Compliance Notice to Participants #6

Pre-Execution Communications

Subject	Compliance Notice to Participants on Pre-Execution Communications
Rules	FMX Rule III-6 *Prearranged Transactions Prohibited and Pre-Execution Communications*; Rule XIII-13 *Front Running*; and Rule XIII-10 *Disclosing Orders;* Rule XIII-16, *Simultaneous Buy and Sell Orders for Accounts with Different Beneficial Ownership*
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Effective Date	Upon Issuance

This Compliance Notice to Participants ("CNTP") provides guidance to Participants of the FMX Futures Exchange ("FMX Futures" or "the Exchange") to assist compliance with FMX Futures Rule III-6*Prearranged Transactions Prohibited and Pre-Execution Communications* ; Rule XIII-13 *Front Running;* Rule XIII-10 *Disclosing Order;* and Rule XIII-16, *Simultaneous Buy and Sell Orders for Accounts with Different Beneficial Ownership.*

<u>**Guidance**</u>

1. Pre-execution Communications

In the context of this CNTP, a "pre-execution communication" is a communication between market participants for the purpose of discerning interest in the execution of a transaction prior to the exposure of the order to the market, including any discussion of the size, side of market, or price of an order, or a potentially forthcoming order.

Communications to obtain general market color or simply to obtain a quote (e.g., a two-sided market quote) are not considered pre-execution communications.

Pre-execution communications are permitted in all FMX Division futures Contracts, subject to the requirements of Rule III-6.

2. Consent to Engage in Pre-execution Communications Required

A party may not engage in pre-execution communications with other market participants on behalf of another party (a Customer) unless the party for whose benefit the trade is being made has previously consented to permit such communications being made on its behalf.
Consent may be transaction specific, or in the form of blanket consent from a Customer acknowledging its consent for its representative to engage in pre-execution communications on its behalf and would be considered in force until revoked by such Customer.

3. Prohibition on Disclosure of Details Obtained from Pre-execution Communications

Parties to pre-execution communications are advised that it shall be considered a violation of Rule III-6 to disclose to any Person who is not a party to the pre-execution communication any details of such pre-execution communications, except in furtherance of the Order (i.e., to facilitate the trade).

Disclosure of orders for any other purpose may constitute a violation of Rule XIII-10 *Disclosing Orders*. Except in accordance with Rule III-6 and this CNTP, no Person shall disclose to any Person any Order placed by any other Person, except to an Exchange Official or a member of the staff of the CFTC, the NFA, or the Department of Justice, respectively.

4. Prohibition on Taking Advantage of Information Obtained in a Pre-execution Communication

Parties to pre-execution discussions are advised that it shall be considered a violation of Rule III-6 for any Party to enter an order (e.g., trading ahead of a Customer or other Order) to take advantage of information conveyed during such communications.

Taking advantage of such information may constitute a violation of Rule XIII-13, *Front Running*. It shall be a violation of Rule XIII-13, *Front Running*, for any person to engage in the practice of trading ahead of another person, including a Customer, by taking a futures position based upon nonpublic information regarding an impending transaction by another person in the same or related Contract or a related Futures Contract on another designated contract market.

5. Execution of Orders Resulting from Pre-execution Communications

Parties are permitted to engage in pre-execution communications with regard to futures transactions executed on the Exchange Trading System ("ETS") where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the futures Order.

In the entry of such Orders, the following protocol must be followed: The first party's Order must first be entered into the ETS, and the opposing party's Order may not be entered into the ETS, until a period of 5 seconds has elapsed from the time of entry of the first Order.

The parties involved in pre-execution communications that result in a trade using the protocol above must not involve accounts with common beneficial ownership as specified in CNTP #7 Wash Trading and Self Match Prevention.

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6. Additional Cross Protocols: Opposing Orders for Accounts with Different Beneficial Ownership

In accordance with Rule XIII-16, *Simultaneous Buy and Sell Orders for Accounts with Different Beneficial Ownership,* opposite orders for accounts with different beneficial ownership that are simultaneously placed by a party with discretion over both accounts may be entered into the ETS provided that one Order is exposed for a minimum of five (5) seconds.

Additionally, an Order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite a second Order entered by the same intermediary provided the second Order has been entered immediately upon receipt and has been exposed on the ETS for a minimum of five (5) seconds.

Orders involving pre-execution communications are separately governed Rule III-6 and #1-5 of this CNTP.

7. Compliance with Chapter XIII of the Rules of the Exchange

In addition to Rule III-6, compliance with all Exchange Rules, including Chapter XIII, is expected of all market participants when conducting pre-execution communications and in the entry of Orders resulting from pre-execution discussions into the ETS.

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

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