

Summary

This Practice Note describes the self-match prevention service that may be utilised by Participants, to assist Participants in complying with their obligations in relation to Trades that do not result in a change in Beneficial Ownership.

Participants are not obligated to use the self-match prevention service, which is provided by NZX as an optional tool to assist Participants in meeting their compliance obligations under the Rules.

Relevant Rules

Participant Rule 10.13.9 and Derivatives Market Rule 8.7.10 (the **Rules**). References in this Practice Note to NZX also include NZ RegCo in relation to any regulatory activity or discretion.

Capitalised terms used in this Practice Note bear the same meaning as set out in the relevant Rules.

1. What Is self-match prevention?

The self-match prevention service (**SMP**) is an optional tool which, when enabled, will automatically prevent two Orders from the same entity matching with each other in the Trading System. This functionality may assist Trading Participants to comply with their obligations under the Participant Rules and Derivatives Market Rules in respect of Trades where there is no change in Beneficial Ownership.

2. Why should a Participant consider using self-match prevention?

Participant Rule 10.13.9 and Derivatives Market Rule 8.7.10 impose obligations that are designed to prevent Trading that does not result in a change in beneficial ownership. Rule 10.13.9 of the Participant Rules states:

A Trading Participant must have appropriate systems and controls in place relating to the prevention of Orders being entered into the Trading System by a Dealer or DMA Authorised Person that results in Trades where there is no resulting change in Beneficial Ownership.

Rule 8.7.10 of the Derivatives Market Rules states:

No Orders may be entered into the Trading System by a Dealer, DMA Dealer or DMA Authorised Person unless it will result in a Trade that results in a change in Beneficial Ownership of a Contract.

In addition, section 267 of the Financial Markets Conduct Act (**FMCA**) treats a person who is directly or indirectly a party to a trade that does not result in a change of beneficial ownership, as breaching the prohibition on creating a false or misleading appearance of trading (contained in section 265 of the FMCA).

SMP can assist Trading Participants in managing these obligations, by reducing the risk of Trades inadvertently resulting in no change of Beneficial Ownership.

3. How does the self-match prevention service operate?

When SMP is enabled for a Trading Participant, two Orders for the same *entity* that have been entered by the Trading Participant, will be prevented from matching in the Trading System.

SMP treats an '*entity*' as each of the following:

- Broker reference (for Wholesale Client Orders)
- Account type:
 - Orders entered as Principal (P), or Market Maker (M), will not be allowed to match against each other.

SMP also treats the following as an '*entity*' in respect of NZX's securities markets (i.e. not the NZX Derivatives Market):

- Client CSN (Common Shareholder Number) for Retail Orders
 - only CSN's starting with 3 are eligible for self-match prevention checks.
 - CSN's starting with 2 (for nominees) will be allowed to match.

If any of the entities are the same on the opposing sides of the Order, the Orders will not match in the Trading System, and the passive (resting) Order will be withdrawn.

The only exception to this behaviour is within the Mid-Point Order Book, where if a self-match has been identified Orders are not withdrawn.

For more information about NZX's policies regarding accidental crossings, see the [Trading Conduct Guidance Note](#).

4. When can the self-match prevention service be used?

SMP is optional functionality that can be utilised by any Trading Participant for Orders on the NZX securities markets and the NZX Derivatives Market.

SMP is only operational during the Normal Trading Session (continuous trading), and is never available during auctions.

5. How to exclude entities from SMP through a whitelist

Participants may specify a '*whitelist*' of entities that they wish to exclude from SMP, whose Orders will be allowed to match in the Trading System.

A Participant must specify the entity type (CSN or broker reference) and entity value for each account the Participant wishes to be whitelisted on a '*Whitelist CSV File*' a template of which is available on [nzx.com](#) and in the Participant Portal. A Participant must also notify NZ RegCo of the Participant's intention to initiate, replace or remove a whitelist via the Participant Portal process (described below).

Each '*Whitelist CSV File*' sent to NZ RegCo must be the '*master list*' and must record all entities which are to be excluded from SMP. Participants are responsible for maintaining, and ensuring the accuracy of the information specified in the *Whitelist CSV File*.

All uploads to the whitelist database involve a complete "cancel and replace" of the entire list, and are not additive. Therefore, if a Participant provides a *Whitelist CSV File* to NZ RegCo containing

only one entity, this will mean that once uploaded, only the entity on the most recent Whitelist CSV File will be excluded from SMP.

NZ RegCo has complete discretion to activate a whitelist for a Participant. NZ RegCo will notify a Participant's Compliance Manager or Compliance Officer, once the whitelist has been activated.

6. How to enable the self-match prevention service

SMP can be enabled or disabled by a Trading Participant by completing the 'Self-Match Prevention Service Request Form' and submitting it to NZ RegCo within the Participant Portal.

Participant whitelists can also be submitted via the Participant Portal. This is done by the Participant uploading the Whitelist CSV File within the Participant Portal. The Self-Match Prevention Service Request and/or the Participant's whitelist upload must be completed and submitted by:

- a Managing Principal or Compliance Manager (as defined in the Participant Rules);
- or a Responsible Executive or Compliance Manager (as defined in the Derivatives Market Rules); or
- a delegate of the Compliance Manager authorised to make such submissions within the Participant Portal.

NZ RegCo has complete discretion to determine whether to enable SMP (or a whitelist) for a Participant.

A submission for SMP and/or a Whitelist may take up to three business days to process. You will be advised via the Participant Portal when SMP has been enabled and/or your request to initiate, replace or remove a whitelist has been processed.

7. What fees apply?

All fees relating to SMP are available on the NZX fee schedule [here](#).

This Practice Note has been issued to promote market certainty and assist Market Participants. This Practice Note sets out NZX's general approach to the subject, but is not to be regarded as a definitive statement of the application of the Rules in every situation. NZX may replace Guidance Notes and Practice Notes at any time and a Market Participant should ensure it has the most recent versions of those documents. This does not constitute legal advice. NZX recommends that Market Participants take advice from qualified persons.