Policies and Procedures for Implementation of Order Matching Logic and Rules within Fasset Exchange's Market Order Processes

1. Introduction

This document outlines the policies and procedures Fasset Exchange employs for the implementation of order matching logic and rules within our market order processes. As a platform operating a brokerage trading model, Fasset Exchange acts as an intermediary between customers and a network of liquidity providers (LPs). This document ensures that all order processes are transparent, fair, and comply with regulatory standards. These policies apply to all market order transactions processed through Fasset Exchange, detailing how orders are routed, matched, and executed in collaboration with our LPs.

Introduction to Market Orders

At Fasset Exchange, our primary objective is not to cater to experienced traders with a myriad of complex trading features; rather, our core vision is to empower the next billion users to create a diversified investment portfolio. Consistent with this vision, Fasset Exchange currently supports only market orders. This approach aligns with our goal to simplify the investment process, making it accessible and straightforward for new and casual investors who are not necessarily looking to become trading experts.

What Are Market Orders?:
A market order is a type of trading order that is executed immediately at the current market price. It is the simplest and most common type of order to buy or sell a cryptocurrency or any other asset. Market orders do not specify the price at which the order must be executed; instead, they are intended to be executed as quickly as possible at the best available price in the market at the time of execution.

Execution of Market Orders:
- Immediate Execution: Market orders are executed immediately, based on the best available current market prices provided by liquidity providers or available on the order book.
- Simplicity and Speed: The primary advantage of market orders is their simplicity and the speed with which they can be executed. This makes them ideal for investors who are looking to buy or sell without the complexity of managing specific price points.
- Best Available Price: When a market order is placed, it is filled at the best available price at that moment, which can vary slightly due to market conditions. This is particularly important in fast-moving markets where prices can change rapidly.

2. Order Matching Logic

General Framework

Fasset Exchange employs an Order Management System (OMS) that is integrated with 30 leading exchanges. This integration grants us access to extensive liquidity pools, enabling highly efficient price matching and optimizing order execution. The OMS is engineered to compare rates across various Liquidity Providers (LPs) to secure the best possible pricing for our clients, enhancing the trading experience and maximizing potential returns.

Capabilities:
- Real-Time Price Optimization: The OMS continuously retrieves and compares prices from connected LPs to ensure that our clients benefit from the most competitive market rates.
- Adaptive Logic: It adapts to real-time market conditions, adjusting order routing based on liquidity availability, market demand, and depth of the order book, ensuring efficient order execution under varying market scenarios.

Order Routing

Process:
- Reception of Orders: Orders from platform users are promptly received and processed through the OMS.
- Dynamic Matching: Each order is dynamically matched against available liquidity. This matching considers several critical factors such as current market demand, liquidity availability from LPs, and the depth of the available order books.
- Execution Pathway:
  - Buy Orders: These are executed by purchasing assets directly from LPs who offer the most competitive rates.
  - Sell Orders: Assets are sold to LPs, again ensuring that transactions occur at the most favorable market rates.

Execution Criteria

Efficiency and Precision:
- Price-Time Priority: The OMS prioritizes orders primarily by price, ensuring the lowest buy and highest sell rates are accessed first. Subsequently, orders are sequenced by the time of submission, with earlier orders receiving priority, promoting fairness and efficiency.
- Price Lock: To mitigate the risk of price fluctuations during the transaction process, a pre-transaction price quote is provided to the user and locked in for 10 seconds. This

lock period guarantees price stability and helps in securing the quoted rate at the time of transaction execution.

- LP Prioritization: In certain markets, LPs may be ranked based on ease-of-business metrics, such as speed of post-trade settlement and ability to settle in local currencies. For instance, a local LP capable of settling trades in local currency may be given priority over international providers if their prices are within a competitive range of 5 basis points of the average, optimizing costs and settlement efficiency.

Order Matching Rules

Principles:
- Price and Time Priority: This foundational rule ensures that the first orders at the most advantageous prices are executed first, supporting the integrity and competitiveness of the trading environment.
- Equal and Fair Access: All users enjoy equal access to the order book. The OMS ensures that orders are matched objectively according to set protocols, without any preferential treatment.

Handling Market Dynamics:
- Volatility Management: In times of significant price volatility, Fasset Exchange may activate circuit breakers to temporarily pause trading. This measure is taken to safeguard market stability and protect both the platform and its users from extreme fluctuations.
- Continuous Monitoring: The OMS and our trading team continuously monitor market conditions to ensure that the execution of orders is not negatively impacted by sudden liquidity shifts or price volatility.

4. Monitoring and Compliance

Trade Surveillance:
- Continuous monitoring of trading activities to detect and prevent manipulative or abusive trading practices.
- Automated systems are in place to identify unusual trading patterns that may signify market manipulation or errors.

5. Float Management & LP Interactions

1. **Exchanges:** Fasset Exchange maintains a sufficient float on multiple exchanges to ensure that trades can be executed in real-time without delay. This float acts as a buffer to facilitate immediate transaction processing, enhancing user experience and trade execution efficiency.

2. **Liquidity Providers:** With LPs, we maintain either a float or predetermined credit limits, which are regularly reviewed to align with trading volume and market conditions. This ensures that our capacity to execute trades is not hindered by liquidity constraints.

Before executing any trade, our OMS automatically checks the current balance we maintain with the respective LP to confirm sufficient coverage for the trade. This real-time balance check minimizes the risk of trade failures due to insufficient funds.

In cases where a trade cannot be executed with a preferred LP due to issues like liquidity shortfalls or technical failures, our OMS is programmed to automatically pass the order to the next available LP in the priority queue. This ensures that trading operations are not disrupted and client orders are fulfilled without unnecessary delays.

6. Error Trade and System Failure Management

Error Trade Resolution:
- Procedures are in place to quickly identify and rectify erroneous trades.
- Affected users are notified immediately, and corrective actions are taken to reverse any erroneous transactions per our terms of service.

System Error and Failure:
- Redundancy measures are implemented to ensure trading continuity.
- A dedicated technical response team is on standby to address system errors or failures promptly, minimizing downtime and restoring operations swiftly.

7. Transparency and Client Communication

Pre- and Post-Trade Disclosure:
- Before executing a trade, users are provided with detailed information about pricing, fees, and the expected transaction impact.
- After a trade, users receive comprehensive transaction details, including price, quantity, fees, and timestamps.

Ongoing Engagement:
- Fasset Exchange maintains open lines of communication with users, offering updates on market conditions, platform changes, and any factors that might affect their trading activities.

Comprehensive Logging:

1. Fex Admin Panel: All trades are meticulously logged within the 'Fex Admin' backend panel. This centralized logging system allows for enhanced monitoring, quick access to trade data for compliance and audit purposes, and efficient management of trade histories.
2. Customer Transaction History Tab: Each trade is also recorded in the customer's transaction history tab, ensuring transparency and easy access for users to their trading activities. This feature aids customers in tracking their transactions, understanding trade dynamics, and managing their portfolios effectively.

7. Conclusion

At Fasset Exchange, we are committed to upholding the highest standards of transparency, fairness, and regulatory compliance. Our order matching procedures are designed to provide a fair and efficient trading environment, enabling users to confidently engage in digital asset transactions. This document will be reviewed periodically to ensure it remains aligned with industry best practices and regulatory updates.