

# CONSULTATION PAPER

[CP01/2022]

## PROPOSED CHANGES TO MATRIX MARKET RULEBOOK

January 19, 2022

# Introduction

Matrix (the “MTF”) is hereby consulting on its proposed changes to the Matrix Market Rulebook for the future operation of its multilateral trading facility.

The proposed draft of the Market Rulebook can be downloaded here:  
[Market Rulebook Consultation](#)

All participants are invited to comment on the Market Rulebook within **14 days business days** of this Consultation Paper, in particular, as to whether there is sufficient clarity within the Market Rulebook on the additional rules and requirements of the MTF.

Comments should therefore be made no later than the end of **February 7, 2022**.

Would you like to comment? Please send your responses to us by email or by mailing us:  
[consultation@matrix.co](mailto:consultation@matrix.co)

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In your responses, please include the following:

- The organization that you are representing, if any;
- Your email address and contact number;
- A summary of pertinent points;
- A statement of interest; and
- Reasoned explanation(s) of comment(s), identifying the specific provision on which any comment is made.

**NOTE:** Anonymous responses shall be disregarded.

*By sending a response, you confirm that you have consented to the collection, use and/or disclose of personal data (as defined under the “applicable law”) that is provided to us for the purpose of this consultation Paper or for other policy or rule proposals. Unless you expressly request confidential treatment for any part of the submission, which is proprietary, confidential or commercially sensitive, all or part of any written submission and your identity may be disclosed to the public. As such, if you would like confidential treatment of any part of your submission, kindly mark the relevant part(s) confidential or make an express request. As any rule implementation may be subject to approval of the relevant regulatory authority, we may share your response with the relevant regulator. Your confidentiality request will not apply in any such disclosure to the relevant regulator.*

*If you have any issues with downloading the Market Rulebook from the URL provided above, please contact [support@matrix.co](mailto:support@matrix.co)*

# Summary of the Proposed Changes to Matrix Market Rulebook

The following are extracts of the proposed changes to the Matrix Market Rulebook. Please refer to the main rules in the proposed Market Rulebook for full details of the changes.

## 1. Request-For-Quote (RFQ) Block Trade-related Rules

Matrix is proposing the introduction of RFQ Block Trade service where eligible Clients interested in transacting “Block-sized” trades, will be able to request for the best price quotes from Matrix’s panel of stringently selected Liquidity Providers. These price quotes are firm and off the Order Book, so as not to be dependent on the liquidity of Matrix’s centralized Order Book. RFQ Block Trades are honored by Matrix and will be subjected to the following proposed additional Rules in Matrix’s Market Rulebook.

### 1.1. Addition to Clients’ Continuing Obligations (Rule 6.2.18)

#### Market Rulebook change:

*Rule 6.2.18 – in the case of a Liquidity Provider, maintain such procedures to ensure the timely execution, recording, and settlement of Block Trades.”*

Matrix is proposing to introduce additional client obligations for Liquidity Providers under Matrix’s proposed RFQ Block Trade service.

#### Question 1: Sufficiency of Clients’ Continuing Obligations

Do you think the additional client obligation proposed above is sufficient for the Liquidity Providers under Matrix’s proposed RFQ Block Trade Service? Please provide reasons for your view.

### 1.2. Admission of New Virtual Asset (Rules 8.1 to 8.2)

#### Market Rulebook changes:

*Rule 8.1 - Matrix may only admit a Virtual Asset if it meets the criteria to be deemed an “Accepted Virtual Asset” for trading on the MTF or through Block Trading.*

*Rule 8.2 - Where Matrix decides to admit a new Virtual Asset for trading on the MTF or through Block Trading:*

*Rule 8.2.1 - Matrix will provide a Notice in relation to the admission of a new Virtual Asset for trading, which specifies among other things the effective date of such admission and the duration of the Pre-Trading Session which applies to the trading in the newly admitted Virtual Asset; and*

*Rule 8.2.2 - trading in a newly admitted Virtual Asset will be subject to the restrictions set out in Rule 20.15 during the Pre-Trading Session.*

“Accepted Virtual Assets” that can be traded on the Matrix MTF or through Block Trading will be notified through a Notice which will also provide the details for the Pre-Trading Session.

### **1.3. Order Matching - Fills (Rules 14.3 to 14.6)**

#### **Market Rulebook changes:**

*Rule 14.3 - A Fill occurs when:*

*Rule 14.3.1 - a Maker Order is matched with a Taker Order, resulting in Trade; or*

*Rule 14.3.2 - a Clients accept an RFQ Quote, resulting in a Block Trade.*

*Rule 14.4 - In a Trade, an Order may be matched with and Filled by one or more Orders.*

*Rule 14.5 - In a Block Trade, an RFQ Quote must be within the trading limit assigned by Matrix to a Liquidity Provider.*

#### **GUIDANCE:**

A Liquidity Provider may only issue an RFQ Quote within the trading limit assigned to him by Matrix. This means that an RFQ can only be quoted by Liquidity Providers with sufficient trading limits.

*Rule 14.6 - Clients will receive a Notice regarding their Fill(s). Rule 25.1- In addition to satisfying the relevant applicable criteria set out under Rule 5.3, a Client wishing to participate in Block Trades as:*

All Liquidity Providers approved by Matrix will be assigned trading limits based on an assessment of their financial strength, credit standing and management quality. The available trading limits will be reduced based on the quantum of Block Trades that have been traded and unsettled, and will be restored after each successful end of day settlement.

#### 1.4. Block Trading Eligibility Criteria (Rule 25.1)

##### Market Rulebook changes:

*Rule 25.1 - In addition to satisfying the relevant applicable criteria set out under Rule 5.3, a Client wishing to participate in Block Trades as:*

*Rule 25.1.1 - an RFQ Client, must also satisfy :*

- a) the FSRA criteria to be classified as either a "Professional Client" or a "Market Counterparty" as these are provided for under COBS, and amended from time to time; and*
- b) Matrix' suitability requirements by completing the "Client Suitability Questionnaire"; or*

*Rule 25.1.2 - a Liquidity Provider, must also satisfy:*

- a) the FSRA criteria to be classified as either a "Professional Client" or a "Market Counterparty" as these are provided for under COBS, and amended from time to time; and*
- b) Matrix' assessments of the Liquidity Provider's business risk, corporate governance, and credit risk.*

*before such Client is allowed to participate as either an RFQ Client or a Liquidity Provider, as the case may be, in carrying on Block Trades.*

Matrix is proposing additional Eligibility Criteria for transacting Block Trades as such trades are larger in size and may be more complex than trading on Matrix's MTF, and may be more suitable for Clients who have more knowledge and experience in trading such products.

#### **Question 2: Additional Block Trading Eligibility Criteria**

Do you agree with the additional block trading eligibility criteria proposed above for the protection of retail clients under Matrix's proposed RFQ Block Trade Service?

#### 1.5. Acknowledgement of specific Block Trade risks (Rules 25.2 and 25.3)

##### Market Rulebook changes:

*Rule 25.2 - Before entering into a Block Trade, a Client is required to read and acknowledge Matrix's Risk Disclosure document as notified by way of a Notice or made available to the Client, before being allowed to place an RFQ. The Risk Disclosure document contains specific risks which are associated with Block Trades on the MTF.*

*Rule 25.3 - A Client who does not comply with Rule 25.2 above will not be allowed to issue RFQs. However, the Client's access to any Service which is not related to Block Trading would still be available to such Client.*

Matrix Clients who wish to engage in RFQ Block Trade Services are required to be aware of the various risks associated with Matrix's Block Trade Services in order to be able to utilize the service.

## 1.6. RFQ and RFQ Quote requirements (Rules 25.4 to 25.6)

### Market Rulebook changes:

*Rule 25.4 - An RFQ Client may initiate a Block Trade by issuing an RFQ using the User Interface. An RFQ must specify the following:*

*Rule 25.4.1 - whether the proposed Block Trade is a buy or a sell trade; and the amount of the Assets subject of the Block Trade which must be at or above the Minimum Volume Threshold, otherwise the RFQ will not be issued.*

*Rule 25.5 - RFQ Clients and Liquidity Providers are prohibited from disclosing, or solicit or induce others to disclose, any details relating to a proposed Block Trades (including in relation to the terms of an RFQ or an RFQ Quote) which shall be deemed to be constitute inside information not known to the public, other than:*

*Rule 25.5.1 - as necessary to execute the Block Trade;*

*Rule 25.5.2 - to Matrix; or*

*Rule 25.5.3 - the FSRA or any competent authority as required under the Applicable Laws and Regulations.*

*Rule 25.6 - A Liquidity Provider may issue an RFQ Quote which is within the trading limits imposed on such Liquidity Provider by Matrix, in its sole discretion and as a result of Matrix' assessment of the Liquidity Provider's eligibility as provided for under Rule 25.1.2(b) of this Market Rulebook.*

#### GUIDANCE:

The Minimum Volume Threshold requirement is in line with MIR rules regarding the minimum order size for a trade to be qualified as being large in scale (i.e. a block trade).

In line with ADGM's MIR Rule 3.5.12 on negotiated transactions, RFQ Block Trades are meant to be larger in size and subject to minimum block sizes for each of Matrix's traded Pairs. This information will be published on Matrix's website and via Circular.

## 1.6. Pre-funding (Rule 25.7)

### Market Rulebook change:

*Rule 25.7 - Notwithstanding Rule 13.38, the requirement to pre-fund a Trade does not apply to a Liquidity Provider in the context of entering into a Block Trade.*

#### GUIDANCE:

A Block Trade is subject to the risk of settlement failure since a Liquidity Provider is not subject to this Market Rulebook's pre-funding requirement.

For the avoidance of doubt, the pre-funding requirements in Rule 13.38 continue to apply to a RFQ Client when placing a Block Trade. A Block Trade will not be executed unless an RFQ Client has sufficient available balance on Account to cover the cost of the Block Trade plus any Fees.

All Clients conducting RFQ Block Trades will be required to ensure sufficient available balance on their Account to cover the cost of the Block Trade plus any Fees. An exception to this Rule are the Liquidity Providers providing the RFQ Quotes who settle on a post trade basis and do not provide pre-funding of their Accounts with Matrix. In the meantime, market conditions and external circumstances beyond Matrix's control may change resulting in increased risks of settlement failures and defaults of these Liquidity Providers.

## 1.7. Execution of a Block Trade (Rules 25.8 to 25.11)

### Market Rulebook changes:

*Rule 25.8 - Parties to a Block Trade shall always consist of an RFQ Client and a Liquidity Provider.*

#### GUIDANCE:

This means that Block Trades cannot be executed in the event where both parties submitting RFQs are RFQ Clients. Such Orders shall not execute against each other.

For the avoidance of doubt, a Block Trade shall not set off Open Orders which are on the Order Book or conditional Orders such as a Limit Order.

*Rule 25.9 - An RFQ Quote where the price is outside the Deviation Threshold, as notified to Clients by way of a Notice from time to time, will be invalidated.*

#### GUIDANCE:

The Deviation Threshold is maintained and reviewed by Matrix periodically based on an assessment of the liquidity, depth and other relevant characteristics of the Order Book.

*Rule 25.10 - The RFQ Quote is only valid, and can be accepted by an RFQ Client, during the period of time specified in the RFQ Quote.*

**GUIDANCE:**

The time validity of RFQ Quote depends on prevailing market volatility and is usually between 10-15 secs. An RFQ Client will need to submit a new RFQ after the expiration of an RFQ Quote.

*Rule 25.11 - When an RFQ Quote is accepted by an RFQ Client, the RFQ will Fill and the Block Trade will be deemed to be executed between the Liquidity Provider and the RFQ Client.*

Upon meeting pre-funding requirements, a Client may submit a RFQ through the RFQ interface for the desired trade parameters. The RFQ system will compute, exclude any quote that deviates too much from the prevailing best bid and offer prices on Matrix's Order Book, and select the best quote from amongst Matrix's panel of Liquidity Providers and display it to the Client. The best quote will be determined by the RFQ system by selecting the lowest price quote for a purchase of Virtual Assets and the highest price quote for a sale of Virtual Assets. Price quotes are guaranteed and valid for a limited period of time and would be void after such time has expired. All RFQs submitted by Clients shall only be executed against Liquidity Providers.

### **1.8. Settlement of Block Trades (Rules 25.12 to 25.14)**

#### **Market Rulebook changes:**

*Rule 25.12 - Matrix shall reflect a Filled Block Trade by debiting and crediting the relevant balances of Assets in the Account of the RFQ Client and that of the Liquidity Provider.*

*Rule 25.13 - Any Assets credited and debited in accordance with Rule 25.10 shall be blocked until the Filled Block Trade settles.*

**GUIDANCE:**

After a Block Trade is executed, RFQ Client Accounts are updated to show the new ledger balance. However, the incremental Assets will be placed on hold and not available for the RFQ Client to withdraw or to use to pre-fund for other Trades or Block Trades, until the settlement process is fully completed.

*Rule 25.14 - A Filled Block Trade shall be deemed final and settled, and the hold placed on the Assets in the Block Trade parties' Accounts shall be lifted, after Matrix receives delivery of the Assets from both parties of a Block Trade and transfers these to the RFQ Client and Liquidity Provider's Accounts, accordingly.*

By accepting the quote in the RFQ system within the stipulated time, the trade is executed between the Client and the relevant Liquidity Provider. Client's Account balances are updated post trade and placed on hold until all settlement processes with the Liquidity Provider are settled. Post trade settlement processes are expected to take 24 to 48 business hours after the trade is executed.



### 1.9. Settlement Failure (Rule 25.15)

#### Market Rulebook change:

*Rule 25.15 - In the event of a settlement failure by a Liquidity Provider, Matrix may, in its sole discretion, take any such action as described in the Default Rules set out under Chapter 26 of this Market Rulebook.*

#### GUIDANCE:

The risk of Block Trades failing to settle due to the Liquidity Provider's default is set out in Matrix's Risk Disclosure document and is due to the absence of a requirement for a Liquidity Provider to pre-fund Block Trades.

The Liquidity Providers under Matrix's RFQ Block Trade Service are not subject to pre-funding requirements, and settlement with the Liquidity Providers will take place at the end of each day. Although these Liquidity Providers are subject to stringent onboarding processes which includes an assessment of their financial strength, credit standing and management quality, nevertheless, market conditions and external circumstances beyond Matrix's control may change, including scenarios where requirements under Conduct of Business Rulebook "COBS" 17.5(c) are not met, resulting in increased risks of settlement failures and defaults of these Liquidity Providers.

### 1.10. Recording, public disclosure and reporting of Block Trades (Rule 25.16)

#### Market Rulebook change:

*Rule 25.16 - The details of Filled Block Trades shall be:*

*Rule 25.16.1 - recorded in RFQ Client and the Liquidity Provider's trading history logs respectively;*

*Rule 25.16.2 - disclosed publicly:*

- a) on the relevant section of the User Interface; and*
- b) on the Order Book as an executed Block Trade; and*

*Rule 25.16.3 - reported to the FSRA.*

Like all other trades on Matrix's Order Book, executed Block Trades are also recorded, publicly disclosed and reported to the FSRA.

### 1.11. Block Trade Default Risk Provision (Rules 25.17 to 25.21)

#### Market Rulebook changes:

*Rule 25.17 - Matrix maintains a Block Trade Default Risk Provision under which it shall honor an RFQ Client's Block Trade in the event of the failure of a Liquidity Provider to settle a Block Trade under one of the following circumstances where a Liquidity Provider after the Block Trade has been executed:*

*Rule 25.17.1 - fails to provide the Assets to settle a Block Trade; or*

*Rule 25.17.2 - provides Matrix with tainted Virtual Assets which may not be used to settle the affected Block Trade.*

*Rule 25.18 - Matrix's Block Trade Default Risk Provision shall be established through provisions made to Matrix's accounts. The details of the Block Trade Default Risk Provision shall be communicated to RFQ Clients by way of a Notice, from time to time.*

**GUIDANCE:**

The amount of the Block Trade Default Risk Provision is determined in line with sufficiency assessments that Matrix will conduct regularly based on projections of the volume of Block Trades within a specified period of time.

*Rule 25.19 - The Block Trade Default Risk Provision is used to cover the costs of fulfilling the failed Block Trade,, and the legal fees which Matrix incurs for commencing legal proceedings against the Liquidity Provider.*

*Rule 25.20 - In the unlikely event where the Block Trade Default Risk Provision is not sufficient to cover the costs in Rule 25.17, any outstanding costs shall be covered by Matrix's shareholders. Once the RFQ Client's failed Block Trade is honored, Matrix shall be subrogated to all the rights and remedies of the RFQ Client in relation to the failed Block Trade.*

*Rule 25.21 - Matrix may at its sole discretion allocate any amounts recovered from the defaulting Liquidity Provider to the Block Trade Default Risk Provision or to offset any losses it suffered as a result of the Liquidity Provider's failure to settle a Block Trade.*

Matrix is proposing to introduce the above rules for the establishment of a Default Risk Provision for the purpose of honoring any failed Block Trade to the RFQ Client which may arise from the settlement failure of a Liquidity Provider.

## 2. Addition to Matrix's Default Rules

### 2.1. Declared Default (Rule 26.1)

#### Market Rulebook change:

*Rule 26.1 - Matrix shall, at its absolute discretion, determine if it shall treat a Default Event as a "Declared Default" and shall determine the date and time of such Declared Default. Matrix shall notify, in writing, the defaulting Client or Liquidity Provider of the Declared Default and its date and timing. Matrix will also inform FSRA prior to declaring a Declared Default.*

### 2.1. Additional actions in the event of Declared Default (Rules 26.3.8 to 26.3.9)

#### Market Rulebook change:

*Rule 26.3.8 - commencing legal proceedings for the recovery of losses from the failed Block Trade arising from the settlement failure of the defaulting Liquidity Provider; or*

*Rule 26.3.9 – temporarily or permanently restricting the defaulting Liquidity Provider from providing RFQ Quotes.*

### 2.2. Default Event by a Liquidity Provider (Rule 26.12)

#### Market Rulebook changes:

*Rule 26.12 - If a Default Event is caused by a Liquidity Provider, Matrix will:*

*Rule 26.12.1 - honor the affected RFQ Client(s)'s Block Trade following the Default Event under the Block Trade Default Risk Provision set out in Chapter 25 of this Market Rulebook;*

*Rule 26.12.2 - consider whether to temporarily or permanently restrict the defaulting Liquidity Provider from participating in Block Trades; and*

*Rule 26.12.3 - consider whether to commence legal proceedings against the defaulting Liquidity Provider.*

Matrix is proposing to introduce the formal declaration of a Default Event as well as the above additional actions that it may take in the event of a Declared Default, such as the abilities to commence legal proceedings on the defaulting Liquidity Provider for the recovery of losses from the failed Block Trades, as well as to suspend or revoke the defaulting Liquidity Provider from providing RFQ Quotes under Matrix's RFQ Block Trade Service.

### 3. Session States and Pre-Trading Session Rules

#### 3.1. Introduction of Session States and Pre-Trading Session (Rules 20.6 to 20.15)

##### Market Rulebook changes:

##### Trading Session:

*Rule 20.6 - During the Trading Session, a Client can submit, amend or cancel Orders on the MTF, subject to the requirements and restrictions as specified in this Market Rulebook.*

*Rule 20.7 - Once a Trading Session has closed, no orders can be entered, and no trades can be executed until the opening of the next Trading Session.*

*Rule 20.8 - Matrix will notify Clients for closing of a Trading Session through Matrix's website, Notice, or any other means of communication.*

##### Trading Suspension:

*Rule 20.9 - A Trading Suspension may be in relation to all Orders or RFQs, or restricted to specified Trading Pairs.*

*Rule 20.10 - During a Trading Suspension, no new Orders or RFQs shall be placed and no Orders shall be Filled or RFQ Quotes may be provided or accepted. Clients may however cancel Open Orders or Open RFQs.*

##### GUIDANCE:

During a Trading Suspension, Open Orders and Open RFQs shall be maintained until the Trading Suspension is lifted, or until these are canceled by the Client.

For the avoidance of doubt, a Trading Suspension can also include a suspension of Block Trades.

*Rule 20.11 - Matrix will resume a Trading Session as reasonably practicable and when Matrix deems it is appropriate in its sole discretion to do so.*

*Rule 20.12 - Matrix will provide a Notice to Clients in relation to:*

*Rule 20.12.1 - any action taken under this Chapter 20 unless it is prohibited under Applicable Laws and Regulations for Matrix from doing so; or*

*Rule 20.12.2 - the resumption of trading following a Trading Suspension.*

Resumption of Trading:

*Rule 20.13 - A new Trading Session starts after the end of a Pre-Trading Session.*

*Rule 20.14 - Before the start of a new Trading Session following a Trading Suspension, Matrix will send a Notice to Clients specifying the duration of the Pre-Trading Session.*

*Rule 20.15 - During the Pre-Trading Session:*

*Rule 20.15.1 - a Client may only enter Limit Orders and may cancel Open Orders or Open RFQs; and*

*Rule 20.15.2 - Open Orders will not be matched and RFQ Quotes in relation to Open RFQs cannot be provided.*

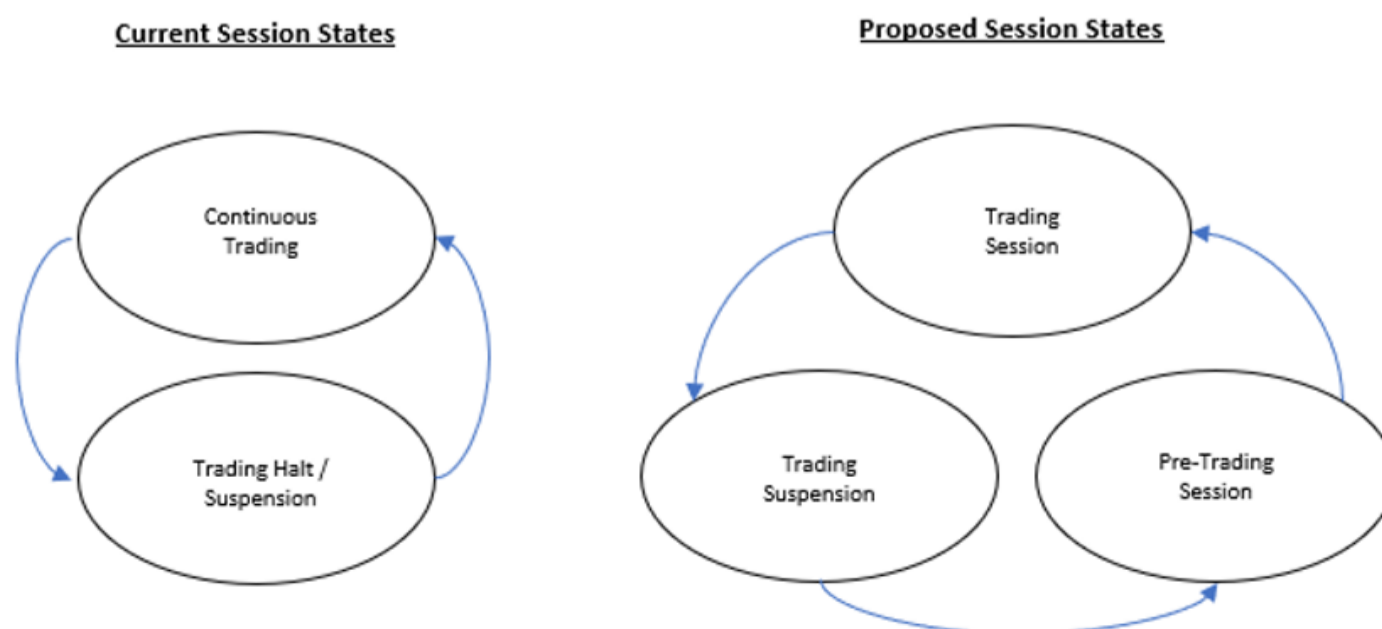
**GUIDANCE:**

After the start of a new Trading Session any outstanding Open Orders which can be Filled will be Filled and Liquidity Providers may provide RFQ Quotes to any Open RFQs.

### 3.2. Session States Changes Explained

Matrix is proposing to introduce the above Session States as well as a Pre-Trading Session before the commencement of the Trading Session, such as after a Trading Suspension or due to the opening of a new market. During this session, participants may only enter new limit orders or to cancel existing orders in the central Order Book of the MTF. Orders in the Order Book during this session will not be matched. At the end of the Pre-Trading Session and upon commencement of the Trading Session, the MTF will perform the matching of buy and sell Orders, and where there is a match, trades will be executed.

The introduction of this new session will allow participants to enter new limit orders or cancel their existing orders if the price of the underlying trading Pair has moved away during the period of non-trading. Please see the diagram below for more information.



**Question 3: Session States**

Do you agree that the introduction of the above Session States will bring about fairer and more orderly trading practices to Matrix? Please provide reasons for your view.

**Question 4: Pre-Trading Session Duration**

Do you agree that a duration of 30 minutes for the Pre-Trading Session is sufficient for you for the cancellation of existing orders and the entering of new limit orders, especially after a Trading Suspension and before the commencement of the Trading Session? Please provide reasons for your view.

## 4. Trading Hours Rules

### 4.1. Trading Hours (Rule 13.3)

**Market Rulebook changes:**

*Rule 13.3 - Clients may carry out Trades on the MTF or enter into Block Trades, 24 hours a day, 7 days a week, and 365 days a year, except when trading is suspended by Matrix under a Trading Suspension.*

Matrix is providing more clarity on the operating hours of the MTF and Block Trade Services.

## 5. Do You Have Additional Comments?

**Question 5: Other Proposed Rules**

Matrix also seeks your views on the other proposed Rules above, for which comments are not specifically sought for. Please provide reasons for your views.