

Trading Appendix 4A

# Direct Market Access, Sponsored Access and Automated Order Routing

Commodity Derivatives

Issued by Nasdaq Oslo ASA

## **Direct Market Access and Sponsored Access (Direct Electronic Access)**

### **1 DIRECT MARKET ACCESS**

- 1.1 An Exchange Member, which is an investment firm pursuant to applicable legislation implementing MiFID II or a credit institution authorised under Directive 2013/36/EU, as amended by Directive 2019/878/EU, may, upon approval by the Exchange, automatically transfer Orders submitted by a client of the Exchange Member to the ETS (Direct Market Access).
- The Exchange Member shall conduct due diligence of the client to which it wishes to provide Direct Market Access in accordance with section 2.1.

### **2 APPLICATION FOR DIRECT MARKET ACCESS, DUE DILIGENCE, POLICIES AND PROCEDURES**

- 2.1 The right to provide Direct Market Access may be granted upon application. The provision may only be commenced following approval in writing by the Exchange.
- The Exchange Member shall conduct due diligence of the client to which it wishes to provide Direct Market Access to ensure that the client meets the requirements set out in these Exchange Rules, MiFID II and the requirements of the Delegated Regulation (EU) 2017/589. The due diligence shall at least cover the following:
- a) the governance and ownership structure of the client;
  - b) the types of strategies to be undertaken by the client;
  - c) the operational set-up, the systems, the pre-trade and post-trade controls and the real time monitoring of the client. The Exchange Member offering Direct Market Access allowing clients to use third-party trading software for accessing trading venues shall ensure that the software includes pre-trade controls that are equivalent to the pre-trade controls set out in applicable legislation implementing MiFID II/MIFIR;
  - d) the responsibilities within the client for dealing with actions and errors;
  - e) the historical trading pattern and behaviour of the client;
  - f) the level of expected trading and order volume of the client;
  - g) the ability of the client to meet its financial obligations to the Exchange Member; and
  - h) the disciplinary history of the client, where available.
- 2.2 The Exchange Member shall establish policies and procedures to ensure that trading of its Direct Market Access clients complies with these Exchange Rules so as to ensure that the Exchange Member meets the requirements in accordance with MiFID II with relevant delegated acts. Such policies and procedures shall be made available to the Exchange upon request, and shall cover at least the following:
- a) A description of the due diligence measures in place between the Exchange Member and the client and ETS, including that the client is fit and proper for the use of Direct Market Access;
  - b) A description of the controls and limits in place between the Exchange Member and the client, including routines for identification of the client and the verification procedure to which an Order from a client is subject before the Order is routed to ETS;
  - c) A description of the Exchange Member's routines for monitoring of provision and use of Direct Market Access;
  - d) A description of the data recording relating to the Orders submitted under the Direct Market Access arrangement;
  - e) A description of the procedure for the client's use of Direct Market Access;

- f) A description of the extent to which the Exchange Member intends to disseminate information from ETS to the client and the agreements for the dissemination of information which has been entered into; and
- g) Sufficient records in relation to the matters referred above.

### **3 THE EXCHANGE MEMBER'S RELATIONSHIP TO THE DIRECT MARKET ACCESS CLIENT**

- 3.1 The Exchange Member shall enter into a separate written agreement regarding the terms and conditions for Direct Market Access with each client which desires to utilise Direct Market Access and upon request provide the Exchange with a copy thereof.
- 3.2 If the written agreement between the Exchange Member and the client permits sub-delegation of electronic access, whereby the client would enable a third party to indirectly utilize the Direct Market Access by means of a technically comparable electronic access arrangement provided by the client to the third party, the Exchange Member shall:
  - a) Require the client to inform the Exchange Member if the client starts granting sub-delegated access to third parties;
  - b) Require the client to uphold controls with regards to the sub-delegated access similar to the controls that the Exchange Member is required to uphold for Direct Market Access under these Exchange Rules and other applicable rules and regulations: and
  - c) Be able to identify the different order flows from the beneficiaries of such sub-delegation without being required to know the identity of the beneficiaries of such agreement.
- 3.3 If the contractual arrangement between the Exchange Member and the client permits sub-delegation of electronic access, the Exchange Member shall ensure that the prospective Direct Market Access client, before granting that client access, has a due diligence framework in place equivalent to the one described in paragraphs 2 of section 2.1.

### **4 THE EXCHANGE MEMBER'S TECHNICAL EQUIPMENT REGARDING DIRECT MARKET ACCESS**

4.1 The Exchange may decide that an Order submitted using Direct Market Access which deviates from the Order Price Limits specified by the Exchange in the Exchange Rules or in the Market Model document, as amended from time to time, will be rejected automatically by the ETS. Where a reject message cannot be sent immediately to the client, the Exchange Member should ensure that the rejected Order is automatically routed to an Exchange Trader for manual processing.

4.14.2 The Exchange Member's Technical Equipment for Direct Market Access must fulfill at least the following requirements:

- a) The possibility to identify the client who entered the Order;
- b) The systems for Direct Market Access must automatically reject the placement in the order book of client's Orders that would, if executed, result in one or more of the client's risk limits being exceeded;
- c) The Exchange Member must, at all times, be able to verify the aggregate risk exposures resulting from a client's Orders placed via Direct Market Access; and
- d) Sufficient data security measures in place towards the client's Technical Equipment or, according to an agreement with the client, be entitled to monitor the client's Technical Equipment and technical connections.

4.3 Technical Equipment used for Direct Market Access must be tested and approved by the Exchange Member before it is put into operation. The Exchange may require further testing of such Technical Equipment. The Exchange shall approve the connection of the Technical Equipment to ETS prior to implementation thereof.

4.24.4 The Exchange Member shall ensure that a client through its technical connection to the Exchange Member does not have access to market information from the ETS or other third parties

providing service to the Exchange Member that is only intended for distribution to internal users of the Exchange Member (i.e., non-public market information).

## 5 SPONSORED ACCESS

- 5.1 An Exchange Member, which is an investment firm pursuant to applicable legislation implementing MiFID II or a credit institution authorised under Directive 2013/36/EU, as amended by Directive 2019/878/EU, may, upon approval by the Exchange, permit a client to transmit Orders in the Exchange Member's membership identity directly from the client's trading infrastructure or through a third party vendor to ETS (Sponsored Access).

Sponsored Access may not be granted to Exchange Member's clients that are existing Exchange Members of the Exchange.

## 6 APPLICATION FOR SPONSORED ACCESS, DUE DILIGENCE, POLICIES AND PROCEDURES

- 6.1 The right to provide Sponsored Access may be granted upon application. The provision may only be commenced following approval in writing by the Exchange.

The Exchange Member shall conduct due diligence of the client to which it wishes to provide Sponsored Access in accordance with section 2.1 above.

- 6.2 The Exchange Member shall establish policies and procedures to ensure that trading of its Sponsored Access clients complies with these Exchange Rules so as to ensure that the Exchange Member meets the requirements in accordance with MiFID II with relevant delegated acts. Such policies and procedures shall be made available to the Exchange upon request, and shall cover at least the following:

- a) A description of the due diligence measures in place between the Exchange Member and the client and ETS, including that the client is fit and proper for the use of Sponsored Access;
- b) The controls and limits to which an Order from a client is subject before the Order is placed in ETSMP in order to ensure that the adequate pre-trade order validations are in place;
- c) A description of the Exchange Member's routines for monitoring of provision and use of Sponsored Access;
- d) Data recording relating to the Orders submitted under the Sponsored Access;
- e) A description of the procedure for the client's use of Sponsored Access; ~~and~~
- f) If the Exchange Member is a NCM, a confirmation from the Account Holder it has entered into the Clearing Agreement with, that the Account Holder approves that the NCM applies for Sponsored Access, ~~and~~
- g) Sufficient records in relation to the matters referred above.

## 7 THE EXCHANGE MEMBER'S RELATIONSHIP TO THE SPONSORED ACCESS CLIENT

- 7.1 The Exchange Member shall enter into a separate written agreement regarding the terms and conditions for Sponsored Access with each client which desires to utilise Sponsored Access and upon request provide the Exchange with a copy thereof.

- 7.2 If the written agreement between the Exchange Member and the client permits sub-delegation of electronic access, whereby the client would enable a third party to indirectly utilize the Sponsored Access by means of a technically comparable electronic access arrangement provided by the client to the third party, the Exchange Member shall:

- a) Require the client to inform the Exchange Member if the client starts granting sub-delegated access to third parties;
- b) Require the client to uphold controls with regard to the sub-delegated access similar to the controls that the Exchange Member is required to uphold for Sponsored Access under the se Exchange Rules and other applicable rules and regulations: and

- c) Be able to identify the different order flows from the beneficiaries of such sub-delegation without being required to know the identity of the beneficiaries of such agreement.

If the contractual arrangement between the Exchange Member and the client permits sub-delegation of electronic access, the Exchange Member shall ensure that the prospective Sponsored Access client, before granting that client access, has a due diligence framework in place equivalent to the one referred to in paragraph 2 of section 2.1.

## **8 THE EXCHANGE MEMBER'S OR CLIENT'S TECHNICAL EQUIPMENT REGARDING SPONSORED ACCESS**

8.1 The Exchange may decide that an Order submitted using Sponsored Access which deviates from the Order Price Limits specified by the Exchange in the Exchange Rules or in the Market Model document, as amended from time to time, will be rejected automatically by the ETS. Where a reject message cannot be sent immediately to the client, the Exchange Member should ensure that the rejected Order is automatically routed to an Exchange Trader for manual processing

~~8.18.2~~ The Exchange Member's or the client's Technical Equipment for Sponsored Access, must fulfill at least the following requirements:

- All Orders placed through Sponsored Access shall be subject to the pre-trade order validations as described in the written routine provided in accordance with section 6.2;
- The systems for Sponsored Access must automatically reject the placement in the order book of client's Orders that would, if executed, result in one or more of the client's risk limits being exceeded;
- The Exchange Member must, at all times, be able to verify the aggregate risk exposures resulting from a client's Orders placed via Sponsored Access; and
- For Sponsored Access the Exchange Member must ensure that the client has sufficient data security measures in place towards its connection to ETS.

8.3 Technical Equipment used for Sponsored Access must be tested and approved by the Exchange Member before it is put into operation. The Exchange may require further testing of such Technical Equipment. The Exchange shall approve the connection of the Technical Equipment to ETS prior to implementation thereof.

~~8.28.4~~ The Exchange Member shall ensure that a client through its technical connection to the Exchange Member does not have access to market information from the ETS or other third parties providing service to the Exchange Member that is only intended for distribution to internal users of the Exchange Member (i.e., non-public market information).

## **9 THE EXCHANGE MEMBER'S LIABILITY FOR DIRECT MARKET ACCESS AND SPONSORED ACCESS**

9.1 The Exchange Member has the same liability for Orders which are submitted via Direct Market Access or placed through Sponsored Access as for Orders which the Exchange Member places in any other manner. Therefore, the Exchange Member shall be also liable for any and all actions taken via the electronic connections to ETS in Exchange Member's membership identity, regardless of whether such actions are taken by an authorised representative of the Exchange Member, Exchange Member's client or any other party.

9.2 The Exchange Member shall establish appropriate technical and administrative arrangements in order to ensure that Orders submitted via Direct Market Access or placed through Sponsored Access do not violate these Trading Rules. The Exchange Member is responsible for ensuring that adequate pre-trade order validations are in place and that they, as well as any other descriptions and routines for the systems and use of Direct Market Access or Sponsored Access, are continuously compliant with the descriptions and routines that have been provided to the Exchange in accordance with sections 2.2. and 6.22-6. If the Exchange Member loses the ability to monitor (with regard to Direct Market Access or Sponsored Access) the trading activity of its client for any reason, the Exchange Member must inform the Exchange as soon as reasonably practicable. Upon receiving such notification from the Exchange Member, the Exchange will immediately terminate access by disconnecting the appropriate client trading session.

- 9.3 The Exchange Member shall appoint a Head of Trading or a person with similar responsibility as contact person responsible for any matters which may arise in connection with Direct Market Access or Sponsored Access, in order to ensure that Direct Market Access or Sponsored Access are conducted in accordance with this Appendix 4A, and for supervision of the Orders and Transactions which result from Direct Market Access or Sponsored Access. Furthermore, the Exchange Member shall appoint a substitute contact person and assure that corresponding contact persons for the Exchange Member's client are appointed as well.

The Exchange Member shall ensure that the Exchange is at all times correctly informed as to the name of the contact persons and the substitutes and shall ensure that contact persons or the substitutes can be contacted at any time during ETS accessibility hours stipulated in the Trading and Clearing Schedule. The Exchange Member shall provide the Exchange with the name, head office address and country of incorporation of the Exchange Member's client.

- 9.4 The Exchange Member shall inform the Exchange of any material changes or amendments with respect to the Direct Market Access or Sponsored Access.
- 9.5 The Exchange may at any time require updated information regarding the Exchange Member's Direct Market Access or Sponsored Access.

## **10 IDENTIFICATION OF DIRECT MARKET ACCESS AND SPONSORED ACCESS**

- 10.1 Orders entered via Direct Market Access shall be identified with one specific trader ID that is used solely for Direct Market Access and identified as such.
- 10.2 The Exchange Member shall appoint one dedicated Trading Contact Person for the Direct Market Access activity.
- 10.3 Orders placed through Sponsored Access shall be identified with one specific trader ID, that is used solely for each Sponsored Access client and identified as such.
- 10.4 The Exchange Member shall appoint one dedicated Trading Contact Person for the Sponsored Access activity.

## **11 USE OF DIRECT MARKET ACCESS AND SPONSORED ACCESS**

- 11.1 Direct Market Access and Sponsored Access may only be used for Instruments which are subject to matching in ETS.
- 11.2 Direct Market Access and Sponsored Access clients may not be located outside the European Economic Area without the prior written consent of the Exchange.
- 11.3 In the event the Exchange Member or its client(s) fails to comply with the above-stated terms and conditions, the Exchange shall be entitled, with immediate effect, to suspend or terminate the Direct Market Access or Sponsored Access, in general for an Exchange Member or in respect of an individual client.

## **Automated Order Routing**

### **12 AUTOMATED ORDER ROUTING**

- 12.1 An Exchange Member may electronically and automatically transmit orders registered by its client, through the use of internet connection or other types of computer connection between the client and the Exchange Member, directly to the ETS (Automated Order Routing).
- 12.2 Automated Order Routing excludes any such processes that falls within the definition of Direct Electronic Access, including processes where the client can exercise discretion regarding the exact fraction of a second of order entry and the lifetime of the order within that timeframe.
- 12.3 The right to provide Automated Order Routing may be granted upon application. The provision may only be commenced following approval in writing by the Exchange.
- 12.4 The Exchange Member has the same liability for Orders which are submitted via Automated Order Routing as for Orders which the Exchange Member places in any other manner

### **13 THE EXCHANGE MEMBER'S RELATIONSHIP TO THE AUTOMATED ORDER ROUTING CLIENT**

- 13.1 The Exchange Member shall enter into a separate written agreement regarding the terms and conditions for Automated Order Routing with each client that wishes to utilise Automated Order Routing and upon request provide the Exchange with a copy thereof.
- 13.2 The Exchange Member shall establish policies and procedures to ensure that trading of its Automated Order Routing clients complies with these Exchange Rules and MIFID II. Such policies and procedures shall be made available to the Exchange upon request, and shall cover at least the following:
- a. A description of the due diligence measures in place between the Exchange Member and the client and ETS, including that the client is fit and proper for the use of Automated Order Routing;
  - b. A description of the controls and limits in place between the Exchange Member and the client, including:
    - (i) routines for identification of the client and the verification procedure to which an Order from a client is subject before the Order is routed to ETS;
    - (ii) the Exchange Member's operational set-up, the systems, the pre-trade and post-trade controls;
    - (iii) the responsibilities for dealing with actions and errors;
  - c. A description of the Exchange Member's routines for monitoring of provision and use of Automated Order Routing;
  - d. A description of the data recording relating to the Orders submitted under the Automated Order Routing arrangement;
  - e. A description of the procedure for the client's use of Automated Order Routing;
  - f. Extent to which the Exchange Member intends to disseminate information from ETS to the client and the agreements for the dissemination of information which has been entered into; and
  - g. Sufficient records in relation to the matters referred above.

### **14 THE EXCHANGE MEMBER'S TECHNICAL EQUIPMENT REGARDING AUTOMATED ORDER ROUTING**

14.1 The Exchange may decide that an Order routed by way of using Automated Order Routing which deviates from the Order Price Limits specified by the Exchange in the Exchange Rules or in the Market Model document, as amended from time to time, will be rejected automatically by the ETS. Where a reject message cannot be sent immediately to the client, the Exchange Member should ensure that the rejected Order is automatically routed to an Exchange Trader for manual processing.

~~14.1~~14.2 The Exchange Member shall establish appropriate technical and administrative arrangements in order to ensure that Orders submitted via Automated Order Routing do not violate these Trading Rules.

~~14.2~~14.3 Technical equipment used for Automated Order Routing must be tested and approved by the Exchange Member before it is put into operation. The Exchange may require further testing of such Technical Equipment. The Exchange shall approve the connection of the Technical Equipment to the ETS prior to implementation thereof.

~~14.3~~14.4 The Exchange Member's Technical Equipment for Automated Order Routing must fulfil at least the following requirements:

- a. An Order must contain information regarding the date and time at which the client placed the Order;
- b. The Exchange Member must automatically reject the placement in the Order Book of client's Orders that would, if executed, result in one (1) or more of the client's payment and/or delivery

risk levels being exceeded. The Exchange Member shall simultaneously provide the client with information regarding such Orders;

- c. The Exchange Member must, at all times, be able to verify the aggregate outstanding delivery and payment risk resulting from a client's Orders placed via Automated Order Routing; and
- d. The Exchange Member must have sufficient data security measures (firewalls etc) in place towards the client's Technical Equipment or, according to an agreement with the client, be entitled to monitor the client's Technical Equipment and technical connections.

~~14.4~~14.5 The Exchange Member shall ensure that a client through its technical connection to the Exchange Member does not have access to market information from the ETS or other third parties providing service to the Exchange Member that is only intended for distribution to internal users of the Exchange Member (i.e., non-public market information).

## 15 USE OF AUTOMATED ORDER ROUTING

- 15.1 Automated Order Routing may only be used for the Instruments which are subject to matching in ETS.
- 15.2 Orders entered via Automated Order Routing shall be identified with one specific trader ID that is used solely for Automated Order Routing and identified as such.
- 15.3 The Exchange Member shall appoint one dedicated Trading Contact Person for the Automated Order Routing activity. The Exchange Member shall ensure that the Exchange is at all times correctly informed as to the name of the Trading Contact Person and shall ensure that the Trading Contact Person can be contacted at any time during ETS accessibility hours stipulated in the Trading and Clearing Schedule. The Exchange Member shall furthermore appoint a substitute contact person and assure that corresponding contact persons for the Exchange Member's client are appointed as well.

~~15.4~~—In the event the Exchange Member or its client(s) fails to comply with the above-stated terms and conditions, the Exchange Member must inform the Exchange as soon as reasonably practicable.

~~15.5~~15.4 In such a scenario, Fthe Exchange shall be entitled, with immediate effect, to suspend or terminate the Automated Order Routing, in general for an Exchange Member, or impose the Exchange Member in question to terminate the provision of the Automated Order Routing towards the respective client.

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