

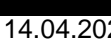
**BetIndex Limited
Market Maker &
Risk Management
Policy**

DRAFT

Contents

1. GLOSSARY OF TERMS.....	3
2. INTRODUCTION.....	3
3. POLICY STATEMENT	3
4. SCOPE.....	4
5. LEGAL AND REGULATORY FRAMEWORK.....	4
6. OVERVIEW OF MARKET MAKING FUNCTION.....	4
7. PROVISION OF INFORMATION.....	4
8. GOAL OF MARKET MAKING PROVISION.....	4
9. MARKET MAKING AND RISK MANAGEMENT CONTROL PROVISIONS	5
9.1 Well trained staff	5
9.2 High level process definition	5
9.3 Process evaluation	5
9.4 Board oversight.....	6
9.5 Compliance monitoring.....	6
10. REVIEW.....	6
Annex A.....	7

Version Control

Date	Amendment	Approved by	Controller	Version No.
30.03.2020	First Version	 14.04.2020	Compliance	1.0

1. GLOSSARY OF TERMS

Liquidity – the ability of Users to easily transact ‘Buys’ & ‘Sells’ between themselves through the current mechanism of the Sell Queue, or via BetIndex’s provision of Instant Sell functionality. It is planned that this will ultimately be provided via NASDAQ order book technology.

Sell Queue – The mechanism by which bets which are being sold are matched in chronological order with Users wishing to ‘Buy’.

Portfolio – The aggregate of Bets held by a User to include their cost and current value.

Shares – a generic term that refers to the Bets held by Users

Spread – the difference between the Buy price of a bet, and the published price at which the Bet may be sold instantly back to us, the operator.

Market Maker – in our current model a Market Maker is the provider of additional liquidity to the market as a result of buying bets from the Sell Queue, holding them in inventory for a period, before ultimately replacing them back in the Sell Queue.

Market Risk Manager (Risk Manager) – the Risk Manager is responsible for setting the price at which bets are issued (Buy Price), which is also the price at which they may be bought and sold through the Sell Queue, and additionally the Instant Sell price at which BetIndex is prepared to cash the bet out (Sell Price), the difference between the Buy & Sell price is known as the ‘spread’.

2. INTRODUCTION

At BetIndex Limited we are committed to ensuring that our customers receive the best possible experience whilst using our product. It is important that customers are able to sell shares via the sell queue as quickly and as frequently as possible, giving them greater control over their portfolios and providing with the opportunity to obtain the best price for any shares they wish to sell.

3. POLICY STATEMENT

The goals of this Policy are to:

- Define the role of the Market Maker and Risk Manager.
- Explain why Market Making and Risk Management activities are necessary to ensure the smooth running of the Football Index product.
- Ensure that the Board, the management team and relevant employees have full visibility of this activity.
- Define high level internal management controls and Board oversight processes.
- Define the role of the Compliance team in monitoring Market Making and Risk Management activities to ensure processes are being adhered to and that customers are not being negatively impacted as a result of the activity.

4. SCOPE

This Policy applies to Market Making activity undertaken by Index Labs, and Risk Management activity undertaken by BetIndex and / or Tradex Limited.

5. LEGAL AND REGULATORY FRAMEWORK

The principal requirements, obligations, on which this Policy is based, are contained in:

- UK Gambling Commission, Licence Conditions and Codes of Practice;
- Jersey Gambling Commission, Code of Practice for Responsible Gambling by Remote Gambling Operators.

Whilst the above codes do not contain specific provision or guidance around Market Making and Risk Management activity, guidance on customer fairness, game rule publication and general openness are all applicable.

6. OVERVIEW OF MARKET MAKING FUNCTION

A Market Maker is an individual or organisation that is designed to provide regular liquidity to markets which publish a price.

The way that the Market Maker supplies its liquidity is by consistently quoting both a price that it is willing to buy and a price that it is willing to sell, whatever type of contract the market is trading.

The difference between the price that the Market Maker is willing to buy and willing to sell is called the spread and is used to control commercial and market risk.

The benefit of a Market Maker for customer, is the provision of liquidity which generates a price and volume that customers can use, therefore ensuring entry and exit from the market as quickly as possible.

7. PROVISION OF INFORMATION

The Company makes information about Market Making and Risk Management activity available to its customers (through it's app and website), including:

- References within the Terms of Use
- A dedicated FAQ section
- At the point of the sale of any shares through the normal sell queue

8. GOAL OF MARKET MAKING PROVISION

The sole purpose of this function is to provide additional liquidity to the market. Ultimately it is intended that a significant proportion of this provision be provided by 3rd party market makers and liquidity providers on a fully functioning exchange as might normally be common practice.

Already roughly 60% of all Sells are through our basic Sell Queue functionality, partially assisted by the activities of Market Maker.

9. MARKET MAKING AND RISK MANAGEMENT CONTROL PROVISIONS

9.1 Well trained staff

The Company employs only highly experienced and qualified staff to undertake this role.

It is preferred but it is not a requirement that any individual undertaking this role holds a Personal Management Licence (“PML”). All individuals engaged with this activity will undertake in depth LCCP training to ensure that they are fully aware of their responsibilities under the terms of the Company’s operating licences.

The Company will ensure that appropriate training is delivered to relevant staff on at least an annual basis and whenever changes in regulation occur. This training is recorded.

9.2 High level process definition

All funds which are placed into the Market Maker account are required to be deposited by the Chief Executive Officer (“CEO”) of the company holding the trading licence. A two stage sign off process has been implemented, meaning the deposit made by the CEO must also be approved by the Chief Finance Officer (“CFO”) of Index Labs which is the company employing the services of the Market Maker.

The Market Maker controls his level of funding and retains any gains from trading in those Market Making accounts for additional Market Making. Some shares are bought from BetIndex from time to time, which helps subsidise the function of providing liquidity.

The Market Maker is not permitted to make deposits in excess of 5% of the total aggregate of all monies deposited into the market, or 10% of total deposits in any single individual player in the market, except in temporary extreme scenarios.

The Market Maker is able to conduct his activities within boundaries which are specified by the Board. Should the Market Maker wish to engage in activity which might exceed the agreed thresholds, he must first obtain sign off from either the CFO or the CEO of the company which holds the trading licence. Further detail around the process and boundaries are defined in Annex A.

9.3 Process evaluation

Effective evaluation of the Market Making and Risk Management process is imperative to ensure that it remains fit for purpose and does not negatively impact customers.

The Company completes ongoing monitoring checks of the process, including:

- Individual listed as the user of Market Maker accounts
- The amount of monies deposited
- The amount of monies bet
- The amount of winnings or losses
- Percentage of the market held by the Market Maker
- Percentage of share sales being initiated by the Market Maker
- Impact on share prices as a result of the activity

- Review of customers communications, including complaints and/or disputes in reaction to a change in share price which has been largely driven by Market Making activity

9.4 Board oversight

The senior Market Maker and Risk Manager reports directly into the CFO of Index Labs, who is also a PML holder.

Weekly activity reports, referencing the information outlined in 8.3, are circulated to the CFO, COO, the Chief Compliance Officer (“CCO”) and the respective Chief Executive Officers (“CEO”) of each group company; Index Labs; BetIndex; and Tradex.

Market Making and Risk Management activity remains on the Board agenda for the group of companies which meets every two months. A report outlining medium and long term trends in relation to the activity is included in Board papers which Board members are required to review before the meeting and raise any queries or concerns in relation to their content.

9.5 Compliance monitoring

The Compliance Team use the weekly reports which are provided by the Market Maker and Risk Manager to conduct regular spot checks in relation to their activity. This data is cross referenced with appropriate reports generated by the Business Intelligence team to ensure independent visibility across the Market Making and Risk Management activity.

The aim of these checks is to verify that the reports being provided to relevant Board members are accurate, remain relevant and are fit for purpose. The Compliance team may make recommendations for changes to the process as a result of these checks.

Market Making and Risk Management activity remains on the agenda for the Governance, Risk & Compliance Committee which meets every month. The results of the weekly monitoring process are discussed and any actions arising are agreed collectively.

10. REVIEW

Assessments of the Company’s gambling services will be made on a regular basis. The Company will make such changes as are reasonably necessary to comply with changes that are published in the Licence Codes of Practice or any other applicable rules or regulations. This Policy will also be reviewed annually or as further required. Any review will involve all relevant stakeholders and decision makers.

Annex A

Market Maker and Risk Manager (MMRM) Mandate:

- MMRM will manage some Primary and Secondary market making activities
- Primary Risk Management duties will involve player spreads and issuance price curve settings
- Secondary Market Making activities will involve inventory management
- Primary MMRM will have a minimum uptime of 90% publishing prices which constitute the entry and exit prices for the fixed term bet
- Primary MMRM will be tasked with keeping to a minimum global spread as much as possible
- Primary MMRM will widen spreads to a maximum of 15% under normal operating scenarios and up to 30% in times of risk as long as players prices make these limits practical i.e. lower priced players
- Primary MMRM will manage volume available in the market in accordance with the pricing curve settings

Market Maker and Risk Management (MM) Inventory Trading Limits:

- Secondary MM should not hold more than 5% of entire market capitalisation except in temporary extreme risk scenarios
- Secondary MM should not hold more than 10% of any single players market capitalisation except in temporary extreme risk scenarios
- Secondary MM will not use Instant Sell to liquidate any positions
- Secondary MM will only use the Sell Queue to liquidate positions
- Secondary MM will endeavour to affect price as minimally as possible within practical efforts

Designated Market Maker (DMM) Inventory Management:

- Secondary MM will build up inventory throughout the lifetime of the mandate which will result in a risk managed prop position
- Secondary MM will buy shares from the Sell Queue to facilitate liquidity
- Secondary MM will also buy shares where there are no other traders trying to sell, but **not** at all-time highs, this shall be known as re-issuance
- The Secondary MM can buy reissuance if they hold a view and believe that this trading activity can be justified i.e. the players price is too low
- Secondary MM will always stay within the stipulated risk limits
- Secondary MM must ensure that their inventory trading ensures that they can sustain the long-term liquidity provision that the market needs
- Secondary MM can only sell shares in the Sell Queue using the max clip
- Secondary MM can only buy shares from the market using the max clip

Market Maker		
Delegation of Authority		
Parameter	Limit	Approval required
MM portfolio + cash balance	5% of cost of market cap	Board
MM position in any one player as % of total MM portfolio	< 10% measured at market cap	CEO
MM position in any one player > 10% of total market cap of player	Daily exception reporting	Review required by CEO / COO / CFO
Daily trading limit	< 12% of sells or buys	CEO
7 day rolling trading limit	< 10% of sells or buys	CEO
30 day rolling trading limit	< 8% of sells or buys	CEO
Daily limit on trading with an individual trader	< 10% of traders sells or buys	CEO
Permitted use of Instant Sell	zero	CEO
Permitted purchase of issuance	zero	CEO
Designated MM Accounts	Accounts id number 10, 194233, 408487	CEO
Designated MM Account Users id number 10	██████████	CEO
Designated MM Account Users id number 194233	██████████	CEO
Designated MM Account Users id number 408487	██████████	CEO