are made payable to Marex North America LLC. In other words, the funds that you send to Marex must originate from an account in the same name as your account at Marex. Neither the Introducing Broker nor the Account Executive are authorized to accept funds which are made payable to anyone other than Marex North America LLC. You should also know that when funds are drawn out of your account they will be made payable only to the name or names of the account holder.**

All questions with regard to your account should be directed to your Account Executive at your Introducing Broker. Your Account Executive will assist you in your trading. If you have granted a Power of Attorney to trade your account to a third party, trading activity is permitted in your account without your specific authorization for each trade. If you have not granted Power of Attorney to a third party, trading in your account is prohibited without your specific authorization.

**Marex may call for the immediate deposit of additional funds to your account should your account fall below Marex 's margin requirements and may take any action necessary to protect the firm from potential losses.**

If you have questions regarding transactions in your account or your account statements, please direct such questions to your Account Executive at your Introducing Broker. However, if matters are not handled to your satisfaction contact the Marex Compliance Department at (312) 460-9200.

## **FUNDING YOUR ACCOUNT**

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You may fund your account in three ways. Regardless of the method of funding you choose, **the originator of the funds must always be the name or names listed as the account owner.**

(1) By **Bank Wire**. Bank wires are cleared funds and allow you to begin trading your account immediately. If you are wiring funds in any other currency than U.S. Dollars to Marex you must contact your Introducing Broker or Account Executive for special instructions or obtain wire instructions for foreign funds located on the Marex website at [www.rcgdirect.com](http://www.rcgdirect.com). If you fail to do so you will be charged a conversion rate that is beyond Marex 's control. Following are instructions for wiring funds to Marex:

Harris Trust and Savings Bank, Chicago, Illinois, ABA Routing Number 071 000 288  
For credit to Marex North America LLC. Customer Segregated Funds A/C #3964467, For  
further credit to (your name and new Marex account number)

(2) **Checks**. Certified checks and cashiers' checks made payable to Marex North America LLC must be accompanied by a bank statement or bank letter documenting the funds originated from a bank account in the customer's name. Personal checks, savings and loan checks and checks drawn on money market or credit union accounts may require clearance before you trade.

(3) **Transfer of funds (for Futures Accounts only)**. You may wish to fund your account by transferring funds to M from a brokerage or investment account at another firm. Funds transferred from another brokerage account are considered cleared funds. To transfer funds, fill out the Transfer of Account form included in Booklets B or C.

## **FIA COMBINED DISCLOSURE STATEMENT**

The risk of loss in trading commodity futures contracts can be substantial. You should, therefore, carefully consider whether such trading is suitable for you in light of your circumstances and financial resources. You should be aware of the following points:

### **FUTURES**

(1) You may sustain a total loss of the funds that you deposit with your broker to establish or maintain a position in the commodity futures market, and you may incur losses beyond these amounts. If the market moves against your position, you may be called upon by your broker to deposit a substantial amount of additional margin funds, on short notice, in order to maintain your position. If you do not provide the required funds within the time required by your broker, your position may be liquidated at a loss, and you will be liable for any resulting deficit in your account.

(2) The funds you deposit with a futures commission merchant for trading futures positions are not protected by insurance in the event of the bankruptcy or insolvency of the futures commission merchant, or in the event your funds are misappropriated.

(3) The funds you deposit with a futures commission merchant for trading futures positions are not protected by the Securities Investor Protection Corporation even if the futures commission merchant is registered with the Securities and Exchange Commission as a broker or dealer.

(4) The funds you deposit with a futures commission merchant are generally not guaranteed or insured by a derivatives clearing organization in the event of the bankruptcy or insolvency of the futures commission merchant, or if the futures commission merchant is otherwise unable to refund your funds. Certain derivatives clearing organizations, however, may have programs that provide limited insurance to customers. You should inquire of your futures commission merchant whether your funds will be insured by a derivatives clearing organization and you should understand the benefits and limitations of such insurance programs.

(5) The funds you deposit with a futures commission merchant are not held by the futures commission merchant in a separate account for your individual benefit. Futures commission merchants commingle the funds received from customers in one or more accounts and you may be exposed to losses incurred by other customers if the futures commission merchant does not have sufficient capital to cover such other customers' trading losses.

(6) The funds you deposit with a futures commission merchant may be invested by the futures commission merchant in certain types of financial instruments that have been approved by the Commission for the purpose of such investments. Permitted investments are listed in Commission Regulation 1.25 and include: U.S. government securities; municipal securities; money market mutual funds; and certain corporate notes and bonds. The futures commission merchant may retain the interest and other earnings realized from its investment of customer funds. You should be familiar with the types of financial instruments that a futures commission merchant may invest customer funds in.

(7) Futures commission merchants are permitted to deposit customer funds with affiliated entities, such as affiliated banks, securities brokers or dealers, or foreign brokers. You should inquire as to whether your futures commission merchant deposits funds with affiliates and

assess whether such deposits by the futures commission merchant with its affiliates increases the risks to your funds.

(8) You should consult your futures commission merchant concerning the nature of the protections available to safeguard funds or property deposited for your account.

(9) Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example, when the market reaches a daily price fluctuation limit ("limit move").

(10) All futures positions involve risk, and a "spread" position may not be less risky than an outright "long" or "short" position.

(11) The high degree of leverage (gearing) that is often obtainable in futures trading because the small margin requirements can work against you as well as for you. Leverage (gearing) can lead to large losses as well as gains.

(12) In addition to the risks noted in the paragraphs enumerated above, you should be familiar with the futures commission merchant you select to entrust your funds for trading futures positions. The Commodity Futures Trading Commission requires each futures commission merchant to make publicly available on its Website firm specific disclosures and financial information to assist you with your assessment and selection of a futures commission merchant. Information regarding this futures commission merchant may be obtained by visiting our website, [www.rcqdirect.com](http://www.rcqdirect.com).

## **OPTIONS**

### **Variable degree of risk**

(13) Transactions in options carry a high degree of risk. Purchasers and seller of options should familiarize themselves with the type of option (i.e., put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs.

(14) The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin (see the section on Futures above). If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the option premium plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable is ordinarily remote.

(15) Selling ('writing' or 'granting') an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a future, the seller will acquire a position in a future with associated liabilities for margin (see the section on Futures above). If the position is 'covered' by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

(16) Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

## **ADDITIONAL RISKS COMMON TO FUTURES AND OPTIONS**

### **Terms and conditions of contracts**

(17) You should ask the firm with which you deal about the term and conditions of the specific futures or options which you are trading and associated obligations (e.g., the circumstances under which you may become obligated to make or take delivery of the underlying interest of a futures contract and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

### **Suspension or restriction of trading and pricing relationships**

(18) Market conditions (e.g., illiquidity) and/or the operation of the rules of certain markets (e.g., the suspension of trading in any contract or contract month because of price limits or 'circuit breakers') may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss.

(19) Further, normal pricing relationships between the underlying interest and the future, and the underlying interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge 'fair' value.

### **Deposited cash and property**

(20) You should familiarize yourself with the protections accorded money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specified legislation or local rules. In some jurisdictions, property which has been specifically identifiable as your own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

### **Commission and other charges**

(21) Before you begin to trade, you should obtain a clear explanation of all commission, fees, and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

### **Currency risks**

(22) The profit or loss in transactions in foreign currency-denominated contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

## Trading facilities

(23) Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms. Such limits may vary; you should ask the firm with which you deal for details in this respect.

## Electronic trading

(24) Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risk associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or is not executed at all.

## Off-exchange transactions

(25) In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which you deal may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarize yourself with applicable rules and attendant risks.

## **ALL OF THE POINTS NOTED ABOVE APPLY TO ALL FUTURES TRADING WHETHER FOREIGN OR DOMESTIC. IN ADDITION, IF YOU ARE CONTEMPLATING TRADING FOREIGN FUTURES OR OPTIONS CONTRACTS, YOU SHOULD BE AWARE OF THE FOLLOWING ADDITIONAL RISKS:**

(26) Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally “linked” to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, customers who trade on foreign exchanges may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. Before you trade, you should familiarize yourself with the foreign rules which will apply to your particular transaction.

(27) Finally, you should be aware that the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom may be affected by any fluctuation in the foreign exchange rate between the time the order is placed, and the foreign futures contract is liquidated, or the foreign option contract is liquidated or exercised.

**THIS BRIEF STATEMENT CANNOT, OF COURSE, DISCLOSE ALL THE RISKS AND OTHER ASPECTS OF THE COMMODITY MARKETS.**

**CROSS TRADE CONSENT**

The Marex North America, LLC (“Marex ”), its officers, directors, employees or affiliates or other customers of Marex or of the servicing floor broker may be from time to time on the opposite side of orders for physicals or for purchase or sale of futures contracts and option contracts placed for your Account in conformity with regulations of the Commodity Futures Trading Commission and the by-laws, rules and regulations of the applicable market (and its clearing organization, if any) on which such order is executed.

## **ELECTRONIC TRADING AND ORDER ROUTING SYSTEMS DISCLOSURE STATEMENT\***

Electronic trading and order routing systems differ from traditional open outcry pit trading and manual order routing methods. Transactions using an electronic system are subject to the rules and regulations of the exchange(s) offering the system and/or listing the contract. Before you engage in transactions using an electronic system, you should carefully review the rules and regulations of the exchange(s) offering the system and/or listing contracts you intend to trade.

### **DIFFERENCES AMONG ELECTRONIC TRADING SYSTEMS**

Trading or routing orders through electronic systems vary widely among the different electronic systems. You should consult the rules and regulations of the exchange offering the electronic system and/or listing the contract traded or order routed to understand, among other things, in the case of trading systems, the system's order matching procedure, opening and closing procedures and prices, error trade policies, and trading limitations or requirements; and in the case of all systems, qualifications for access and grounds for termination and limitations on the types of orders that may be entered into the system. Each of these matters may present different risk factors with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times, and security. In the case of internet-based systems, there may be additional types of risks related to system access, varying response times and security, as well as risks related to service providers and the receipt and monitoring of electronic mail.

### **RISK ASSOCIATED WITH SYSTEM FAILURE**

Trading through an electronic trading or order routing system exposes you to risks associated with system or component failure. In the event of system or component failure, it is possible that, for a certain time period, you may not be able to enter new orders, execute existing orders, or modify or cancel orders that were previously entered. System or component failure may also result in loss of orders or order priority.

### **SIMULTANEOUS OPEN OUTCRY PIT AND ELECTRONIC TRADING**

Some contracts offered on an electric trading system may be traded electronically and through open outcry during the same trading hours. You should review the rules and regulations of the exchange offering the system and/or listing the contract to determine how orders that do not designate a particular process will be executed.

### **LIMITATION OF LIABILITY**

Exchanges offering an electronic trading or order routing system and/or listing the contract may have adopted rules to limit their liability, the liability of Futures Commission Merchants, and software and communication system vendors and the amount of damages you may collect for system failure and delays. These limitations of liability provisions vary among the exchanges. You should consult the rules and regulations of the relevant exchange(s) in order to understand these liability limitations

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\* Each exchange's relevant rules are available upon request from the industry professional with whom you have an account. Some exchanges' relevant rules also are available on the exchange's internet home page.

## **DISCLOSURE OF FUTURES COMMISSION MERCHANT MATERIAL CONFLICTS OF INTEREST**

The purpose of this document is to provide you with information about some of the material conflicts of interest that may arise between you and the Marex North America, LLC (“Marex”) in connection with Marex performing services for you with respect to futures, options on futures, swaps (as defined in the Commodity Exchange Act), forwards or other commodity derivatives (“Contracts”). Conflicts of interests can arise in particular when Marex has an economic or other incentive to act, or persuade you to act, in a way that favors Marex or its affiliates.

Under applicable law, including regulations of the Commodity Futures Trading Commission (“CFTC”), not all swaps are required to be executed on an exchange or swap execution facility (each, a “Trading Facility”), even if a Trading Facility lists the swap for trading. In such circumstances, it may be financially advantageous for Marex or its affiliate to execute a swap with you bilaterally in the over-the-counter market rather than on a Trading Facility and, to the extent permitted by applicable law, we may have an incentive to persuade you to execute your swap bilaterally.

Applicable law may permit you to choose the CFTC-registered derivatives clearing organization (“Clearing House”) to which you submit a swap for clearing. You should be aware that Marex may not be a member of or may not otherwise be able to submit your swap to, the Clearing House of your choice. Marex consequently has an incentive to persuade you to use a Clearing House of which Marex or its affiliate is a member.

You also should be aware that Marex or its affiliate may own stock in, or have some other form of ownership interest in, one or more U.S. or foreign Trading Facilities or Clearing Houses where your transactions in Contracts may be executed and/or cleared. As a result, Marex or its affiliate may receive financial or other benefits related to its ownership interest when Contracts are executed on a given Trading Facility or cleared through a given Clearing House, and Marex would, in such circumstances, have an incentive to cause Contracts to be executed on that Trading Facility or cleared by that Clearing House. In addition, employees, and officers of Marex or its affiliate may also serve on the board of directors or on one or more committees of a Trading Facility or Clearing House.

In addition, Trading Facilities and Clearing Houses may from time to time have in place other arrangements that provide their members or participants with volume, market-making or other discounts or credits, may call for members or participants to pre-pay fees based on volume thresholds, or may provide other incentive or arrangements that are intended to encourage market participants to trade on or direct trades to that Trading Facility or Clearing House. Marex or its affiliate may participate in and obtain financial benefits from such incentive programs.

When we provide execution services to you (either in conjunction with clearing services or in an execution-only capacity), we may direct orders to affiliated or unaffiliated market-makers, other executing firms, individual brokers, or brokerage groups for execution. When such affiliated or unaffiliated parties are used, they may, where permitted, agree to price concessions, volume discounts or refunds, rebates, or similar payments in return for receiving such business. Likewise, where permitted by law and the rules of the applicable Trading Facility, we may solicit a counterparty to trade opposite your order or enter into transactions for its own account or the account of other counterparties that may, at times, be adverse to your interests in a Contract. In such circumstances, that counterparty may make payments and/or pay a commission to Marex in connection with that transaction. The results of your

transactions may differ significantly from the results achieved by us for our own account, our affiliates, or for other customers.

In addition, where permitted by applicable law (including, where applicable, the rules of the applicable Trading Facility), Marex, its directors, officers, employees and affiliates may act on the other side of your order or transaction by the purchase or sale for an account, or the execution of a transaction with a counterparty, in which Marex or a person affiliated with Marex has a direct or indirect interest, or may affect any such order with a counterparty that provides Marex or its affiliates with discounts related to fees for Contracts or other products. In cases where we have offered you a discounted commission or clearing fee for Contracts executed through Marex as agent or with Marex or its affiliate acting as counterparty, Marex or its affiliate may be doing so because of the enhanced profit potential resulting from acting as executing broker or counterparty.

Marex or its affiliate may act as, among other things, an investor, research provider, placement agent, underwriter, distributor, remarketing agent, structurer, securitizer, lender, investment manager, investment adviser, commodity trading advisor, municipal advisor, market maker, trader, prime broker or clearing broker. In those and other capacities, Marex, its directors, officers, employees, and affiliates may take or hold positions in, or advise other customers and counterparties concerning, or publish research or express a view with respect to, a Contract or a related financial instrument that may be the subject of advice from us to you. Any such positions and other advice may not be consistent with, or may be contrary to, your interests or to positions which are the subject of advice previously provided by Marex or its affiliate to you, and unless otherwise disclosed in writing, we are not necessarily acting in your best interest and are not assessing the suitability for you of any Contract or related financial instrument. Acting in one or more of the capacities noted above may give Marex or its affiliate access to information relating to markets, investments, and products. As a result, Marex or its affiliate may be in possession of information which, if known to you, might cause you to seek to dispose of, retain or increase your position in one or more Contracts or other financial instruments. Marex and its affiliate will be under no duty to make any such information available to you, except to the extent we have agreed in writing or as may be required under applicable law.

## **DIRECT ORDER TRANSMITTAL CLIENT DISCLOSURE STATEMENT\***

This statement applies to the ability of authorized customers of the Marex North America, LLC (“**Marex**”) to place orders for foreign futures and options transactions directly with non-US entities (each, an “Executing Firm”) that execute transactions on behalf of **Marex**’s customer omnibus accounts.

Please be aware of the following should you be permitted to place the type of orders specified above:

- The orders you place with an Executing Firm are for Marex’s customer omnibus account maintained with a foreign clearing firm. Consequently, Marex **may** limit or otherwise condition the orders you place with the Executing Firm.
- You should be aware of the relationship of the Executing Firm and Marex. Marex **may** not be responsible for the acts, omissions, or errors of the Executing Firm, or its representatives, with which you place your orders. In addition, the Executing Firm may not be affiliated with Marex. If you choose to place orders directly with an Executing Firm, you may be doing so at your own risk.
- It is your responsibility to inquire about the applicable laws and regulations that govern the foreign exchanges on which transactions will be executed on your behalf. Any orders placed by you for execution on that exchange will be subject to such rules and regulations, its customs, and usages, as well as any local laws that may govern transactions on that exchange. These laws, rules, regulations, customs, and usages may offer different or diminished protection from those that govern transactions on US exchanges. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. Before you trade, you should familiarize yourself with the foreign rules which will apply to your particular transaction. United States regulatory authorities may be unable to compel the enforcement of the rules of regulatory authorities or markets in non-US jurisdictions where transactions may be effected.
- It is your responsibility to determine whether the Executing Firm has consented to the jurisdiction of the courts in the United States. In general, neither the Executing Firm nor any individuals associated with the Executing Firm will be registered in any capacity with the Commodity Futures Trading Commission. Similarly, your contacts with the Executing Firm may not be sufficient to subject the Executing Firm to the jurisdiction of courts in the United States in the absence of the Executing Firm's consent. Accordingly, neither the courts of the United States nor the Commission's reparations program will be available as a forum for resolution of any disagreements you may have with the Executing Firm, and your recourse may be limited to actions outside the United States.

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\* This disclosure statement is relevant only if the Marex North America, LLC (“Marex”) has granted the direct order transmittal authorization described above to you. Pursuant to CFTC Regulation 30.12, you are eligible to receive such authorization only if (1) you are an eligible swap participant, as defined in former CFTC Regulation 35.1(b)(2), or (2) your decisions to invest in foreign futures or foreign options transactions are made by a commodity trading advisor (“CTA”) that is subject to regulation under the Commodity Exchange Act or by a foreign person performing a similar role or function subject as such to foreign regulation, and certain other conditions are met. Unless you object within five (5) days by giving notice as provided in your customer agreement after receipt of this disclosure, Marex Spectron will assume your consent to the aforementioned conditions.

## FOREIGN TRADER DISCLOSURE STATEMENT

Dear Customer:

In accordance with Rules 15.05 and 21.03 of the Commodity Futures Trading Commission (“CFTC”), 17 C.F.R. §§15.05 and 21.03, we are considered to be your agent for purposes of accepting delivery and service of communications from or on behalf of the CFTC regarding any commodity futures contracts or commodity option contracts which are or have been maintained in your account(s) with us. In the event that you are acting as agent or broker for any other person(s), we are also considered to be their agent, and the agent of any person(s) for whom they may be acting as agent or broker, for purposes of accepting delivery and service of such communications. Service or delivery to us of any communication issued by or on behalf of the CFTC (including any summons, complaint, order, subpoena, special call, request for information, notice, correspondence or other written document) will be considered valid and effective service or delivery upon you or any person for whom you may be acting, directly or indirectly, as agent or broker.

You should be aware that Rule 15.05 also provides that you may designate an agent other than the **Marex North America, LLC (“Marex”)**. Any such alternative designation of agency must be evidenced by a written agency agreement which you must furnish to us and which we, in turn, must forward to the CFTC. If you wish to designate an agent other than us, please contact us in writing. You should consult 17 C.F.R. §15.05 for a more complete explanation of the foregoing.

Upon a determination by the CFTC that information concerning your account(s) with us may be relevant in enabling the CFTC to determine whether the threat of a market manipulation, corner, squeeze, or other market disorder exists, the CFTC may issue a call for specific information from us or from you. In the event that the CFTC directs a call for information to us, we must provide the information requested within the time specified by the CFTC. If the CFTC directs a call for information to you through us as your agent, we must promptly transmit the call to you, and you must provide the information requested with the time specified by the CFTC. If any call by the CFTC for information regarding your account(s) with us is not met, the CFTC has authority to restrict such account(s) to trading for liquidation only. You have the right to a hearing before the CFTC to contest any call for information concerning your account(s) with us, but your request for a hearing will not suspend the CFTC’s call for information unless the CFTC modifies or withdraws the call. Please consult 17 C.F.R. §21.03 for a more complete description of the foregoing (including the type of information you may be required to provide).

Certain additional regulations may affect you. Part 17 of the CFTC Regulations, 17 C.F.R. Part 17, requires each futures commission merchant and foreign broker to submit a report to the CFTC with respect to each account carried by such futures commission merchant or foreign broker which contains a reportable futures position. (Specific reportable position levels for all futures contracts traded on U.S. exchanges are established in Rule 15.03.) In addition, Part 18 of the CFTC Regulations, 17 C.F.R. Part 18, requires all traders (including foreign traders) who own or control a reportable futures or options position and who have received a special call from the CFTC to file a Large Trader Reporting Form (Form 103) with the CFTC within one day after the special call upon such trader by the CFTC. Please consult 17 C.F.R. 17 and 18 for more complete information with respect to the foregoing.

Very truly yours,

Marex

## NOTICE TO CUSTOMERS:

### EXCHANGE FOR RELATED POSITIONS<sup>3</sup>

Certain futures exchanges permit eligible customers to enter into privately negotiated off-exchange futures or option on futures transactions (collectively, “**futures**”) known as exchange for related positions (“**EFRP**”). An EFRP involves the simultaneous execution of a futures transaction and an equivalent related position. A “related position” is defined to mean the cash commodity underlying the exchange contract or a by-product, a related product or an over-the-counter (“**OTC**”) derivative instrument of such commodity that has a reasonable degree of price correlation to the commodity underlying the exchange contract.

Types of EFRPs include:

- Exchange of Futures for Physical (“**EFFP**”) or Against Actual (“**AA**”) – the simultaneous execution of a futures contract and a corresponding physical transaction or a forward contract on a physical transaction.
- Exchange of Futures for Risk (“**EFR**”) or Exchange of Futures for Swap (“**EFS**”) – the simultaneous execution of a futures contract and a corresponding OTC swap or other OTC derivative transaction.
- Exchange of Option for Option (“**EOO**”) – the simultaneous execution of an option contract and a corresponding transaction in an OTC option or other OTC instrument with similar characteristics.

EFRP transactions are subject to Applicable Law, as defined in the agreement between a futures commission merchant (“**FCM**”) and its customers. Customers that engage in EFRP transactions are responsible for reviewing, understanding and complying with the provisions of Applicable Law governing EFRP transactions, including, but not limited to, Rule 538 of the CME Group (CME, CBOT and NYMEX) and Rule 4.06 of ICE Futures US, and the frequently asked questions and other guidance that each exchange has issued with respect thereto.<sup>4</sup>

Customers are subject to the jurisdiction of the exchange through which the EFRP transaction is entered into and, therefore, may be required to produce records and otherwise cooperate in any inquiry that the exchange may undertake with respect to the EFRP transaction. Moreover, customers may be sanctioned by the exchange if an EFRP transaction does not comply with the requirements of applicable exchange rules and guidance. For this reason, customers are encouraged to review these requirements with any employees that may engage in EFRP transactions on their behalf.

Certain common requirements of the rules and guidance issued by CME Group and ICE Futures US are summarized below. However, this summary is not a substitute for the customer’s obligation to review and understand such rules and related guidance in their entirety.

- The futures contract and the related position must be effected for the account of the same beneficial owner. If the customer is the seller of (or the holder of the short market exposure associated with) the related position, the customer must be the buyer of the futures contract(s) being exchanged in the EFRP; conversely, if the customer is the buyer of (or the holder of the long market exposure associated with) the related position, the customer must be the seller of the futures contract(s) being exchanged in the EFRP.
- The opposing accounts to an EFRP transaction must be: (a) independently controlled accounts with different beneficial ownership; (b) independently controlled accounts of separate legal entities with common beneficial ownership; or (c) independently controlled accounts of the same legal entity, *provided* the account controllers operate in separate business units. For EFRP transactions

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<sup>3</sup> **DISCLAIMER:** This Notice is provided for informational purposes only. Although care has been taken to assure that the content is accurate as of the date of publication, this Notice is not intended to constitute legal or regulatory advice. FIA specifically disclaims any legal responsibility for any errors or omissions and disclaims any liability for losses or damages incurred through the use of the information herein. FIA undertakes no obligations to update this Notice following the date of publication.

<sup>4</sup> The CME Group’s most recent guidance with respect to EFRP transactions may be found at <http://www.cmegroup.com/rulebook/rulebook-harmonization.html>; ICE Futures US’ most recent guidance with respect to EFRPs may be found at <https://www.theice.com/futures-us/market-resources>. This guidance may be revised from time-to-time. Customers should confirm that they are reviewing the most current guidance.

between accounts with common beneficial ownership, the parties to the trade must be able to demonstrate the independent control of the accounts and that the transaction had economic substance for each party to the trade.

- Generally, there may be only two parties to an EFRP transaction. However, a third party, acting as principal, may facilitate the related position component of an EFRP on behalf of a customer, *provided* the third party is able to demonstrate that the related position was passed through to the customer that received the exchange contract as part of the EFRP.
- Each EFRP requires a *bona fide* transfer of ownership of the cash commodity between the parties or a *bona fide*, legally binding contract between the parties consistent with relevant market conventions for the particular related position transaction.
- Each side of an EFRP transaction must be independent. For example, confirmation of the related position may not be contingent on the acceptance of the futures transaction for clearing.
- Contingent EFRP transactions are prohibited. EFRP transactions may not be contingent upon the execution of another EFRP or related transaction that results in the offset of the related position without the incurrence of market risk that is material in the context of the related position transactions.
- Foreign currency EFPs, with immediate offset of the cash component of the transaction, are permitted, *provided* the parties to the transaction have acknowledged that, in the event the futures component of the transaction fails to clear, their responsibility for any resultant profit or loss associated with an offset of the cash component of the transaction.
- A party providing inventory financing for a storable agricultural, energy or metals commodity may, through the execution of an EFP, purchase the commodity and sell the equivalent quantity of futures contracts to a counterparty, and grant to the counterparty the non-transferable right, but not the obligation, to execute a second EFP during a specified time period in the future which will have the effect of reversing the original EFP.
- An EFRP may incorporate multiple exchange components with different market bias, *provided* the related components incur material market risk. An EFRP may incorporate multiple related position components, *provided* the net exposure of the related position components is approximately equivalent to the quantity of futures exchanged or, in the case of an EOO, the net delta-adjusted quantity of the OTC option components is approximately equivalent to the delta-adjusted quantity of the exchange-listed option.
- EFRP transactions may be executed at any commercially reasonable price agreed by the parties, *provided* the price of the exchange component of the EFRP transaction conforms to the minimum tick increment of the futures contract under exchange rules. Parties may be asked to demonstrate that EFRPs executed at prices away from the prevailing market price were executed at such prices for legitimate commercial purposes.
- The customer must maintain all records relevant to the futures transaction and the related cash, swap, or derivative transaction in accordance with applicable exchange rules. Upon request, the customer must provide its FCM with documentation sufficient to verify its purchase or sale of the related position.
- EFR and EOO participants must comply with applicable Commodity Futures Trading Commission requirements governing eligibility to transact the related position component of an EFR or EOO. Generally, EFR and EOO participants must be “eligible contract participants,” as defined in section 1a (18) of the Commodity Exchange Act.
- A swap that is traded on or subject to the rules of an exchange or a swap execution facility (“SEF”) is ineligible to be the related position component of an EFR or EOO transaction. OTC swaps that are bilaterally negotiated and submitted for clearing-only to a DCO qualify as a related position, *provided* such swaps have a reasonable degree of correlation to the underlying exchange product. Such swaps should be governed by the terms and conditions of an ISDA agreement negotiated between the parties.

**CFTC CUSTOMER ADVISORY:  
UNDERSTAND THE RISKS OF VIRTUAL CURRENCY TRADING**

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## Customer Advisory: Understand the Risks of Virtual Currency Trading

The U.S. Commodity Futures Trading Commission (CFTC) is issuing this customer advisory to inform the public of possible risks associated with investing or speculating in virtual currencies or recently launched Bitcoin futures and options.

Virtual currency is a digital representation of value that functions as a medium of exchange, a unit of account, or a store of value, but it does not have legal tender status. Virtual currencies are sometimes exchanged for U.S. dollars or other currencies around the world, but they are not currently backed nor supported by any government or central bank. Their value is completely derived by market forces of supply and demand, and they are more volatile than traditional fiat currencies. Profits and losses related to this volatility are amplified in margined futures contracts.

For hedgers – those who own Bitcoin or other virtual currencies and who are looking to protect themselves against potential losses or looking to buy virtual currencies at some point in the future – futures contracts and options are intended to provide protection against this volatility. However, like all futures products, speculating in these markets should be considered a high-risk transaction.

### Bitcoin is a Commodity

Bitcoin and other virtual currencies have been determined to be commodities under the **Commodity Exchange Act** (CEA). The Commission primarily regulates commodity derivatives contracts that are based on underlying commodities. While its regulatory oversight authority over commodity cash markets is limited, the CFTC maintains general anti-fraud and manipulation enforcement authority over virtual currency cash markets as a commodity in interstate commerce.

### What makes virtual currency risky?

Purchasing virtual currencies on the cash market – spending dollars to purchase Bitcoin for your personal wallet, for example – comes with a number of risks, including:

- most cash markets are not regulated or supervised by a government agency.
- platforms in the cash market may lack critical system safeguards, including customer protections.
- volatile cash market price swings or flash crashes.
- cash market manipulation.
- cyber risks, such as hacking customer wallets; and/or
- platforms selling from their own accounts and putting customers at an unfair disadvantage.

It is also important to note that market changes that affect the cash market price of a virtual currency may ultimately affect the price of virtual currency futures and options.

**When customers purchase a virtual currency-based futures contract, they may not be entitled to receive the actual virtual currency, depending on the particular contract.** Under most futures contracts currently being offered, customers are buying the right to receive or pay the amount of an underlying commodity value in dollars at some point in the future. Such futures contracts are said to be “cash settled.” Customers will pay or receive (depending on which side of the contract they have taken –

long or short) the dollar equivalent of the virtual currency based on an index or auction price specified in the contract. Thus, customers should inform themselves as to how the index or auction prices used to settle the contract are determined.

**Entering into futures contracts through leveraged accounts can amplify the risks of trading the product.** Typically, participants only fund futures contracts at a fraction of the underlying commodity price when using a margin account. This creates “leverage,” and leverage amplifies the underlying risk, making a change in the cash price even more significant. When prices move in the customers’ favor, leverage provides them with more profit for a relatively small investment. But, when markets go against customers’ positions, they will be forced to refill their margin accounts or close out their positions, and in the end may lose more than their initial investments.

### **Beware of related fraud**

Virtual currencies are commonly targeted by hackers and criminals who commit fraud. There is no assurance of recourse if your virtual currency is stolen. Be careful how and where you store your virtual currency. The CFTC has received complaints about virtual currency exchange scams, as well as Ponzi and “pyramid” schemes.

If you decide to buy virtual currencies or derivatives based on them, remember these tips:

- If someone tries to sell you an investment in options or futures on virtual currencies, including Bitcoin, verify they are registered with the CFTC. Visit [SmartCheck.gov](https://www.smartcheck.gov) to check registrations or learn more about common investment frauds.
- Remember—much of the virtual currency cash market operates through Internet-based trading platforms that may be unregulated and unsupervised.
- Do not invest in products or strategies you do not understand.
- Be sure you understand the risks and how the product can lose money, as well as the likelihood of loss. Only speculate with money you can afford to lose.
- There is no such thing as a guaranteed investment or trading strategy. If someone tells you there is no risk of losing money, do not invest.
- Investors should conduct extensive research into the legitimacy of virtual currency platforms and digital wallets before providing credit card information, wiring money, or offering sensitive personal information.
- The SEC has also warned that some token sales or initial coin offerings (ICOs) can be used to improperly entice investors with promises of high returns.<sup>1</sup>

If you believe you may have been the victim of fraud, or to report suspicious activity, contact us at 866.366.2382 or visit [CFTC.gov/TipOrComplaint](https://www.cftc.gov/TipOrComplaint).

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<sup>1</sup> See [https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib\\_coinofferings](https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib_coinofferings).

The CFTC has provided this information as a service to investors. It is neither a legal interpretation nor a statement of CFTC policy. If you have questions concerning the meaning or application of a particular law or rule, consult an attorney.

## **NFA Investor Advisory—Futures on Virtual Currencies Including Bitcoin**

The purpose of this investor advisory is to remind investors that, just like any other speculative investment, trading futures on virtual currencies, including Bitcoin, have certain benefits and various risks. While futures on virtual currencies must be traded on regulated futures exchanges, trading these products involves a high level of risk and may not be suitable for all investors.

It is critical, therefore, for investors who are considering trading virtual currency futures to educate themselves about these products, understand their risks, and conduct due diligence before making investment decisions. Investor protection begins with investor education.

- Conduct due diligence on any individuals and firms soliciting for an investment in futures on virtual currencies including Bitcoin by checking their Commodity Futures Trading Commission (CFTC) registration status, NFA membership status, and background using [NFA's BASIC system](#) or calling NFA's Information Center at 800-621-3570.
- Virtual currencies including Bitcoin experience significant price volatility, and fluctuations in the underlying virtual currency's value between the time you place a trade for a virtual currency futures contract and the time you attempt to liquidate it will affect the value of your futures contract and the potential profit and losses related to it. Be very cautious and monitor any investment that you make.
- Be aware of sales pitches offering investment schemes that promise significant returns with little risk or that encourage you to "act now." If an investment sounds too good to be true (e.g., high returns, guaranteed to perform in a certain way), then it probably is.
- Virtual currency futures contracts are bought and sold using initial margin money that can enable you to hold a virtual currency futures contract valued more than your initial investment. This is referred to as leverage. If the price of the futures contract moves in an unfavorable direction, the leveraged nature of the futures investment can produce large losses in relation to your initial investment. In fact, even a small move against your position may result in a large loss, including the loss of your entire initial deposit, and you may be liable for additional losses.
- Be aware of the risk of Ponzi scheme operators and fraudsters seeking to capitalize on the current attention focused on virtual currencies, including Bitcoin.

Outlined above are just some of the risks associated with trading futures on virtual currencies, including Bitcoin. Investors should consult the risk disclosures provided by their FCM and fully educate themselves on all of the associated risks before trading.

With CFTC oversight, each futures exchange listing a virtual currency futures contract is responsible for regulating its futures market. NFA performs market regulation services on behalf of certain futures exchanges and swap execution facilities. Please be aware, however, that just because futures on virtual currencies, including Bitcoin, must be traded on regulated futures exchanges does not mean that the underlying virtual currency markets are regulated in any manner, and as discussed above what occurs in a virtual currency's underlying market will impact the price of a virtual currency's futures contract.

Investors with questions or concerns regarding trading futures on virtual currencies including Bitcoin should contact NFA's Information Center (312-781-1410 or 800-621-3570 or [information@nfa.futures.org](mailto:information@nfa.futures.org)).

**NFA Disclosure Language for Underlying or Spot Virtual Currencies**

**MAREX NORTH AMERICA, LLC** IS A MEMBER OF NFA AND IS SUBJECT TO NFA'S REGULATORY OVERSIGHT AND EXAMINATIONS. HOWEVER, YOU SHOULD BE AWARE THAT NFA DOES NOT HAVE REGULATORY OVERSIGHT AUTHORITY OVER UNDERLYING OR SPOT VIRTUAL CURRENCY PRODUCTS OR TRANSACTIONS OR VIRTUAL CURRENCY EXCHANGES, CUSTODIANS OR MARKETS.





## APPENDIX

Revised April 2018

### **A GUIDE TO THE STRUCTURE, MARKET TERMINOLOGY AND ORDER EXECUTION OF THE LONDON METAL EXCHANGE**

#### **INTRODUCTION AND PURPOSE**

1. This document is designed to provide market participants on the London Metal Exchange (LME), and particularly Clients of Members, with an overview of the structure of the LME, market terminology, and order execution. It is not a comprehensive trading guide, nor a complete guide to market terminology. Market participants should always ensure that their requirements are explained in detail to the Member responsible for order execution.
2. This document is not a substitute for reading the LME Rulebook, relevant Notices, or the terms of business agreed between Clients and Members. It is not binding on the LME and is provided by way of guidance only.
3. Capitalised terms not otherwise defined herein shall have the meaning ascribed to them in the LME Rulebook, as amended from time to time.

#### **THE LME**

##### **Execution Venues**

4. Trades on the LME may be agreed on any of the LME's three trading venues (defined as Execution Venues in the LME Rulebook): by open outcry in the Ring (during ring and kerb sessions), between Members in the inter-office market, and over the Exchange's electronic trading system, 'LMEselect.' LME trading times are available on the LME website at <https://www.lme.com/en-GB/Trading/Trading-venues/Trading-times#tabIndex=0>.

##### **The Ring**

5. Only Category 1 Members may trade in the Ring.
6. Clients can follow the market activity by monitoring quoted and traded prices disseminated via the LME market data dissemination system, or by listening to the simultaneous floor commentary provided by Member(s). The LME market data dissemination system publishes prices traded during Ring and kerb sessions on price vendor information services such as Reuters.



7. Members can continue to 'make a market' when requested by a Client during the Ring and kerb sessions, although this is entirely at the Member's discretion. Alternatively, the Client can decide whether to place an order using the 'order styles' mentioned below.
8. Certain Contracts (including Ferrous Futures and LMEprecious Contracts – see below) are not available for trading in the Ring.

### **Inter-office**

9. Inter-office trading is conducted between Members, or between Members and their Clients, by telephone or by electronic means. On contacting a Member for a quote, Clients will usually be provided with the Member's current bid and offer. The Client may trade on this quote, call another Member in an attempt to improve the quote, leave a resting order with a Member, or wait and monitor prices on the LME market data dissemination system.

### **LMEselect**

10. Category 1, 2, 3 and 4 Members and LMEprecious Members may be LMEselect Participants and enter into Contracts ('LME Contracts') on LMEselect.
11. LMEselect allows LMEselect Participants to trade LME Contracts, including (but not limited to) Futures Contracts, Metal Options, Traded Average Price Options, Monthly Average Price Futures, LMEmini Contracts and Index Futures. Some brokers offer their Clients an order-routing facility via an API where they can view LMEselect prices, execute trades, and place resting orders. All trading on LMEselect is in US dollars.
12. Depending on the time of day, it is possible for Members to deal by telephone or electronically in the inter-office, by LMEselect, or in the Ring. Clients should specify which mechanism their broker should use to effect an order, where they have a preference.
13. Information vendors will display, amongst other things, firm prices of the best bid and offer available on LMEselect, the total volumes available at these prices (subject to iceberg orders – see paragraph 57 below), and the price and volume of each trade. Clients may effect back-to-back Client Contracts with Category 1, 2 and 4 Members based upon prices available on LMEselect, whether on the telephone or via electronic order-routing systems.



14. Where a Member permits a Client to use the order-routing facility of the LME Select API, this will give rise to a Client Contract as well as one or more Cleared Contracts. The Client Contract must be on the same commercial terms as the relevant Cleared Contract (save that it may be marked up or down to reflect a commission payable by the Client). The Clearing Member must ensure that the Client Contract and the relevant Cleared Contracts are inputted into the Matching System, and that Client orders are not offset against each other (see also “Transacting on behalf of Clients” below).

### **Contract Formation & Clearing**

15. Trades agreed on the LME shall give rise either to (a) Cleared Contracts, or (b) Cleared Contracts and back-to-back Client Contracts. Each Trading Member is responsible for the input into the Exchange’s Matching System, ‘LMEsmart’, of all Agreed Trades by it in relation to Contracts.
16. Cleared Contracts are cleared by the LME’s appointed clearing house, LME Clear. LME Clear clears LME Contracts on an open offer basis. LME Clear will make an offer to each party to the trade: it will offer to act as the buyer to the party who wishes to be the seller, and it will offer to act as the seller to the party who wishes to be the buyer. On acceptance of LME Clear’s offer by each party, two Cleared Contracts will be formed: one between LME Clear and the seller; another between LME Clear and the buyer. The time of execution will depend on the Execution Venue:
  - Transactions (i.e., Agreed Trades) agreed in the Ring – the Cleared Contracts will arise at the time the trade is agreed in the Ring;
  - Agreed Trades arising in LMEselect – the execution time of the Cleared Contracts will be the point at which LMEselect confirms that the Agreed Trade has been matched and that all pre-execution checks have been satisfied; and
  - Agreed Trades in the inter-office telephone market – these will initially form “Contingent Agreements to Trade,” the particulars of which the parties must then submit to the LME Matching System. The time of execution of the Cleared Contracts will be at the point that the Matching System confirms that the trades have been matched and that all pre- execution checks have been satisfied.



17. Where an Agreed Trade is made with a Client, upon execution of the Agreed Trade a Cleared Contract shall be formed between the responsible Clearing Member and LME Clear and a back-to-back Client Contract shall automatically and immediately come into effect between the Client and the Member on the same terms as the Cleared Contract<sup>1</sup>.
18. In order to maintain the smooth and orderly operation of the market, the LME and LME Clear will carry out a number of pre-trade and post-trade checks. Further, Members must have adequate processes in place to ensure both they and their Clients have sufficient collateral in place before entering into trades.

### **LME Base & LMEprecious**

19. The LME offers contracts in base and ferrous metals (described in the Rules as “LME Base Contracts”) and precious metals (described in the Rules as “LMEprecious Contracts”). The LME has seven different categories of membership for the LME Base Service and three different categories of membership for the LMEprecious Service. LMEprecious Contracts are operationally traded in the same way as existing LME Base Contracts, using the same systems, connectivity, and rulebook, with some minor differences.
20. One of the key differences is that the LME Base Service and the LMEprecious Service differ in the way that Agreed Trades are booked in LMEsmart. Where an Agreed Trade relates to an LME Base Contract, it shall be booked in LMEsmart in a manner to ensure the following allocation:
  - a. an Agreed Trade between two Clearing Members shall be allocated to each Clearing Member's house account at LME Clear;
  - b. an Agreed Trade between a Client and the Clearing Member responsible for clearing the Agreed Trade shall result in the allocation of Cleared Contracts to both the Clearing Member's house account and the Clearing Member's appropriate client account at LME Clear; and
  - c. an Agreed Trade between a Client and any other person shall result in the allocation of Cleared Contracts to both the house account of the Clearing Member responsible for clearing the Agreed Trade and the client account of the Clearing Member responsible for clearing the Agreed Trade.

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<sup>1</sup> There are specific arrangements where the Client is a Category 4 Member or LMEprecious Non-Clearing Member. These are covered by LME Notice 17/184 dated 25 May 2017.



21. This is sometimes referred to as a “T4” model. In cases (b) and (c) above, the trade must initially be entered into the house account, and then crossed out of the house account into the client account.
22. On the other hand, where an Agreed Trade relates to an LMEprecious Contract it shall be booked in LMEsmart in a manner to ensure the following allocation:
  - a. an Agreed Trade that is a proprietary trade of an LMEprecious Clearing Member shall be allocated to the house account of the LMEprecious Clearing Member at LME Clear; and
  - b. an Agreed Trade made by a Member, and for which an LMEprecious General Clearing Member is responsible for clearing such Agreed Trade, may be allocated either to a house account of the LMEprecious General Clearing Member (where the Agreed Trade is a proprietary trade of the LMEprecious General Clearing Member) or a client account of the LMEprecious General Clearing Member (in any other circumstance).
23. This is sometimes referred to as a “T2” model. In contrast to the T4 model, there is no need initially to enter an Agreed Trade on behalf of a Client into the house account and then cross it out of the house account into the client account.
24. There are also different settlement mechanisms for different Contracts: most LME Base Contracts are physically deliverable (with the exception of certain Contracts, including Ferrous Futures, which are cash-settled), and so certain categories of Members must be LMEsword Account Holders for the LME Base Service. LMEprecious Contracts, on the other hand, settle against unallocated precious metal via an account at a Precious Metal Clearer.

## Principal Nature

25. All LME Contracts are between parties acting as principals. This prevents any party entering into an LME Contract as agent for someone else but does not prevent an agent arranging a Contract between two parties if the resulting LME Contract is between disclosed parties, each acting as a principal. It is an essential requirement of an LME Client Contract that one party must be a Category 1, 2 or 4 Member (or the equivalent LMEprecious category<sup>2</sup>). A list of Members is on the LME website: [www.lme.com](http://www.lme.com). A principal relationship does not mean that Members do not take on quasi-fiduciary responsibilities when

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<sup>2</sup> A Category 2 Member is equivalent to an LMEprecious General Clearing Member. A Category 4 Member is equivalent to an LMEprecious Non-Clearing Member.



they execute trades for Clients. In particular, if a Member undertakes to deliver a particular service, for example, to deal a specific number of lots 'in the Ring,' then it should take care to ensure that it complies with all the terms of such a transaction.

26. In respect of Agreed Trades between Members, an LME broker buying metal from another LME broker cannot do so as agent for its Client. Where an LME broker buys metal from another LME broker with a view to selling that metal to its Client, this is achieved by entering into a back-to-back Client Contract with the Client. Brokers and Clients can agree the conditions that apply to their Client Contracts. For example, a Client may make it a condition to its entry of a Client Contract that the broker must enter into a back-to-back Agreed Trade with another Member for the metal being bought or sold. This does not make the Client a party to the Agreed Trade with the other Member (or the resulting Cleared Contract with LME Clear) but does create additional duties and obligations owed by the broker under the Client Contract.
27. Open position statements issued to Clients must state clearly 'THIS IS AN LME REGISTERED CLIENT CONTRACT.' Contract criteria relating to LME Contracts, including metal specifications, acceptable currencies, prompt dates, option strike prices for metals etc. are detailed in the LME Rulebook and relevant Notices.

### **OTC Contracts and Use of LME IP**

28. Instead of entering into Contracts governed by the LME Rules, Members and other third parties may enter into 'over-the-counter' (OTC) contracts in respect of LME deliverable metal. Where this is the case, the contract should clearly state that 'THIS IS NOT AN LME REGISTERED CLIENT CONTRACT.' OTC contracts are not governed by the LME Rules and are not registered with, and cleared by, LME Clear, meaning that both parties to the contract could be exposed to losses if the either party defaults. Unlike LME Contracts, OTC contracts do not benefit from Part VII protection in the event of the default of the Member, which means that the general law of insolvency would apply on default rather than the LME and LME Clear's purpose-designed default rules. Also, contracts that are opened and closed at the same broker do not benefit from the transparent global pool of competitive offers which the LME facilitates.



Members providing their clients with OTC contracts should explain to their clients the difference between OTC contracts and LME Contracts, and the different levels of protection afforded by each.

29. The LME applies a “Financial OTC Booking Fee Policy” to Members and other third-party financial intermediaries who reference LME prices or other proprietary information in their OTC contracts. Such entities must register with the LME, report relevant OTC trades, and pay the relevant fees<sup>3</sup>. Members and other third parties who reference LME prices or other LME proprietary information in OTC contracts or otherwise use LME proprietary information must ensure that they have entered into the appropriate licences with the LME.
30. The LME Rules also contain restrictions on: (a) the use of LME Data, Product Specifications or other Intellectual Property Rights for the purpose of trading, clearing or settling Non-LME Platform Contracts; (b) using LME Warrants to settle Non-LME Platform Contracts or the Ex-Cleared functionality of LMEsword to facilitate the settlement of Non-LME Platform Contracts; (c) using the inter-office market to route Non-LME Platform Contracts through the systems of the Exchange; and (d) bringing onto the LME Non-LME Platform Contracts.
31. Any Member operating electronic dealer-to-client platforms for OTC contracts will also need to consider the relevant provisions of MiFID II relating to systematic internalisers, pre- and post-trade transparency, etc..

### **Transacting on Behalf of Clients**

32. When transacting on the LME’s Execution Venues, Members may transact both for their own account (i.e., on a proprietary basis, including where they are making prices on the LME) and on behalf of market participants (i.e., as broker).

### **Dual Capacity**

33. The LME's market model operates such that liquidity in the dealer-to-dealer space may be different to that in the dealer-to-client space. This feature arises primarily due to the LME's daily date structure. For example, an industrial client may wish to hedge the average of the LME's cash price in respect of a quotation period between, for example, 6 January and 7 May. This is clearly a

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<sup>3</sup> For further information, see <https://www.lme.com/Trading/New-initiatives/Financial-OTC-Booking-Fee>



bespoke requirement, and it is unlikely that any central marketplace could quotation period between, for example, 6 January and 7 May. This is clearly a bespoke requirement, and it is unlikely that any central marketplace could provide liquid execution for such an order. Rather, the general approach on the LME market will be that a Member provides the contract to the Client and executes related contracts in the market to lay-off some or all of the associated risk. However, the nature of the contracts traded by the Member with the Client, and the Member with the market, will be different. In this context, the Member is acting in so-called "dual capacity". This differs from so-called "agency execution", whereby the Member trades the same contract with the market as with the Client. It should be noted that some execution on the LME market (generally in respect of more liquid prompt dates) will be undertaken under an agency execution model.

34. Members may act in a particular manner depending on a number of circumstances, including the size of the order, the liquidity of the market at the time the order was placed, and (in relation to Client business), not least, the Client's instructions. Client orders may be filled directly from a Member's 'book,' following the purchase/sale of metal in the LME market, or a combination of the two.
35. The validity and desirability of this market structure has been confirmed during the LME's 2017 Discussion Paper, and the LME is committed to its maintenance for as long as it remains consistent with both the needs of its users and the LME's regulatory obligations.

### **Considerations Around Dual Capacity Execution**

36. Clearly, the dual capacity model places a greater onus on Members to demonstrate that they act in the best interests of their Client. While it is for Members to satisfy themselves and their Clients of the sufficiency of their arrangements, the LME would make certain observations as to the behaviours which it would expect to observe in a dual capacity market. This represents a non-exhaustive list.
37. At the heart of such a model must be a clear understanding between Member and Client as to the basis on which execution is being undertaken - in particular, whether a particular Client order is to be executed under a dual capacity or an agency model. It is expected that Members are clear with their Clients in respect of the execution model.



38. Furthermore, Clients should be made aware of the fact that - as a natural corollary of the dual capacity model - the Member may eventually be able to hedge the risk at a more attractive price than that offered to the Client. The LME understands that Clients are, in general, satisfied with such a model (given that the Member is, in effect, being compensated for accepting the risk associated with the trade).
39. The dual capacity model also places responsibilities on Clients – for example, Clients with specific order requirements must make these known to the Member at the time the order is placed.
40. The LME further recognises that certain Client execution scenarios may be more complex. For example, a Member may execute a Client order on an agency model, while guaranteeing the Client a particular price for their order. In such a case, it would again clearly be necessary for the Client to be fully aware of the Member's execution approach - and, in particular, the impact on the Client's economic terms, were the Member to subsequently obtain a price better than that guaranteed to the Client.
41. Clearly, the broader rules of market conduct (arising from, among other places, the European Market Abuse Regulation) apply to firms trading on the LME market, whether such firms are operating in an agency execution or dual capacity model. Restrictions on activities such as front-running apply when operating in a dual capacity market and also when acting in agency execution - and, in particular, the LME would differentiate between (i) Member trades made purely for the purposes of offsetting risk from a Client position, and (ii) Member proprietary trading. The latter activity, in particular, must be appropriately segregated from Client execution (whether such Client execution is under a dual capacity or agency execution model).
42. Clients should be clear about the conditions that apply to the terms on which their Client Contracts are traded and about the obligations and duties that the broker owes as a result of those conditions. Members should be clear about the duties and obligations they owe as a result of the conditions attaching to the terms on which their Client Contracts are traded.

### **Rules preventing “netting up” or “crossing up”**

43. LME is concerned to ensure that the market can view a transparent post-trade record of market activity and that financial advantage is not extracted by the systematic “netting-up” of trading designed to reduce the fee burden.



Consequently, Members must ensure that, in respect of trades arranged in the inter-office market, the details of each Agreed Trade entered into the Matching System constitute the details of a single transaction, without the application of any prior netting, compression or aggregation of multiple transactions. However, prompt date adjustments are permissible. Furthermore, Members must ensure that, in respect of both Client and Member's house orders executed by Members via LMEselect, Members must not cross-up any such trades in their own systems before they are executed as Agreed Trades in LMEselect.

## Conduct of Business Rules

44. Members are reminded that they may be subject to certain conduct of business rules, and other regulatory obligations, pursuant to MiFID II and the rules and regulations of the FCA. Members may also be subject to additional regulatory obligations in the jurisdictions in which they are incorporated or otherwise operate. The extent to, and way in which, these obligations may apply will depend on a range of factors including, amongst others, the nature of the relationship between the relevant Member and its Client, the Execution Venue in question, the terms of business between the Member and its Client, the Member's regulatory status, and any internal compliance policies and procedures to which the Member is subject. Compliance with these obligations is (where applicable) the responsibility of the Member, and Members must seek their own advice in this regard. Of particular relevance in the context of Client business are the following broad obligations (but note this is not an exhaustive list and primarily focuses on UK and EU requirements):

**Best execution** – Members within the scope of the best execution rules are required to take all sufficient steps to obtain the best possible result for their Clients when executing Client orders (or passing them onto other firms for execution). To the extent that firms follow specific instructions from their clients relating to the order, the firm should satisfy its best execution obligations. Members should be aware that in an LME context, the best execution obligation may apply differently depending on the Execution Venue where the relevant trade is executed. It may also apply differently depending on whether, for example (i) a Client has requested a price from a Member and subsequently elects to trade on the basis of that price at a later time; or (ii) a Client directly instructs a Member to execute an order in the market at a specific price.

**Client order handling** – Members that execute orders on behalf of Clients must implement procedures and arrangements to provide for the prompt, fair and expeditious execution of Client orders relative to other orders or the trading



interests of the Member. In accordance with MiFID II and the FCA conduct of business requirements, Members must also satisfy certain conditions when carrying out Client orders, and when carrying out a Client order or a transaction for their own account in aggregation with another Client order.

**Fees and inducements** – Members must disclose certain information to Clients in relation to the services to be provided to them. This information includes, amongst other things, information regarding all of the costs and related charges that apply to the relevant service(s). In an LME context, this is likely to include any commission or mark-up on LME fees that may be applied by a Member to the fees charged to their Client. Members should not pay or accept any inducement (i.e., payment and receipt of fees, commissions, and non-monetary benefits) in relation to an investment service unless it falls within a “safe harbour” (e.g., where a payment received by the Member is paid to the Client).

**Conflicts of interest** – Members must take all appropriate steps to identify and to prevent or manage conflicts of interest. This requires Members to actively identify circumstances in which potential and actual conflicts of interest may arise, and to establish arrangements to prevent or manage them effectively.

## ORDER STYLES

45. The principal order styles for Client orders are summarised below. These order styles do not represent all possible methods of order execution on the LME. Members and Clients should ensure that orders are communicated in meaningful terms that deliver the required execution in accordance with LME Rules.

### Ring

46. Client orders are not traded in the Ring, so an order using the term ‘in/on/during the Ring/kerb’ will be executed on the basis of the prices traded/quoted during the particular session. If a Client requires their order to be ‘shown’ or traded across the ring/kerb then they should make this requirement known to their executor, who may or may not accept this as a term of the order. The equivalent Member-to-Member Agreed Trade for a

Client order might not replicate its terms. As the Client is not a party to any Cleared Contracts which arise from Agreed Trades made in the Ring, in specifying ring/kerb, the Client is merely identifying a pricing mechanism. A Member which undertakes to match a price traded in the ring/kerb is not



necessarily undertaking that it will trade during that ring/kerb, only that it may do so. However, a Client may place an order with the specific request that the Member concludes an Agreed Trade in the Ring, replicating its order. In such circumstance the Category 1 Member can only trade this order by open outcry in the Ring.

47. If a Client trades at the prevailing market quote proffered in the ring/kerb, their executor is not necessarily obliged to effect an Agreed Trade in the Ring at the same price. This can lead to situations where the Client has traded at the prevailing market quote, without that same price trading in open outcry across the Ring. However, if the instructions from the Client are to achieve a specific price i.e., close of Ring 2, then this is the price that should be given, if that specific order is accepted.
48. The timings for the acceptance of orders from a Client to a Member which are executed 'on the close' of the relevant Ring/Kerb should be agreed between the two parties. The timings may be dependent on the nature of the order (for example "large in size" orders may have different timings from smaller orders). However, the instructions should be clearly understood so there is no doubt how and when the order may be executed by the Member. If an 'on the close' order is not placed in sufficient time before the close of the relevant Ring/Kerb, the Member may reserve the right to decline acceptance of any such order.

## **Market**

49. In normal circumstances a market order is one executed on a timely basis at the prevailing market price. As mentioned above, at certain times of the business day, trading is taking place simultaneously in the Ring or kerb, on LMEselect, and in the inter-office market. Traditionally, when open outcry trading is in session, the market tends to be led by activity within the Ring/kerb. At other times, the market is split between inter-office trading and trading on LMEselect. During LMEselect trading periods, firm prices are available on LMEselect and the LMEselect page on information vendors' systems.



50. Order styles on the LME using the word 'best' confer some discretion upon the Members when executing the order, requiring them to use their 'best endeavours' on the Client's behalf. The extent of the discretion is fixed by the terms of the order. This type of order is distinct from any 'best execution' obligations (as defined by MiFID II and by the FCA) that may apply.
  
51. Best orders may be executed on any of the Ring, inter-office market and on LMEselect. Inter-office trades rely upon the Members' skill in determining the level of the market at any particular time. Best orders received during Ring/kerb times may not result in the Client receiving the 'best' price achieved during the session if the price improves after the Member has booked the metal intended to fill the order. At any given time, the best price on LMEselect will be displayed on the system and by the information vendors. Clients should be aware that depending on market conditions, the best price may move during the period from when the order was placed and when it was executed.

### **Close**

52. Most orders placed 'on the close' are for either the close of the second Ring (Official Prices) or the final kerb (Closing Prices). Both of these prices are published. Closing prices for other sessions are harder to determine, although the LME does publish unofficial prices which are established at the close of the fourth Ring. In all circumstances, Clients and Members need to agree the style of execution i.e., bid/offer, mean or traded price. Members may not always be able to guarantee execution (price or volume) due to prevailing market conditions. A closing price on LMEselect is the last price traded before the system closes.

### **Open**

53. Clients placing orders to trade on the opening of a market session must provide clear instructions to the Member which indicate how this order should be activated i.e., basis the opening bid/offer or basis the first trade in the session. Clients will also need to inform their executor of their requirements if the executor is unable to fill the order basis the 'opening' price in its entirety, due to market constraints such as insufficient liquidity. Clients may place orders with Members for LMEselect that can be placed into the system for activation when the market opens.



## Resting Orders

54. When placing resting orders such as 'good 'til cancelled' ('GTC', or any derivations thereof) or stop loss orders, Clients should ensure that they are in agreement with their executor's definition of the 'trigger' point of the order. Usually, this is interpreted as being the point when the order price is seen to be trading in the market, but it is possible to request the order be activated when the order level is either bid or offered as appropriate, via the prevailing market quote. Stop loss orders become market orders when a trade, or a bid or an offer triggers the stop, with Members then executing the order at the current market price.
55. It is possible for a Client not to receive a 'fill' on a resting order despite the 'trigger' point being 'touched'. This could be due to a number of circumstances such as order priority, illiquidity, prevailing market conditions etc. Whatever the reason, the executor should be able to provide the Client with a full explanation of why it was unable to fill the order.
56. Clients should be aware that resting orders might be activated during periods of illiquidity in the market. As previously mentioned, this could result in the trade not being filled, or for 'stop' orders, a worse fill than anticipated ('slippage'). Clients should ensure the executor is fully aware of their requirements regarding the execution of an order, and adheres to any limitations, especially if the Client is not in contact with the market / Member when the trigger point is reached.



## LMEselect

57. It is possible for Clients to ask Members to place resting orders in LMEselect. Where the broker has an order-routing system into LMEselect, Clients will be able to place orders through that order routing system. The system accepts GTC orders (for Cash and 3 month prompt dates only) and will also permit other variations such as 'Good for Day'. There are also certain other LMEselect-specific order types such as 'Iceberg'<sup>4</sup>, 'Discretionary'<sup>5</sup>, 'Scaling'<sup>6</sup> and 'Fill or Kill' orders<sup>7</sup>.

## SEGREGATION & PORTABILITY

### Segregation

58. When registering Agreed Trades in the Matching System, a Clearing Member must specify which account at the Clearing House the resulting Cleared Contracts should be allocated. Where any Cleared Contract is to be allocated to a "client account" (because there is an accompanying back-to-back Client Contract) the registration must align the Contract to a specific "omnibus" (which may be net or gross) or "individually segregated" account at LME Clear. Members are required to offer Clients a choice of accounts. The distinguishing factor between the two is: either (i) an "omnibus" account which has assets and positions allocated to it for multiple Clients; or (ii) an "individually segregated" account which has assets and positions allocated to it for a single Client. Members and Clients wishing to know more about segregation options may review LME Clear's EMIR Article 39(7) disclosure on the LME Clear website.

### Portability

59. Where there is an Event of Default in relation to a Member and a Client wishes to transfer its positions from an account maintained with the defaulting Member to a solvent Member, it must notify LME Clear in accordance with the procedures set out by LME Clear from time to time. Failure to adhere to the procedures of LME Clear within the prescribed timescales may result in the positions of a Client being closed out by the clearing house. The LME Rules contain provisions to ensure that, where any Cleared Contract is ported in accordance with LME Clear's Rules, the back-to-back Client Contracts shall also port. Members and Clients wishing to know more about default porting may review LME Clear's Article 39(7) disclosure on the LME Clear website.

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<sup>4</sup> Iceberg orders allow a trader to place an order without disclosing the full order quantity to the market. The trader specifies the open quantity amount seen by the market and the subsequent open order amounts at the time of the order placement. Any subsequent amendments to open quantity amount only take effect with the next order quantity to be placed, the current open quantity seen by the market does not change.

<sup>5</sup> A discretionary order allows a trader to place an order with a discretionary price. This discretionary price remains hidden from view by the market. A discretionary 'Bid' order will only trade when an opposing order is placed with an order price equal to or less than the discretionary price. For an 'Ask' order the opposing order price must equal to or exceed the discretionary order price.

<sup>6</sup> A scaling order allows the user to automatically place repeat orders for an outright valid prompt date with a scaled order price. i.e. scaled down buying or scaled up selling; although the user is not forced to change the order price and therefore can enter repeat order at the same price level. This function will place an order with the same quantity and prompt date with an adjusted order price if desired once the previous order has traded in the LMEselect system.

<sup>7</sup> A Fill and Kill Order is entered at a specific price with the intention to execute immediately and therefore fill all or part of, the order and immediately cancel any unfulfilled balance.

# Disclosures Required to be Provided to Disclosed Singapore Market Participants

## To

Chief Executive Officers; Chief Compliance Officers; Chief Financial Officers;  
Chief Operations Officers; Legal Counsel

## From

Financial and Regulatory Surveillance Department, Clearing House Division

#16-03

## Notice Date

23 September 2016

## Effective Date

23 September 2016

FINANCIAL AND REGULATORY BULLETIN

#16-03

TO: Chief Executive Officers; Chief Compliance Officers; Chief Financial Officers; Chief Operations Officers; Legal Counsel

DATE: September 23, 2016

SUBJECT: Disclosures Required to be Provided to Disclosed Singapore Market Participants

On May 18, 2016, the Monetary Authority of Singapore issued an order authorizing Chicago Mercantile Exchange Inc. ("CME") as a recognized clearing member in Singapore. Pursuant to the terms of its recognition, the clearing house division of CME ("CME Clearing") is required to make certain disclosures to Singapore-based participants at CME Clearing. Accordingly, CME Clearing is providing this notification to be included among the risk disclosures provided to new Singapore-based customers or affiliates for whom the clearing member will provide Clearing services at CME. A clearing member's obligation to a new participant applies only to the extent such participant is disclosed to the firm as Singapore-based. Clearing members must also make this disclosure accessible to any existing[1] Singapore-based participant upon request

- CME Clearing's operations are subject to the laws of t regulations promulgated by the U.S. Commodity Futures Trading Commission ("CFTC");
- The rights and remedies available to Singapore-based participants as stated in CME's rules, policies and procedures may be governed rights and remedies under U.S. law may differ from those available to Singapore-based participants when accessing Singapore-based clearing houses which are primarily regulated by Singapore laws;
- Funds and collateral posted to a clearing intermediary registered as a U.S.futures commission merchant ("FCM") are subject to custodial provisions of U.S. law;
- U.S. law and regulation mandate segregation of customer positions and collateral from the positions and collateral of FCM clearing members and prescribe the customer segregation model for futures and swaps, respectively, at both the FCM- and clearing house-levels. The structure and insolvency law impacts of the U.S. customer protection regime may differ from those of Singapore;
- Trades cleared at CME will be subject to U.S. business hours and settlement timelines as set forth in Exchange or Clearing House rules;
- Trades cleared at CME may be subject to U.S. tax law and applicable provisions of the U.S. Internal Revenue Code, which may have a different impact than Singapore tax law; and
- Costs associated with clearing should be discussed with the clearing member offering clearing services.

Nothing included in this bulletin should be regarded as legal advice. Tax advisors, legal counsel and Exchange or Clearing House rules, as applicable, should be consulted in all cases where a Singapore-based participant has questions concerning the conduct of their business or the impact of U.S. law or regulation thereon.

Please direct questions regarding this bulletin to the following email addresses:  
[InternationalLegalRegulatoryTeam@cmegroup.com](mailto:InternationalLegalRegulatoryTeam@cmegroup.com)  
[Timothy.Maher@cmegroup.com](mailto:Timothy.Maher@cmegroup.com) and [Jane.Moon@cmegroup.com](mailto:Jane.Moon@cmegroup.com).

[1] As of the date of this notice.

## **POSITION LIMIT AND LARGE OPEN POSITION REPORTING REQUIREMENTS FOR OPTIONS AND FUTURES TRADED ON THE HONG KONG EXCHANGES**

The Hong Kong regulatory regime imposes position limit and reportable position requirements for stock options and futures contracts traded on the Stock Exchange of Hong Kong and on the Hong Kong Futures Exchange.

These requirements are set out in the Hong Kong Securities and Futures (Contracts Limits and Reportable Positions) Rules (as amended, the “**Rules**”) made by the Securities and Futures Commission (“**SFC**”) under the Securities and Futures Ordinance. The Rules impose monitoring and reporting obligations with regard to large open positions. Where you are holding a reportable position for your client, you must disclose the identity of the client. For the purposes of the Rules, a client is the person who is ultimately responsible for originating instructions you receive for transactions - i.e., the transaction originator.

Further guidance on the Rules and what they require is set out in the SFC’s Guidance Note on Position Limits and Large Open Position Reporting Requirements. Copies of the Rules and Guidance Note can be downloaded from the SFC’s website ([www.sfc.hk](http://www.sfc.hk)).

### **Purpose of the Rules**

The purpose of the Rules is to avoid potentially destabilizing market conditions arising from an over-concentration of futures/options positions accumulated by a single person or group of persons acting in concert, and to increase market transparency.

Some of the major requirements of the Rules and Guidance Note are summarised below. However, you should review the Rules and Guidance Note in their entirety and consult with your legal counsel in order to ensure that you have a full understanding of your obligations in connection with trading in Hong Kong.

Please note that the Rules make you responsible for ensuring that you comply with the Rules. Section 8 of the Rules makes it a criminal offence not to comply (subject to a maximum fine of HK\$100,000 and imprisonment for up to 2 years).

In 2004, the SFC investigated 6 breaches of the Rules, including a breach by a non-Hong Kong fund manager which was referred to the fund manager’s overseas regulator. It should be noted that the SFC has expressly stated that it is not sympathetic to claims by overseas persons that they are not aware of the Hong Kong restrictions, and that a failure to trade within the limits or make reports reflects badly on a firm’s internal control measures (which might itself lead to disciplinary action).

### **Position Limits**

The Rules say that you may not hold or control futures contracts or stock options contracts in excess of the prescribed limit unless you have obtained the prior authorisation of the Hong Kong regulators. For example, the prescribed limit for Hang Seng Index futures and options contracts and Mini-Hang Seng Index futures and options contracts is 10,000 long or short

position delta limit for all contract months combined, provided the position delta for the Mini-Hang Seng Index futures contracts or Mini-Hang Seng Index options contracts shall not at any time exceed 2,000 long or short for all contract months combined. For many futures contracts and stock options contracts, the position limit is set at 5,000 contracts for any one contract/expiry month.

The prescribed limit for each contract traded on the Hong Kong exchanges is set out in the Rules.

## **Reportable Positions**

If you hold or control an open position in futures contracts or stock options contracts in excess of the specified level, the Rules require you to report that position in writing to the relevant Hong Kong exchange (i) within one day (ignoring Hong Kong public holidays and Saturdays) of first holding or controlling that position, and (ii) on each succeeding day on which you continue to hold or control that position.

The specified reporting level for each contract traded on the Hong Kong exchanges is set out in the Rules. The report must state:

- f* the number of contracts held or controlled in respect of the position in each relevant contract month; and
- f* if the position is held or controlled for a client, the identity of the client, and the number of contracts held or controlled for such person in respect of the reportable position in each relevant contract month.

## **Scope of the Rules**

You should note:

- 1) The prescribed limits and reportable position requirements apply to all positions held or controlled by any person, including positions in any account(s) that such person controls, whether directly or indirectly. The SFC takes the view that a person is regarded as having control of positions if, for example, the person is allowed to exercise discretion to trade or dispose of the positions independently without the day-to-day direction of the owner of the positions. (Section 4 of the Rules and Para. 2.6 of the Guidance Note)
- 2) If a person holds or controls positions in accounts at more than one intermediary, the Rules require him to aggregate the positions for the purposes of applying the prescribed limits and reportable position requirements. (Para. 6.1 of the Guidance Note)
- 3) The person holding or controlling a reportable position in accounts at more than one intermediary has the sole responsibility to notify the relevant exchange of the reportable position. The person may request its intermediary to submit the notice of the reportable position. If a firm agrees to submit the notice on his behalf, the

person should provide to the firm its total positions held at other intermediaries so that the firm can submit the notice of the reportable position. Alternatively, the person should ask all of his intermediaries to report the positions in each of the accounts separately to the exchange, even if the positions in the individual accounts do not reach the reportable level. (Paras 4.6 and 6.2 of the Guidance Note)

- 4) Where you are holding a reportable position for your client, the Rules say that you must disclose the identity of the client. The SFC's view is that, for the purposes of the Rules, a client is the person who is ultimately responsible for originating the transaction instructions - i.e., the transaction originator. (Para. 6.4 of the Guidance Note)

The Rules apply separately to the positions held by each of the underlying clients of an omnibus account, except where the omnibus account operator has discretion over the positions in which case the account operator must also aggregate these positions with his own positions. Positions held by different underlying clients should not be netted off for purposes of calculating and reporting reportable positions or determining compliance with the prescribed limits. (Para. 6.8 of the Guidance Note)

## **MAREX NORTH AMERICA, LLC**

### ***Notice under the General Data Protection Regulation***

#### ***FOR EEA RESIDENTS ONLY***

If you:

- 1) have, or wish to have, a futures trading account with Marex North America, LLC (“Marex”) (“customer”) and so have provided personal information to Marex in connection with that account, or
- 2) are associated in some way with an entity that has, or wishes to have, a futures trading account at Marex (“associate”), and so have provided personal information to Marex in connection with that account, or
- 3) are a broker (“broker”) who has, or wishes to have, a professional relationship with Marex and so have provided personal information to Marex in connection with that professional relationship,

and you also reside in an EEA country, you are entitled to the protections of the General Data Protection Regulation (“GDPR”), which becomes effective in the EEA on 25 May 2018.

Marex is registered as a futures commission merchant (“FCM”) with the United States Commodity Futures Trading Commission (“CFTC”).

If you are, or wish to be, a customer, we have obtained your data because the CFTC requires that all FCMs obtain certain personal data from persons who apply to open accounts to trade commodity futures. Marex must obtain sufficient personal information about its customers to allow it to confirm the identity of each customer. Marex must also obtain financial information to allow it to determine if a customer has sufficient risk capital to trade futures. Marex processes that data in order to comply with legal obligations incumbent upon it. Marex also processes this personal data (i) at the pre-contract stage, for the purposes of its legitimate interests; and (ii) after execution of a contract with you in order to perform its contract with you.

If you are, or wish to be, an associate, we have obtained your data because the CFTC requires that all FCMs obtain certain personal data from persons who are associated with an account as owners, officers, or persons who control the trading of entities who open accounts to trade commodity futures. Marex must obtain certain personal information about these associates to allow it to confirm the identity of these employees, or to allow Marex, the exchanges or the CFTC to contact these employees about their trading if necessary. Marex processes that data in order to comply with legal obligations incumbent upon it. Marex also processes this personal data (i) at the pre-contract stage, for the purposes of its legitimate interests; and (ii) after execution of a contract with your employer in order to perform its contract with your employer.

If you are, or wish to be, a broker, we have obtained your data because the CFTC requires that all FCMs obtain certain personal data from persons who they retain as brokers. Marex must obtain certain personal information, including contact information, about these brokers to allow it to confirm the identity of these brokers, to communicate with these brokers about their customers, or to allow Marex, the exchanges or the CFTC to contact these brokers about their trading or their customers' trading if necessary. Marex processes that data in order to comply with legal obligations incumbent upon it. Marex also processes this personal data (i) at the pre-contract stage, for the purposes of its legitimate interests; and (ii) after execution of a contract with the broker in order to perform its contract with the broker.

We have updated our Privacy Policy in line with this notice, and so you should familiarize yourself with this, which may be found at <https://www.rcgdirect.com/regulatory/privacy-policy> .

You have already provided this information and personal data to Marex. However, if you do not wish to continue to allow Marex to process that information and personal data, you must notify Marex in writing as a matter of urgency. However, please be aware that if you do so, Marex will not be able to carry or continue to carry your account if you are a customer, carry or continue to carry the entity account if you are an associate, or begin or continue its relationship with you if you are a broker.

## **HOW MAREX USES YOUR DATA**

Marex is considered a “data controller” under the GDPR. As such, once you have provided data to Marex, Marex processes your data in the following ways:

If you are a customer:

- Marex uses your personal data to verify your identity;
- Marex uses your financial information to determine if you have sufficient risk capital to trade futures;
- Marex may have utilized a secure third-party vendor (a “data processor”) to verify your identity, your regulatory history and/or your credit;
- Marex utilizes secure software developed by a third-party vendor to archive your account application and supporting documents. That vendor may be given access to your personal data at times in order to service Marex ’s account.
- Marex uses your personal data to execute and clear your futures trades, and then to submit your daily and monthly statements to you via electronic means (using your email address), or by mail; (using your postal mailing address).
- Marex utilizes secure software developed by a third-party vendor to process your futures trades and generate your futures trading statements. That vendor may be given access to your personal data at times in order to service Marex ’s account.

- Marex creates internal surveillance reports using your trading data for compliance purposes;
- Marex is required by law to disclose your personal data to its regulators upon request;
- Marex is required by law to retain your account application (which contains your personal data) and your trading statements (which contains your trading data) for a period of five years after you have closed your account.

If you are an associate:

- Marex uses your personal data to verify your identity and/or to create a record to enable it to contact you if necessary.
- Marex may have utilized a secure third-party vendor (a “data processor”) to verify your identity, your regulatory history and/or your credit;
- Marex utilizes secure software developed by a third-party vendor to archive your entities’ account application and supporting documents. That vendor may be given access to your personal data at times in order to service Marex ’s account.
- Marex may use your personal data to execute and clear futures trades for your entity and then to submit daily and monthly statements

to your entity via electronic means (possibly using your email address), or by mail; (possibly using your postal mailing address).

- Marex utilizes secure software developed by a third-party vendor to process futures trades for your entity and generate your entities' futures trading statements. That vendor may be given access to your personal data at times in order to service Marex 's account.
- Marex creates internal surveillance reports using your entities' trading data for compliance purposes.
- Marex is required by law to disclose your personal data to its regulators upon request.
- Marex is required by law to retain your entities' account application (which contains your personal data) and your entities' trading statements (which may contain your trading data) for a period of five years after your entity has closed its account.

If you are a broker:

- Marex uses your personal data to verify your identity.
- Marex uses your financial information to determine if you have sufficient capital to be an Marex broker;
- Marex may have utilized a secure third-party vendor (a "data processor") to verify your identity, your regulatory history and/or your credit;

- Marex utilizes secure software developed by a third-party vendor to archive your broker application and contract and supporting documents. That vendor may be given access to your personal data at times in order to service Marex 's account.
- Marex uses your personal data to execute and clear futures trades for your account and those of your customers, and then to submit daily and monthly statements to you via electronic means (using your email address), or by mail; (using your postal mailing address).
- Marex utilizes secure software developed by a third-party vendor to process your futures trades and those of your customers and generate futures trading statements. That vendor may be given access to your personal data at times in order to service Marex 's account.
- Marex creates internal surveillance reports using your trading data for compliance purposes;
- Marex is required by law to disclose your personal data to its regulators upon request;
- Marex is required by law to retain your broker application and contract (which contains your personal data) and your trading statements (which contains your trading data) for a period of five years after you have terminated your relationship.

## YOUR RIGHTS

In accordance with the GDPR, Marex is required to inform you that you have the following rights, all of which (including how to exercise those rights) are more fully set out in our Privacy Policy:

- The right to receive a copy of your personal data and the right to correct it.
- The right to object to Marex processing your data for marketing purposes. Marex must have your affirmative consent in order to use your personal data for marketing purposes.
- The right to restrict or object to the processing of your data or to withdraw your consent to the processing of your data where that processing is based on consent. You may also request the names of third parties which are processing your personal data.
- The right to lodge a complaint with a relevant supervisory authority regarding the processing of your personal data.
- The right to transfer your personal data to another FCM.
- The “right to be forgotten.” This means that under the GDPR you may request that your personal data be destroyed. However, the GDPR provides for certain exceptions to this right if the law, for

example, requires that the personal data be retained by the controller or the processor, or it is required for the establishment, exercise, or defense of legal claims. More information regarding this right may be found in our Privacy Policy. In such instances, Marex cannot automatically destroy all the personal data that it holds on you. For example, Marex is required by the CFTC to retain your data, including your personal data, for five years following the date that you close your account. Marex will destroy your data, including your personal data, five years after you have closed your account if there is no other lawful purpose for which we are required or otherwise entitled to retain your data.

**You may contact Marex at any time in order to exercise any of the rights listed above, to file a complaint, or to ask any questions, by emailing [GDPR@rcqdirect.com](mailto:GDPR@rcqdirect.com).**

## PRIVACY POLICY

The following is the Marex North America Privacy Policy, copies of which are regularly sent to customers.

At Marex North America (“MNA”) we value our customers and maintaining customer trust and confidence is our highest priority. While it is necessary that we obtain accurate and current information about our customers in order to provide the highest level of customer service, we are dedicated to protecting the privacy and confidentiality of our customers’ information.

### 1. THIS PRIVACY POLICY

We are based at 222 West Adams Street, Chicago IL 60606 and we can be contacted regarding this Privacy Policy at [dataprotectionoffice@marex.com](mailto:dataprotectionoffice@marex.com).

MNA collects your personal information whenever you use our services or when you use our website. MNA will never sell your personal information to anyone. We promise that we will uphold the privacy policies and procedures as set forth below.

### 2. INFORMATION WE COLLECT ABOUT OUR CUSTOMERS

The personal information we collect from you comes from information you supply to us voluntarily, or by legal obligation, either when visiting our website or in account opening applications (whether written or electronic), or in other forms you may provide to us, or from a broker you have chosen to use.

This information may include:

- your name;
- your address;
- your social security number or tax identification number;
- financial information about you;
- information regarding your transactions with us, including your trading history at MNA, your history of meeting margin calls or your use of the various services and products that we provide; and
- information about your credit history and information we may receive from your introducing broker or associated person and other consumer reporting agencies.

### 3. WHY WE COLLECT YOUR INFORMATION

We use your personal information to conduct our business and to provide you with the best possible services and experience.

We also use your personal information to:

- provide the services you have asked us to provide;
- verify your identity;
- submit your daily and monthly statements to you;

- process your futures trades and generate futures trading statements;
- determine if you have sufficient risk capital to trade futures;
- communicate with you about the services you have asked us to provide;
- provide you with marketing and offers from us (where we have your permission to do so if you are a resident of the European Economic Area (“EEA”));
- improve our services; and
- comply with our legal or contractual obligations and exercise our rights on the same.

#### **4. INFORMATION WE MAY SHARE ABOUT OUR CUSTOMERS**

**MNA will not sell personal information regarding our current or former customers.**

MNA may share personal information about our current and former customers with our affiliated companies and service providers around the world. In either case, your personal information will remain subject to strict confidentiality protections.

To the extent that we may engage unaffiliated companies to assist in providing services such providers will be subject to contractual requirements to maintain the confidentiality of any personal information they may obtain in connection with the performance of their services for us. Such service providers will only be allowed to use personal information in the course of providing services to MNA and only for the purposes that we authorize.

We may also disclose your personal information to a third party when you ask us to do so or when we believe it is required by law.

#### **5. INFORMATION WE MAY DISCLOSE**

We may disclose information about current or former customers in order to cooperate with legal or regulatory authorities or pursuant to a court order or subpoena.

We may also disclose personal information as necessary to perform credit checks, collect debts, enforce our legal rights or otherwise protect our interests and property.

#### **6. RETENTION OF YOUR INFORMATION**

We will only retain your personal information for as long as it is necessary to provide our services to you and where you have asked us to do so and/or to provide you with the best customer experience possible, and as required by law. This type of processing is necessary for the purposes of our legitimate interests (for example, to deal with any claims or queries which you have relating to our services), or where we are required to do so by law.

#### **7. MNA IS COMMITTED TO PROTECTION OF YOUR PERSONAL INFORMATION AND TO PROTECTING YOUR PRIVACY**

Only authorized MNA employees, agents or service providers will have access to your personal information. Each of them is held to the highest standards of privacy and security.

We shall implement appropriate technical and organizational measures to ensure a level of security appropriate to potential risks, which may include:

- the pseudonymization and encryption of your personal information where appropriate;
- ensuring ongoing confidentiality, integrity, availability and resilience of processing systems and services;
- ensuring we can restore access to personal information in a timely manner if a physical or technical incident occurs; and
- regular testing, assessment and evaluation of the effectiveness of our technical and organizational measures to ensure your personal information is secure.

We maintain physical, electronic and procedural safeguards to protect the confidentiality and security of personal information transmitted to us.

## **8. COOKIES AND OTHER SIMILAR TECHNOLOGIES**

Our website uses “cookies”, which we use to distinguish you from other visitors, track your IP address and usage of our site and to identify the name of the website from which you linked to our website. This information is used to help us serve you better by improving our website design, as well as our products and services. We do not otherwise track any information about your use of other websites. Non-personal information or anonymized/pseudonymized information obtained through cookies may be obtained by or shared with service providers on our behalf.

Cookies are small text files consisting of encrypted information assigned to a computer’s browser. Cookies do not collect or transmit your personal information. For users of the non-public areas of our website or electronic trading platforms that require a User ID or password, MNA may use cookies to identify you so that you do not have to input your password multiple times as you navigate our site. MNA may also use cookies for administrative purposes, such as to maintain security on our site.

You can disable cookies at any time by using your browser options; however, if you turn off cookies, we will not be able to recognize you as a registered user to allow you access to your account information.

## **9. THIRD PARTY WEBSITES**

Please note that our website may include links to other internet sites, content or videos maintained by third parties. We do not endorse such third party sites and are not responsible for the contents of any of these third party sites. Please note that this Privacy Policy does not extend to third party sites linked to this website, and we encourage you to check the applicable privacy policy of such third party sites to determine how they will handle any personal information they collect from you.

## 10. CHILDREN

Our website, products and services are all directed to people who are at least 13 years old or older. If you are under 13, do not use or provide any information on this website or on or through any of its features/register on the website, make any purchases through the website or provide any information about yourself to us, including your name, address, telephone number or email address. MNA does not knowingly collect personal information from a child and will delete it if it becomes aware that it has been provided.

If you believe that children have provided MNA with personal information please contact us immediately at [complianceofficers@marex.com](mailto:complianceofficers@marex.com)

## 11. BUSINESS TRANSITIONS

As we continue to develop our business, we may undergo a business transition such as acquiring another company, merging with an existing company, or selling a portion of our assets. In such transitions, customer information is typically one of the business assets that is transferred or acquired by a third party. In the unlikely event that MNA or substantially all of its assets are acquired or enter a court proceeding, you acknowledge that such transfers may occur and that your personal information can continue to be used as set forth in this privacy policy.

## 12. COMPLAINTS

We pride ourselves on excellent customer service, but if you would like to make a complaint about the way we have collected or used your personal information, please contact us at [dataprotectionoffice@marex.com](mailto:dataprotectionoffice@marex.com).

## 13. CHANGES IN POLICY

If this Privacy Policy changes you will be notified through the MNA web site or in other appropriate ways. If you have questions relating to this policy, please contact your MNA representative.

## 14. CALIFORNIA RESIDENTS ONLY

As a California resident you have the following rights:

**Right to Notice:** You have the right to know what information is collected by MNA and why. (Please see paragraphs 2 and 3 above.)

**Right of Access/Right to Request:** You have the right to request the personal information MNA collects and MNA must disclose it to you free of charge.

**Right to Know:** You have the right to request the following: (1) the categories of personal information collected; (2) the sources from which the information was collected; (3) the business or commercial purpose for collecting or selling the information; (4) categories of third parties with whom the business shares the information; (5) the specific pieces of personal information the business collected about the consumer. (Please see paragraphs 2,3,4 and 5 above.)

**Right to Delete:** You have the right to request that MNA delete any personal information about you that we have collected. Upon receipt of such request, the business must delete the information and direct any service providers to delete the information from its record as well unless the business or service provider needs the information to: (1) compute the transaction for which the personal information was collected, provide a good or service requested by the consumer, or reasonably anticipated within the context of a business's ongoing business relationship with the consumer, or otherwise perform a contract between the business and the consumer; (2) detect security incidents; protect against malicious, deceptive, fraudulent, or illegal activity; or prosecute those responsible for that activity; (3) debug to identify and repair errors existing intended functionality; (4) exercise free speech, ensure the right of another consumer to exercise his/her right of free speech, or exercise another right provided for by law; (5) comply with the California Electronic Communications Privacy Act; (6) engage in public or peer-received scientific, historical, or statistical research in the public interest; (7) to enable solely internal uses that are reasonably aligned with the expectations of the consumer based on the consumer's relationship with the business; (8) comply with a legal obligation; (9) otherwise use the consumer's personal information, internally, in a lawful manner that is compatible with the context in which the consumer provided the information. **Please be aware that MNA is required by law to maintain your information for a period of five years after you close your account.**

**Right to Opt out of the Sale of Personal Information:** MNA does not sell your personal information.

**Right to Notification of Financial Incentive:** MNA does not offer incentives for the collection, sale or deletion, of personal information.

#### **Right Not to be Discriminated Against for Exercising these Rights**

To exercise any of the rights listed above please call the following number :1 (877) 825-9434.

## **15. EEA RESIDENTS ONLY**

As we may process information from EEA residents we have to comply with the Data Protection Act no 2472/1999, Law no 3471/200, and from 25 May 2018 the General Data Protection Regulation (EU) 2016/679, when keeping personal data about you when we obtain, use, disclose or otherwise process such data. Any personal information processed by MNA is controlled by us. As such we are considered the data controller of your personal information.

### **Consent**

When you go to our website and submit personal information, you are asked to tick a box confirming you have read this Privacy Policy and that you agree to us collecting your personal information and using it in the ways and for the reasons explained in this Privacy Policy. You can view this notice again by clicking here: <https://www.rcgdirect.com/regulatory/privacy-policy>

## ***Collecting your information legally***

We are able to legally collect and use your personal information either because:

- a. you have provided us with your consent to do so as explained above;
- b. collecting and using your personal information is necessary for us to carry out our legitimate business interests in order to carry out any requests or orders made by you via our website;
- c. collecting and using your personal information is necessary for the performance of a contract to which you are a party; and/or
- d. collecting and using your personal information is necessary for compliance with a legal obligation.

## ***Your rights***

Subject to certain legal conditions, you have the right:

- Access the personal data we process of you by requesting a copy;
- have your personal data rectified;
- have your personal data erased;
- object to the processing of your personal data;
- have your personal data processing restricted;
- Withdraw your consent to process your personal data for a purpose you previously consented to. Withdrawing consent does not affect the lawfulness of processing, which was done before consent was revoked;
- Receive a limited set of data transferred directly to another controller or processor, or directly to yourself;
- Object to being subjected to profiling and automated decision-making and require a human review of any automated decision. We do not however process personal data in a manner, which would make this right applicable.

To exercise your rights, you can contact our Group Data Protection Officer (DPO) by emailing:

[dataprotectionoffice@marex.com](mailto:dataprotectionoffice@marex.com)

We will confirm any requests relating to your rights above within one month of receipt of your request, or within two months of receipt of your request where your request is more complex.

## ***Withdrawal of consent***

We will ask for your consent to use your personal information to provide marketing information to you. If you do not give us your consent, or you withdraw your consent, we will honor that request. You can also tell us to stop collecting and using your personal information at any time by emailing us at [dataprotectionoffice@marex.com](mailto:dataprotectionoffice@marex.com). However, if you do so we will most likely be unable to continue to service your account.

## **Updates to this Policy**

This Policy was last updated in September 2021. We reserve the right to update and change this Policy from time to time in order to reflect any changes to the way in which we process your personal data or changing legal requirements. In case of any such changes, we will post the updated Policy on the Website or publish it otherwise. The changes will take effect as soon as they are posted on the Website.

## **Contact**

If you have any questions or concerns about this Privacy Policy, or want to exercise your rights as a data subject set out in this Policy, please contact our Privacy Team and the Group Data Protection Officer (DPO) by emailing [dataprotectionoffice@marex.com](mailto:dataprotectionoffice@marex.com).

## **PART 190 DISCLOSURE REGARDING SEPARATE ACCOUNTS**

If you establish or maintain more than one account with Marex North America LLC, a futures commission merchant ("**FCM**"), for the purpose of trading (a) futures and options on futures (collectively, "**futures**") on either U.S. or foreign futures exchanges, or (b) cleared swaps (each, a "**separate account**"), it is important that you read and understand the following disclosure. Such separate accounts may be: (i) managed by different asset management firms, introducing brokers or associated persons; (ii) managed as separate investment portfolios by the same asset management firm, introducing broker or associated person; (iii) subject to liens in connection with operating loans that contractually obligate an FCM to treat the accounts separately; or (iv) otherwise required for regulatory or appropriate business purposes.

You should be aware that:

- In the unlikely event of Marex North America LLC's bankruptcy, you will be treated no differently from other customers as a result of having maintained separate accounts with the FCM. In particular, all separate accounts maintained for you or on your behalf will be combined in determining your rights and obligations under the applicable provisions of the U.S. Bankruptcy Code and Part 190 of the Commodity Futures Trading Commission's Regulations.