



Addition of Net Notional Risk Functionality

Beginning **Friday, April 16, 2021**, LTSE will offer Members and their clearing firms an optional Net Notional Exposure risk limit as part of the Exchange's risk control mechanisms.

The new optional Net Notional Exposure risk limit will be offered alongside the existing Gross Notional Exposure risk limit, and can be used separately or in combination. These limits can be configured to accumulate and specify a limit or limits on the Gross Notional Exposure, Net Notional Exposure, or both (collectively, "Risk Control Limits"). Risk Control Limits can be configured for matched trades by a Member or the clearing firm of a Member across MPIDs, by MPID, by FIX session, or in combination, per clearing firm relationship or Member, as applicable.

As with the existing Gross Notional Exposure risk limits, the Net Notional Exposure risk limits may be increased or decreased on an intra-day basis by the Member or the clearing firm of the Member, as applicable.

Net Notional Exposure will be calculated as the absolute net sum of the notional value of all buy and sell trades. In other words, it is the absolute value of (i) executed buys minus the absolute value of executed long sells, minus (ii) the absolute value of executed short sells. Netting is calculated across symbols.

The Net Notional Exposure risk limits, like the Gross Notional Exposure risk limits, reset each new trading day.

Once a Risk Control Limit is breached, LTSE will automatically reject new orders and cancel all open orders for the applicable MPID(s) and/or FIX session specified. All Risk Control Limit calculations are performed by a process that consumes a trade-by-trade feed consisting of activity from the Exchange's systems. When a risk limit breach is detected, that process immediately signals the Exchange's system to reject new orders

and cancel existing orders on the relevant configured sessions. As a result, Risk Control Limits are enforced on a best efforts basis.

Market Operations will configure the parameters as defined by a Member or its clearing firm, and communicate the value(s) to all parties, as applicable.

Use of LTSE's Risk Control Limits does not automatically constitute compliance with LTSE rules or the federal securities laws, nor does it replace Member-managed and clearing firm-managed risk management obligations.

Please contact [Market Operations](#) for further details or review the [SEC order](#).