



NEW ZEALAND'S EXCHANGE  
TE PAEHOKO O AOTEAROA

# Consultation Paper

Direct Market Access Guidance Note

7 May 2021

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This Consultation Paper has been issued 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 relevant Rules.



## Introduction

In 2017, following the amendments to the NZX Participant Rules, NZX reviewed and reissued the Practice Notes to the NZX Participant Rules. As part of this reissue, the 2011 Practice Note PN02/05 – Direct Market Access was removed and archived. Since the introduction of the 2017 version of the NZX Participant Rules, NZX has received queries from Participants relating to Direct Market Access (**DMA**) practices.

This Consultation Paper is accompanied by an exposure draft of the 'Direct Market Access Guidance Note' (**Draft Guidance Note**) which aims to address these queries by providing clarity and additional information on NZX's expectations in relation to both the use of DMA systems, and Participants' processes to support DMA. The purpose of the Draft Guidance Note is to provide guidance and best practice information for Participants trading on NZX's markets via DMA.

## Consultation Process

NZX is seeking feedback on the Draft Guidance Note, which accompanies this Consultation Paper.

We invite interested parties to provide their views on the Draft Guidance Note by emailing a written submission to [policy@nzx.com](mailto:policy@nzx.com). Alternatively, if you would prefer to provide a verbal submission, please email NZX Policy to arrange a time to speak with us.

The closing date for submissions is **30 June 2021**.

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

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

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## Background

The Draft Guidance Note is designed to provide guidance and best practice information for Participants trading on NZX's cash and derivatives markets via DMA. The Draft Guidance Note is not intended to cause any substantive changes to the existing obligations of Participants under the Participant Rules or Derivatives Market Rules.

The Draft Guidance Note outlines the key obligations of Participants who offer access to NZX's markets via their DMA systems.

The Draft Guidance Note clarifies DMA practices and is designed to assist Participants in understanding NZX's conduct expectations in respect of the use of DMA by addressing:

- the fundamental principles that NZX considers underpin Participants allowing access to NZX's markets via DMA;
- the information required, and process for designation as a DMA Participant;
- the information required, and process for approval of a DMA system;
- the controls and security arrangements Participants are required to establish when granting access to a DMA system;
- NZX's expectations in relation to the setting and maintenance of DMA filters;
- the additional considerations that are relevant to algorithmic trading via DMA; and
- NZX's compliance monitoring and oversight expectations.

NZX considers that the Draft Guidance Note will enable good conduct practices, further supporting the fair, orderly and transparent operation of NZX's markets.

