Compliance Notice to Participants #7

Wash Trading and Self-Match Prevention ("SMP")

Subject	Compliance Notice to Participants on Wash Trades and Self-Match Prevention ("SMP")
Rules	FMX Futures Rule XIII-14 *Wash Trading; Accommodation Trading, Money Passes*, and FMX Futures Rule XII-14 *Measures to Avoid Self-Matching*
Issue Date	May 28, 2026
Effective Date	Upon issuance

In accordance with Commodity Futures Trading Commission ("CFTC") Regulation 38.152 *Abusive trading practices prohibited,* the Exchange prohibits abusive trading practices, including wash trading.

This Compliance Notice to Participants ("CNTP") provides guidance to market participant of the FMX Futures Exchange ("FMX Futures" or "the Exchange") in order to assist compliance with FMX Futures Rule XIII-14 *Wash Trading; Accommodation Trading, Money Passes* and FMX Rule XII-14 *Measures to Avoid Self-Matching.* This CNTP is organized by the following topics:

- Wash Trading
- Self-Match Prevention ("SMP")

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Wash Trading

The CFTC requires exchanges to prohibit abusive trading practices by members and market participants including wash trading.

Pursuant to FMX Futures *XIII-14 Wash Trading; Accommodation Trading, Money Passes*, it shall be a violation of this Rule for any person to engage in a transaction that is of the character of, or is commonly known to the trade as, a "wash trade." Entering buy and sell orders for different accounts with common beneficial ownership with the intent to negate market risk or price competition shall be deemed to violate the prohibition on wash trades. Execution as well as accommodation of such orders by direct or indirect means shall also be a violation of FMX Futures' rules.

Guidance

1. **Common Beneficial Ownership**

Same beneficial ownership includes accounts with identical ownership, as well as accounts belonging to different entities that are wholly owned (100%) by the same parent company. Common beneficial ownership is broader, encompassing not only accounts with the same beneficial ownership but also those with partial common ownership of less than 100%.

2. **Wash Trades**

A wash trade involves a transaction or series of transactions executed in the same instrument, at the same or a similar price, involving accounts with the same or common beneficial ownership.

Wash trading occurs when a market participant enters, or appear to enter into, transactions that give the appearance that legitimate purchases and sales have been made, without the intent to incur market risk or change the market participants market position. A wash trade requires that (1) the transaction or a series of transactions results in a wash trade, meaning the buying and selling of the same instrument at the same or a similar price, involving accounts with the same or common beneficial ownership and (2) the intent to fulfill a wash result.

Intent may be determined based on evidence of prearrangement or indications that orders or trades were structured, placed, or executed in a way that a market participant knew, or reasonably should have known, would result in a wash trade.

3. **Entering or Accepting Buy and Sell Orders for Accounts with Common Beneficial Ownership**

A market participant who enters or accepts buy and sell orders for simultaneous execution for accounts with common beneficial ownership has engaged in wash trading if a wash result occurs and the market participant knew or reasonably should have known that the trades were entered into without the intent to engage in legitimate transactions that incur market risk or change the market participant's market position.

A market participant who receives buy or sell orders to be executed on behalf of another party must inquire whether such orders are for accounts with common beneficial ownership. Failure to undertake this inquiry can result increased regulatory scrutiny where a wash result occurs.

Buy and sell orders for accounts with common beneficial ownership that are independently initiated for legitimate and distinct business purposes by separate decision-makers—and that happen to cross in the competitive market—are not considered wash trades, provided the trade was not prearranged and neither market participant was aware of or intended for their order to trade against the other's. However, market participants should be aware that trades between accounts with common beneficial ownership may face increased regulatory scrutiny and should be prepared to demonstrate their legitimacy if additional information is requested.

4. EFRP Transactions and Block Trades

Additionally, market participants are advised that the prohibition on wash trading continues to apply in the context of EFRP Transactions in accordance with Rule XI-6 and Block Trades executed in accordance with Rule XI-7. Additional information specific to these trade types is available in CNTP #4 EFRP Transactions and CNTP #5 Block Trades.

5. Genuine Intent to Execute Legitimate Transactions and Measures to Avoid Self-Matching

All orders must be placed with the genuine intent of executing legitimate transactions. Orders of any size entered with the aim of verifying a market 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.

Additionally, market participants are advised that when using one or multiple automated trading systems, market participants should employ functionality that will decrease the potential for the algorithm's buy and sell orders to match with each other. Please see additional information below on self-match prevention.

Self-Match Prevention ("SMP")

The CFTC requires exchanges to prohibit abusive trading practices by members and market participants including wash trading.

Pursuant to FMX Futures *Rule XII-14 Measures to Avoid Self-Matching*, market participants should take reasonable steps to prevent the matching of orders for the same account and for accounts with common ownership, within and across Clearing Members including installing self-match prevention software on their trading devices and implementing, as appropriate, any self-match prevention software provided by the Exchange for use in the Exchange Trading System.

Guidance

While the use of self-match prevention ("SMP") functionality is monitored by the FMX Futures Compliance Department, please note that the use of SMP is not mandatory on FMX Futures. Market participants are reminded that the use of SMP functionality for any non-legitimate purpose may constitute a violation of FMX Futures Rules. Additionally, although SMP is optional, Market participants are reminded that FMX Futures Rules require them to take steps to prevent self-matches. The FMX Futures Compliance Department reserves the right to require FMX Futures SMP functionality on a case-by-case basis if self-matches are detected on the Exchange.

FMX Futures offers three levels of SMP:

1. User-Level SMP - Orders submitted by the same trader are prevented from matching.
2. Desk-Level SMP- Orders submitted by the same desk are prevented from matching. (Also prevents user-level matches from occurring.)
3. Legal Entity ("Company") SMP - Orders submitted by the same company are prevented from matching. (Also prevents desk- and user-level matches from occurring.)

When an incoming order enters the matching book, it attempts to match each matchable resting order in price-time order. When a resting order has a self-match conflict with the incoming order, the resting order is cancelled. Market participants can setup SMP preferences as follows:

1. Cancelling the SMP resting order or incoming order.
2. Trade around logic.
    a. There are cases where an SMP conflict can be resolved by having the incoming order skip over the SMP resting order and match other orders on the same price tier. If the incoming order is completely matched by other resting orders on the same price tier, then the SMP conflict is removed, and the SMP resting order can remain in the book.

Additionally, FMX Futures provides the ability for market participants to register an SMP Identifier ID(s) ("SMP ID"). The SMP ID together with FMX Futures SMP instructions can be provided when placing or amending an order. If resting and initiating orders both provide the same SMP ID, the SMP instruction will override the market participant's preference for SMP. The supported SMP instructions when using SMP ID(s) are:

1. Cancel Resting Order

2. Cancel Incoming Order

Providing an SMP ID without SMP instruction on potentially matching orders in conflict will default to canceling resting order. Omitting both SMP ID and SMP instruction will fall back to the market participant's SMP preference.

A change of preference to enable SMP or a change to the current setting requires the market participant to request a change with the FMX Control Desk at fmxfuturescontroldesk@FMX.com. Please note that SMP preferences are determined at the session login level and cannot be adjusted on an order-by-order basis.

SMP technical specifications can be found under Section 4.5 "Self-Match Prevention" in the FIX Rules of Engagement documentation and under Section 9.4 "Self-Match Prevention" in the Binary Order Protocol (BOP) documentation on the FMX Futures API Specifications Documents webpage at https://www.fmxfutures.com/api-specification-documents/.

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

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