

Compliance Notice to Participants #1

Disruptive Practices

Subject	Compliance Notice to Participants on Disruptive Practices
Rules	CFTC 38.152, FMX Rule XIII-12
Issue Date	January 24, 2025
Effective Date	Upon issuance

This Compliance Notice to Participants (“CNTP”) provides guidance on how Participants should comply with the Commodity Futures Trading Commission (“CFTC”) Regulation 38.152 *Abusive trading practices prohibited* to prevent abusive trading practices on FMX Futures Exchange. FMX Futures Exchange prohibits front-running, wash/cross trading, pre-arranged trading, fraudulent trading, accommodation trading, money passes, price manipulation, and any other trading practices that FMX Futures Exchange deems to be abusive. Additionally, FMX Futures Exchange also prohibits other manipulative or disruptive trading practices prohibited by the Commodity Exchange Act and pursuant to FMX Futures Exchange Chapter XIII *Business Conduct*, specifically FMX Futures Exchange Rule XIII-12.

Guidance

The Compliance Department may evaluate various factors to determine whether specific conduct qualifies as a disruptive practice. These factors include, but are not limited to:

- (a) whether the Participant intended to prompt others to trade when they otherwise would not have;
- (b) whether the intent was to influence price movements rather than adjust their position;
- (c) whether the intent was to create deceptive or misleading market conditions;
- (d) prevailing market conditions in the affected market;
- (e) the impact on other Participants;
- (f) the Participant’s historical trading patterns;
- (g) the Participant’s order placement and cancellation activities;
- (h) the size of the order(s) compared to market conditions at the time they were placed;
- (i) the size of the order(s) relative to the Participant’s position and financial resources;
- (j) the number of orders submitted;
- (k) the Participant’s ability to handle the risks associated with the order(s) if fully executed;

- (l) the length of time the order(s) remained open in the market;
- (m) the time intervals and frequency of order messages;
- (n) the order's position or priority within the order book;
- (o) the prices of bids, offers, and trades before and after the order(s);
- (p) adherence to industry standards for designing, testing, implementing, managing, monitoring, and documenting automated trading systems order placement on the Exchange Trading System.

All orders must be entered for the purpose of executing legitimate transactions, although all orders may subsequently be cancelled if not executed. It would be a disruptive trading practice to enter or cause to be entered a bid or offer with the intent, at the time of entry, to cancel the bid or offer before execution. Please note that while the time an order rests in the market may be one factor in assessing whether its cancellation represents a disruptive trading practice, there is no guaranteed safe harbor. The Compliance Department will evaluate multiple factors, including resting time, to determine whether an order(s) constitutes a disruptive practice.

Please note, the "closing period" referred to in Rule XIII-12(b) is the time as at which daily Settlement Prices are determined.

If the Exchange determines that a Participant has engaged in disruptive practices, the Participant will be subject to disciplinary action in accordance with the Rules.

If you have any questions, please contact the FMX Compliance Department at: futurescompliance@fmx.com.

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January 24, 2025