

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	April 8, 2026
Effective Date	April 23, 2026

This Compliance Notice to Participants (“CNTP”) provides guidance to assist market participants’ understanding of the trading practices that the Exchange believes may constitute abusive trading practices, in accordance with CFTC Regulation 38.152 *Abusive trading practices prohibited*, on FMX Futures Exchange, and the factors the Exchange Compliance Department may consider in making its determination of whether trading activity is disruptive in accordance with FMX Rule XIII-12.

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 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.

Summary of Updates:

April 23, 2026: The guidance has been amended to incorporate the addition of Rule XIII-12(b) in accordance with FMX Submission 2026-09.

Rule XIII-12

Under FMX Rule XIII-12, it shall be a violation for any Person to engage in any trading, practice, or conduct prohibited by the Commodity Exchange Act (CEA) on or subject to the rules of the Exchange that: (i) violates bids or offers; (ii) demonstrates intentional or reckless disregard for orderly execution of transactions during the closing period; or (iii) is, is of the character of, or is commonly known to the trade as, “spoofing” or “layering.”

Furthermore, all orders or messages must be placed with the genuine intent of executing legitimate transactions, and all orders or messages must be submitted in good faith and for appropriate business purposes.

The provisions of Rule XIII-12 apply to all electronic trading activity, whether entered manually or by automated means, and will apply to all market trading hours.

Finally, it shall be a violation of Rule XIII-12 for any Person to submit an order or message, or cause an order or message to be entered, with: (i) the intent to cancel or modify the order to avoid execution at the time of submission; (ii) the intent to deceive or mislead other Persons; (iii) the intent to overload or delay the Exchange Trading System or disrupt other Persons' activities; or (iv) the intent to disrupt trading, or in a manner that recklessly disregards the potential negative impact on fair transaction executions or market orderliness.

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 market participant intended to prompt others to trade when they otherwise would not have;
- (b) whether the market participant intended to influence price movements rather than adjust their position;
- (c) whether the market participant intended to create deceptive or misleading market conditions or to deceive or mislead other Persons;
- (d) whether the market participant intended to cancel or modify the order to avoid execution at the time the order was placed;
- (e) whether the market participant intended to overload or delay the Exchange Trading System or disrupt other Persons' activities;
- (f) prevailing market conditions in the affected market or related markets;
- (g) the market participant's activity in related markets; and
- (h) the impact on other market participants;
- (i) the market participant's historical trading patterns;
- (j) the market participant's order placement and cancellation activities;
- (k) the size of the order(s) compared to market conditions at the time they were placed;
- (l) the size of the order(s) relative to the market participant's position and financial resources;
- (m) the number of orders submitted;
- (n) the market participant's ability to handle the risks associated with the order(s) if fully executed;
- (o) the length of time the order(s) remained open in the market;
- (p) the time intervals and frequency of order messages;
- (q) the order's position or priority within the order book;
- (r) the prices of bids, offers, and trades before and after the order(s);
- (s) adherence to industry standards for designing, testing, implementing, managing, monitoring, and documenting automated trading systems order placement on the Exchange Trading System.
- (t) whether the Person demonstrates appropriate business rationale for its activity; and
- (u) whether the Person recklessly disregards the potential negative impact on fair transaction executions or market orderliness.

All orders must be entered for the purpose of executing legitimate transactions and must be entered in good faith for appropriate business purposes. Rule XIII-12 does not prohibit orders from subsequent modification or cancellation due to a perceived change in circumstances.

For example, it would be considered a disruptive trading practice to submit or cause to be entered a bid or offer with the intent, at the time of order entry, to cancel or modify the bid or offer in order to avoid execution.

Please note that while the time an order rests in the market may be one factor in assessing whether it subsequent cancellation or modification represents a disruptive trading practice, there is no guaranteed safe harbor. The Compliance Department will evaluate multiple factors, as outlined above, including resting time, to determine whether an order(s) or other message constitutes a disruptive practice.

Please note, the “closing period” referred to in Rule XIII-12(a)(ii) is the time at which daily Settlement Prices are determined, however, the provisions of Rule XIII-12 apply to all electronic trading activity, whether entered manually or by automated means, and will apply to all market trading hours.

Furthermore, orders of any size entered with the aim of verifying a Participant’s connection to the FMX Trading System or the flow of the executed orders through the Exchange back-office systems for clearing purposes must be entered with the intent to execute legitimate transactions.

The Exchange’s determination of intent is not limited to instances in which a market participant admits its state of mind and may also include circumstances where the conduct was such that it more likely than not was intended to produce a prohibited disruptive consequence, intent may be found.

The Exchange’s determination of “reckless disregard” of the potential negative impact on fair transaction executions or market orderliness” will consider the commonly defined standard where the market participant’s conduct “departs so far from the standards of ordinary care that it is very difficult to believe the actor was not aware of what he or she was doing.” See *Drexel Burnham Lambert, Inc. v. CFTC*, 850 F.2d 742, 748 (D.C. Cir. 1988).

If the Exchange determines that a Participant has engaged in disruptive practices, the market participant will be subject to disciplinary action in accordance with the Rules. Claims of lack of knowledge about the activity are not acceptable defenses to intentional or reckless conduct that the Exchange believes to be disruptive.

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

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