

Disciplinary Policy

Covering Participants and Issuers

As of January 2018

The Cboe Europe Limited (Cboe) Rulebook permits Cboe to take a variety of forms of disciplinary action against Participants and Issuers including private and public warnings, suspension or termination of access or admission and the application of financial penalties. In addition, Cboe may also introduce fixed penalties for minor Rule breaches from time to time. This document sets out Cboe's policy with respect to sanctions and in particular sets out its approach to levying financial penalties.

In setting its approach to taking disciplinary action, Cboe categorises Rule breaches as being of low, medium or high severity. These classifications are defined as follows:

Low Severity

Breaches of Rules that in isolation do not have the potential to damage market integrity and have had a de-minimis financial impact (less than £5,000) on one or more other market participants. Market participants for the purposes of these categorisations should be understood to include all those involved both directly and indirectly in trading activity on Cboe, including end investors and other infrastructure providers such as CCPs.

Examples could include non-material technical breaches and unintentional errors such as the submission of erroneous trade reports or minor control failures. However, ongoing failures may indicate weak Participant controls that could raise the severity to medium/high.

Guideline sanctions in this category include private warning, public warning and/or a fine of up to £5,000.

Medium Severity

Material breaches of the Rules, including breaches that have, or could have, affected the efficient running of the market or have a financial impact of between £5,000 - £50,000 on one or more other market participants. Examples could include breaches of procedures governing the exchange's facilities or where the Participant or Issuer has been negligent in complying with the Rule.

Guideline sanctions include private warning, public warning or fine of between £5,000 and £50,000.

High Severity

Serious breaches of Rules that have, or could have, a negative impact on market integrity, damage the reputation of Cboe, or have a significant financial impact (more than £50,000) on one or more other market participants. Cboe may also consider a breach to be of high severity where there is clear evidence that the Participant or Issuer intended to breach the Rule, has misled Cboe or any other relevant authority about the breach, or has been reckless or negligent. Examples could include market abuse or conduct likely to lead to a degradation of Cboe's trading systems.

Guideline sanctions include a fine of between £50,000 and £250,000; and/or suspension or termination of Cboe membership.

In relation to the above scenarios, the sanctions to be applied will take into account any aggravating circumstances - for example, repeated breaches by the Participant or Issuer; or where it has made a financial gain or avoided a financial loss as a result of the breach - or mitigating circumstances - for example, the degree of co-operation and assistance. An additional amount up to the value of any gain made or loss avoided may also be levied, plus any compensation due to other market participants for direct losses incurred. Fines may be levied per incident or breach.

The discretion of the Disciplinary Committee, or any appeal body, will not be fettered by these guideline sanctions.

Fixed Penalties

Cboe has a fixed penalty regime for minor or technical breaches of the Rules of low severity, with the level of such fixed penalties not exceeding £1000 per breach. The current list of fixed penalty breaches is listed below; any additional ones will be published from time to time by Participant Notice. Please note, large scale breaches or repeat offences could lead to other forms of disciplinary action as set out under this policy.

Transaction Reporting failure

Pursuant to Rule 5.3, Non-EEA participants are required to provide Transaction Reporting information as defined under Commission Regulation (EU) 2017/590. The data collected is transmitted to the Financial Conduct Authority (FCA) and is essential to enable the FCA to meet its operational objective of protecting the integrity of the United Kingdom financial system. Therefore, Cboe regards this information as critical and it must be reported accurately by Participants. Taking into account FCA's sanctions' policy for transaction report failures, Cboe will impose a financial penalty of £1.50 for each misreported line or missing report which is not corrected at the time it is due (T+1). Cboe may take into account any mitigating circumstances.

Order record keeping requirements failure

Pursuant to Rule 11.9, Participants are required to provide Cboe with information as set out in Commission Delegated Regulation (EU) 2017/580. This information is required to enable Cboe to fulfill its Record Keeping obligations and it must therefore be accurate.

Cboe has defined breaches giving rise to a fixed penalty as follows:

- Missing information on the orders, e.g. short codes, capacity
- Failure to provide mapping to the short codes used

Participants who do not provide correct information will receive a financial penalty for each misreported order or incorrect short code mapping. Cboe will initially be monitoring Participant compliance with the order record keeping requirements and will issue warning letters for breaches, prior to imposing financial penalties during 2018. The level of financial penalty will be notified in due course.

LPP failure

As detailed in Cboe's Rule Book, participants found to be in breach of any Liquidity Provider Program agreement during a calendar month will be notified of such failure and be required to provide Cboe with an explanation for such failure. A Participant's failure to quote in accordance with the requirements of the Liquidity Provider Program for two (2) consecutive calendar months without any mitigating circumstances will result in a fixed penalty fine per symbol. Cboe will initially be monitoring Participant compliance with the LPP requirements and will issue warning letters for breaches, prior to imposing financial penalties during 2018. The level of financial penalty will be notified in due course.

OTR breach

As stated and described in Cboe's Participant Manual, a fixed penalty fine will be issued by Bats if a Participant breaches the ratio four times or more per symbol during a calendar month without any mitigating circumstances. Cboe will initially be monitoring Participant compliance with the OTR requirements and will issue warning letters for breaches, prior to imposing financial penalties during 2018. The level of financial penalty will be notified in due course.

Private Warning

Private warnings may be given for breaches of low or medium severity where the Participant or Issuer has not been the subject of disciplinary action for the same breach before.

Public Warning

A public warning may be given for a breach of low or medium severity where a private warning has previously been given or where the Disciplinary Committee believes that the breach warrants public censure.

Settlement Proceedings

Following a request by the Participant, settlement proceedings may be instigated at the discretion of Cboe. Settlement discussions will be between Cboe staff and the Participant and will not involve the Disciplinary Committee. Settlement proceedings can be terminated at the request of either party. If a settlement is reached between the parties, any fine or suspension imposed will be reduced by 30%.

Consequences of Non-Payment of a Fine

A Participant that fails to pay a fine will be dealt with in accordance with Rule 7 of the Cboe Rulebook. Consequences could include the Participant's suspension or termination.

Use of Fine Income

Fine income will be used to offset the cost of the investigation, including all staff costs and any related professional fees. Where there is any excess, it will be used to cover the general costs of, and investment in, Cboe's market surveillance capabilities. Any excess above this will be used for the general benefit of the users of Cboe.