



Consultation Paper

NZX Trading Conduct Guidance Note & SMP Practice Note:
Amendments for BPOT

28 January 2026



Background

Under the NZX Participant Rules and NZX Derivatives Market Rules (together **Rules**), Participants can use NZX's self-match prevention (**SMP**) service to assist them in complying with their obligations in respect of Trades where there is no change in Beneficial Ownership.

The NZX Self-Match Prevention Practice Note (**Practice Note**) outlines the manner in which the SMP service can be used, and includes commentary in relation to the use of booking purposes only transaction (**BPOT**) functionality which is available for the NZX securities markets.

NZX is proposing to amend the Practice Note to explain how BPOT may be used where a Participant is trading for an Approved BPOT Client who is an intermediary, trading on behalf of the same underlying client.

We are also taking the opportunity to make conformance amendments to the Trading Conduct Guidance Note (**Guidance Note**) to reflect the above changes, and replicate current conduct expectations contained in the Practice Note.

The proposed amendments summarised above are outlined in Exposure Draft of the Guidance Note and Practice Note that accompanies this consultation paper.

Consultation Process

We invite interested parties to provide their views on the proposals described in this Consultation Paper and contained in the Exposure Drafts by emailing NZX Policy with a written submission. Alternatively, if you would prefer to provide a verbal submission, please email NZX Policy to arrange a time to speak with us.

You can contact NZX Policy, and provide your submission by emailing us at: policy@nzx.com

The closing date for submissions is **5.00pm Friday 27 February 2026**.

NZX may publish the submissions it receives, so please clearly indicate in your submission if you do not wish for your submission to be published, or identify any part of your submission which contains confidential information.

Contact information

If you have any queries in relation to the review, please contact:

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This Consultation Paper has been prepared by NZX to seek comment on the proposals contained in the paper, with a view to ensuring that the proposals will enable NZX to operate its markets on a fair, orderly and transparent basis. The proposals set out in this paper do not reflect NZX's concluded views of the matters raised. Capitalised terms which are not defined in this Consultation Paper have the same meanings given to them in the NZX Participant Rules or NZX Derivatives Market Rules, as appropriate.

1 BPOT for Intermediary Clients

NZX is proposing to amend the Practice Note and Guidance Note, to clarify how BPOT may be used where a Participant is Trading for an Authorised BPOT Client who is an intermediary, trading on behalf of underlying clients.

Under the NZX Participant Rules¹ a Participant must not use BPOT for a client unless it is an Approved BPOT Client, being an Institutional Client domiciled in a Recognised BPOT Jurisdiction that has been approved by NZX as a client for whom the Participant may undertake BPOT.

We are proposing clarifying amendments to the Practice Note and Guidance Note that BPOT may be used for the underlying clients of an intermediary who is an Approved BPOT Client, such that a BPOT rather than a Trade will arise where the underlying client is the same Beneficial Owner. The Practice Note and Guidance Note will include conduct expectations that should the Participant become aware that the intermediary client is intentionally instructing Orders with the intention of creating BPOT for underlying clients, that the Participant should implement controls or filters to block such Orders in accordance with NZX Participant Rule 10.13.13.

NZX considers these changes to be appropriate as they will create better alignment between the application of BPOT and its purpose, by preventing Trades occurring where the underlying beneficial owner is the same entity. This is preferable to a BPOT arising in relation to the intermediary client when the intermediary client is not the true beneficial owner. This approach will benefit NZX's markets by better enabling the prevention of wash trades, while also unlocking additional liquidity by better enabling the participation by intermediary clients in NZX's markets.

We will also introduce different requirements for SMP Key reporting in circumstances where the Participant is using BPOT for intermediaries in the manner set out above, to allow the Participant to report variations to SMP Keys to NZX within two business days after the new SMP Key is used on the Approved BPOT Client's Order. This aligns with the timeframes within which NZX considers applications for Approved BPOT Client status.

2 Guidance Note amendments

We are also taking this opportunity to make consequential changes to the Guidance Note to reflect current settings in the Practice Note relating to the manner in which BPOT may be used, including where a Participant uses an algorithm for principal trading.

General Conduct expectations

We are reinforcing the conduct expectations contained in the Practice Note that where a Participant elects to use SMP (including BPOT) that it must continue to ensure that it maintains

¹ NZX Participant Rule 10.13.14

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appropriate systems and controls to meet its obligations under the Rules², and should not solely rely on the SMP service. We consider it appropriate for this guidance to be included in both the Guidance Note and Practice Note.

Algorithmic trading

Participant Rule 10.13.19 requires a Participant who wishes to use BPOT when Acting as Principal to have arrangements to ensure that the Trading Participant's employees who are entering the Orders that may result in a BPOT have no prior knowledge that the resulting transaction may result in no change in Beneficial Ownership. The Guidance Note change clarifies that a Participant who uses an algorithm for principal trading is not prevented from using BPOT because of a Dealer's knowledge that the algorithm exists, where the Dealer does not have actual knowledge that the algorithm will enter an Order that will execute against the Dealer's Order.

This guidance is already included in the Practice Note, and NZX considers it appropriate to make this consequential change.

Ancillary amendments

We are also making minor clarifying changes to better support the introduction of NZX 20 Futures, for example: to clarify the limitations that apply to Block Trades in relation to trade reporting.

² NZX Participant Rule 10.13.13 and NZX Derivatives Market Rule 8.7.11.

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