

ALBERTA SECURITIES COMMISSION

EXEMPTION ORDER: FOREIGN EXCHANGE RECOGNITION

Citation: Re GLMX Technologies, LLC, 2024 ABASC 204

Date: 20241223

GLMX Technologies, LLC

Background

1. GLMX Technologies, LLC (**GLMX**) operates a trading platform to facilitate the negotiation of securities financing transactions pursuant to relief from certain requirements under applicable securities legislation in a decision dated October 6, 2021 cited as *Re GLMX Technologies, LLC*, 2021 ABASC 159 (the **Previous Decision**) and issued by the Ontario Securities Commission (**OSC**) as principal regulator under National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* (**NP 11-203**).
2. On July 7, 2023 GLMX filed an application (the **Initial Application**) with the OSC as principal regulator under NP 11-203 to:
 - (a) expand the collateral eligible to be posted in connection with securities financing transactions negotiated on its trading platform to include debt and equity securities issued by Canadian non-government issuers;
 - (b) allow the negotiation of purchases and sales by subscribers on the its trading platform of commercial paper, money market mutual funds, US treasuries, US agencies, foreign sovereign debt, sub-sovereign debt, supranational debt, tender option bonds, time deposits, certificates of deposit and total return swaps (**TRS**); and
 - (c) provide relief from prospectus and registration requirements.
3. The OSC, as the principal regulator for GLMX, has revoked and replaced the Previous Decision to continue the original exemptive relief granted under the Previous Decision and to reflect the changes outlined above in paragraph 2 in a decision dated December 16, 2024 cited as *Re GLMX Technologies, LLC*, 2024 ABASC 198 (the **Current Decision**).
4. In addition to the exemptive relief provided to GLMX under the Current Decision, further exemptive relief will be required in Alberta as the definitions of "alternative trading system" and "marketplace" in National Instrument 21-101 *Marketplace Operation* (**NI 21 101**) refer to securities and not derivatives.
5. By offering TRS on its trading platform, GLMX will be carrying on business as an exchange in Alberta.
6. GLMX filed an amendment (the **Amendment**) to the Initial Application (the Amendment together with the Initial Application are collectively referred to as the

Application) with the Alberta Securities Commission (the **Commission**) seeking an order under:

- (a) section 213 of the *Securities Act* (Alberta) (the **Act**) exempting GLMX from the requirement to be recognized as an exchange under section 62(1) of the Act;
- (b) section 15.1(1) of NI 21-101 exempting GLMX from the requirements of NI 21-101;
- (c) section 12.1 of National Instrument 23-101 *Trading Rules* (**NI 23-101**) exempting GLMX from the requirements of NI 23-101; and
- (d) section 10 of National Instrument 23-103 *Electronic Trading and Direct Electronic Access to Marketplaces* (**NI 23-103**) exempting GLMX from the requirements of NI 23-103.

Interpretation

- 7. Terms defined in the Act or in National Instrument 14-101 *Definitions* have the same meaning in this order (the **Order**) unless otherwise defined herein.

Representations

- 8. GLMX represents as follows:
 - (a) GLMX is a private limited liability company incorporated under the laws of Delaware whose registered and head office is in New York, New York, United States of America (**US**);
 - (b) GLMX is a direct wholly owned subsidiary of Global Liquid Markets, LLC (**GLM**). GLM is a holding company for various GLMX entities. GLM has three subsidiaries: GLMX, LLC, GLMX and GLMX Europe Limited. GLMX, LLC licenses an electronic trading platform (**Platform**) to GLMX and GLMX operates and maintains it;
 - (c) GLMX is registered as an alternative trading system (**ATS**) and as a broker-dealer registered with the Securities and Exchange Commission (**SEC**) pursuant to section 15 of the *Securities Exchange Act of 1934*, as amended (**Exchange Act**);
 - (d) GLMX is also a member of the Financial Industry Regulatory Authority, Inc. (**FINRA**) and the Securities Investor Protection Corporation;
 - (e) GLMX operates one ATS that is registered with the SEC;
 - (f) GLMX does not maintain an office or place of business in Alberta or any other Canadian province or territory;
 - (g) The Platform facilitates the negotiation of securities financing transactions

including repurchase and reverse purchase transactions, securities lending arrangements, sale/buy back agreements and margin lending between institutional counterparties that have pre-existing contractual relationships with each other;

- (h) GLMX has received authorization from FINRA to add additional products for negotiation on the Platform, including commercial paper, money market mutual funds, US treasuries, US agencies, foreign sovereign debt, sub-sovereign debt, supranational debt, tender option bonds, and TRS;
- (i) GLMX will also allow for trading on its Platform certificates of deposit and time deposits, which are not regulated by FINRA and are not subject to direct regulation under US securities law;
- (j) In connection with the TRS transactions negotiated through the Platform GLMX has applied for registration as a Securities Based Swap Execution Facility (**SBSEF**) with the SEC (**SBSEF Application**) and, pending such SBSEF registration, remains subject to FINRA regulation and broker-dealer regulation by the SEC and is entitled to rely on temporary exemptions from SBSEF registration;
- (k) GLMX supports request-for-quote negotiation protocols that may be used to negotiate, but not legally execute, trades in TRS;
- (l) Prior to getting access to the Platform to trade TRS, a subscriber must sign an agreement (**Subscription Online Services Agreement**) with GLMX that covers, among other things, obligations of the subscriber, and termination events;
- (m) The subscriber identifies to GLMX by name each employee or contractor of the subscriber that is authorized to use the Platform (**Named Users**). The Named Users are the only individuals employed by or contracted with the subscriber licensed to access and use the Platform (**Online Service**);
- (n) GLMX will provide the subscriber with access to the Online Service through a web based interface that can only be accessed when GLMX white-lists the subscriber's IP address(es). GLMX will provide each Named User a unique username and password to enable such Named User to access the Online Service;
- (o) Once a trade is mutually agreed and completed by the counterparties, the Platform will send trade details to the parties to the transaction via a pre-approved method (e.g., email). Subscribers, independently and in advance, notify GLMX that they are properly documented with and able to trade with specific counterparties prior to engaging in transactions with those counterparties. GLMX is not a party to, and is not involved in, the direct execution or clearing and settlement of these transactions;
- (p) GLMX proposes to offer direct access to its Platform to prospective subscribers resident in the Province of Alberta (**Alberta Participants**) to facilitate trades in

TRS (**Direct Access**). Direct Access to the Platform will be limited to Alberta Participants who meet GLMX's eligibility criteria. Participants generally fall into the following categories: large multi-national bank; insurance company; US registered investment company; derivatives dealer; and/or any other person (whether a corporation, partnership, trust or otherwise) with total assets of at least US\$50 million which can include pension funds and hedge funds;

- (q) GLMX will not provide Direct Access to an Alberta Participant unless the Alberta Participant is a registrant in Alberta or exempt from or not subject to registration under Alberta securities laws;
- (r) GLMX will not provide Direct Access to an Alberta Participant unless the Alberta Participant is a non-individual "permitted client" as that term is defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103);
- (s) Once an Alberta Participant demonstrates that it satisfies the eligibility criteria, the Alberta Participant must execute a Subscription Online Services Agreement in which the Alberta Participant agrees to use the Online Service and the related user documentation only in the ordinary course of its own business for its own internal use;
- (t) Under the Subscription Online Services Agreement, an Alberta Participant and its affiliates constitute a "Subscriber Group" and the Subscriber Group will authorize Named Users who are the only persons authorized to use the Online Service. The Subscriber Group's right to use the Online Service is conditioned upon the Subscriber Group obtaining and maintaining all government, legal and regulatory approvals, consents, authorizations registrations, permits and licenses required for the conduct of its activities and its use of the Online Services, and using the Online Service in compliance with applicable law;
- (u) Trades negotiated on the Platform by the Alberta Participants will be cleared and settled through clearing arrangements made outside of the Platform by Alberta Participants;
- (v) GLMX is regulated by the SEC and FINRA as a broker-dealer and an ATS. The SEC and FINRA review, assess and enforce GLMX's adherence to the framework established by the Exchange Act and FINRA member rules;
- (w) GLMX is not in default of securities legislation in any jurisdiction; and
- (x) The representations set out in the Current Decision remain true and correct in all material respects.

Undertakings

9. GLMX undertakes:

- (a) to maintain its registration, in good standing and in all material respects, as an ATS and broker-dealer, and as applicable, a SBSEF with the SEC and to continue to be subject to the regulatory oversight of the SEC;
- (b) to maintain its membership, in good standing and in all material respects, with FINRA and to continue to be subject to the regulatory oversight of FINRA;
- (c) to comply with all requirements applicable to it as an ATS and, as applicable, a SBSEF registered by the SEC;
- (d) to comply with all requirements applicable to it as a broker-dealer registered by the SEC;
- (e) to comply with all requirements applicable to it as a member of FINRA;
- (f) to be registered in an appropriate category or rely on an exemption from registration under Canadian securities laws;
- (g) not to provide, and to take reasonable steps to prevent third parties from providing, Direct Access to persons in Alberta other than Alberta Participants;
- (h) not to provide Direct Access to an Alberta Participant unless the Alberta Participant satisfies GLMX's eligibility criteria, including among other things, that each Alberta Participant is a registrant in Alberta or exempt from or not subject to registration under Alberta securities laws and is a non-individual "permitted client" as that term is defined in NI 31-103;
- (i) to require the Alberta Participant to provide prompt notification to the Filer if they are no longer: (i) a registrant in Alberta; (ii) exempt from or otherwise not subject to registration under Alberta securities laws; or (iii) a non-individual "permitted client" as that term is defined in NI 31-103;
- (j) not to provide Direct Access to an Alberta Participant to trade in derivatives other than TRS, without prior Commission approval;
- (k) to make available to Alberta Participants appropriate training for each Named User who has access to the Platform;
- (l) to only permit Alberta Participants to negotiate trades in the types and categories of TRS which are permitted to be traded under applicable US securities laws and regulations or to which those laws and regulations do not apply;
- (m) to require each Alberta Participant that is not registered with the Commission as a dealer to file with GLMX a written undertaking executed by a person with the authority to bind the Alberta Participant, stating that:

- (i) as long as the Alberta Participant is granted Direct Access, the Alberta Participant agrees to and submits to the jurisdiction of the Commission with respect to activities conducted pursuant to the Order; and
 - (ii) the Alberta Participant will provide promptly to the Commission such information as the Commission may request, and access to all premises in or from which the Alberta Participant operates;
- (n) to require each Alberta Participant to confirm in writing to GLMX that the Alberta Participant understands that:
 - (i) the Alberta Participant may be unable to enforce any legal rights against GLMX or any of its directors, officers, employees or agents as they are a resident outside of Alberta and all or substantially all of their assets are situated outside of Alberta; and
 - (ii) GLMX is subject to primary regulatory oversight by its home jurisdiction under the regulatory regime of that jurisdiction which may not be equivalent in all respects to the regulatory regime administered by the Commission;
- (o) to file with the Commission a document evidencing GLMX's submission to the non-exclusive jurisdiction of the courts and administrative tribunals of Alberta in any proceeding arising out of, related to, concerning, or in any other manner connected with, GLMX carrying on business as an exchange in Alberta;
- (p) to file with the Commission a valid and binding appointment of an agent for service in Alberta upon whom may be served a notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding arising out of, relating to, concerning, or in any other manner connected with, GLMX carrying on business as an exchange in Alberta;
- (q) to report to the Commission in accordance with the reporting requirements set out in the Appendix A to the Order (the **Reporting Requirements**);
- (r) to provide promptly to the Commission any information, including without limitation trading data such as volume, notional amount and number of trades, or any other information relating to trading activity, that a Commission representative may request;
- (s) to employ reasonable procedures for monitoring and enforcing compliance with the undertakings herein;
- (t) to cooperate with the Commission with respect to arrangements established to address cross-market oversight issues, including surveillance, emergency actions

and the monitoring of trading;

- (u) to comply with the terms and conditions set out in Schedule A of the Current Decision; and
- (v) to continue to ensure the representations herein remain accurate in all material respects except as reported to the Commission under the Reporting Requirements.

Decision

10. Based on the representations and undertakings herein, the Commission:

- (i) under section 213 of the Act, exempts GLMX from the requirement to be recognized as an exchange under section 62(1) of the Act in connection with the negotiation of TRS on the Platform with Alberta Participants through Direct Access;
- (ii) under section 15.1(1) of NI 21-101, exempts GLMX from the requirements of NI 21-101;
- (iii) under section 12.1 of NI 23-101, exempts GLMX from the requirements of NI 23-101; and
- (iv) under section 10 of NI 23-103, exempts GLMX from the requirements of NI 23-103.

provided that, and for so long as, GLMX satisfies the undertakings herein.

11. This Order expires on the earlier of (a) 24 months after the SBSEF Application is granted, (b) the date on which the SBSEF Application is denied or withdrawn, and (c) the date which is five years from the date of this Order.

For the Commission:

"original signed by"

 Tom Cotter
 Vice-Chair

"original signed by"

 Kari Horn, K.C.
 Vice-Chair

Appendix A Reporting Requirements

This Appendix forms a part of, and adopts terms defined in, the Order.

Event reporting

1. GLMX will promptly notify the Commission of any of the following:
 - (a) if its status in the home jurisdiction has been revoked, suspended, or amended, or the basis on which its status has significantly changed;
 - (b) any material change to its business or operations or the information provided in the Application, including, but not limited to:
 - (i) changes to its regulatory oversight;
 - (ii) the access model, including eligibility criteria, for Alberta Participants;
 - (iii) systems and technology; and
 - (iv) its clearing and settlement arrangements.
 - (c) any material change in its regulations or the laws, rules, and regulations in the home jurisdiction relevant to the products traded;
 - (d) any known investigations of, or regulatory action against, GLMX by the regulator in the home jurisdiction or any other regulatory authority to which it is subject;
 - (e) any matter known to GLMX that may affect its financial or operational viability, including, but not limited to, any significant system failure or interruption;
 - (f) any default, insolvency, or bankruptcy of any subscriber known to GLMX or its representatives that may have a material, adverse impact upon the Platform, GLMX or any Alberta Participant;
 - (g) of any significant change to any representation in the Order; and
 - (h) of any breach of an undertaking in the Order.

Semi-annual reporting

2. GLMX will maintain the following updated information and submit such information in a manner and form acceptable to staff of the Commission on a semi-annual basis (within 30 days of the end of each six-month period), and at any time promptly upon the request of staff of the Commission:
 - (a) a statement, setting out for each type of TRS:

- (i) the total trading volume and notional value for each month in the relevant six month period for each Alberta Participant; and
 - (ii) the proportion of worldwide trading volume and notional value on the Platform that is conducted by Alberta Participants for each month in the relevant six month period.
- (b) a current list (including the names and principal addresses) of all Alberta Participants that have Direct Access, specifically identifying for each Alberta Participant the basis upon which it represented to GLMX that it could be provided with Direct Access, including the relevant provision of the "permitted client" definition contained in NI 31-103, and whether the Alberta Participant is a registrant in Alberta or exempt from or not subject to registration under Alberta securities laws;
- (c) the legal entity identifier assigned to each Alberta Participant in accordance with the standards set by the Global Legal Entity Identifier System of the Regulatory Oversight Committee;
- (d) a list of all TRS available on the Platform during the six month period, identifying any additions, deletions or changes since the previous reporting period;
- (e) a list of any system outages that occurred for any system impacting Alberta Participants' trading activity on the Platform which were reported to the regulator in the home jurisdiction;
- (f) a list of all applicants for status as an Alberta Participant who were denied such status or access or who had such status or access revoked during the period:
 - (i) for those Alberta applicants for status as an Alberta Participant that were denied access, an explanation as to why access was denied;
 - (ii) for those Alberta Participants who had their status revoked, an explanation as to why their status was revoked.