

Explanatory Notes relating to Self-Match Prevention Service in Securities Market

Part I SMP Service Introduction

1. Self-Match Prevention (SMP) Service is an optional and free-of-charge service available in Hong Kong Securities Market that can be used by market participants (i.e. Exchange Participants (EPs) and/or their clients) to avoid unintentional self-trades by rejecting or cancelling potential self-match order(s) from one or multiple EPs.
2. There are two types of SMP Instructions, "Cancel Aggressive (CA)" and "Cancel Passive (CP)". EPs may choose either CA or CP as the preferred way to handle their orders in the event of a self-match scenario. EPs are required to indicate CA or CP as their preferred cancellation method in the Application for the Use and Maintenance of Self-Match Prevention (SMP) ID in Securities Market.
 - CA instruction: the incoming order or the remained unmatched part of such order with the same SMP ID as the resting order will be cancelled.
 - CP instruction: the resting order(s) or the remained unmatched part of the order(s) with the same SMP ID as the incoming order will be cancelled.
3. EPs should enhance their Broker Supplied System (BSS) where necessary to support the tagging of SMP ID in their order/ quote messages. EPs can refer to the relevant technical specification published on the [SMP web corner](#) for further details. In addition, EPs are required to complete end-to-end testing with the Exchange with positive result before commencing the use of the SMP Service.
4. The SMP Instruction under an SMP ID will only be applicable to Limit Order, Enhanced Limit Order and Special Limit Order during the Continuous Trading Session (CTS). SMP ID is allowed to be tagged with At-auction Limit Order (ALO) and any ALO tagged with SMP ID carried forward from Pre-opening Session to CTS will be subject to SMP.
5. No amendment to the SMP ID tagged to an outstanding order will be allowed.
6. Terms and expressions used in these Explanatory Notes shall have the same meanings as ascribed to them in the Rules of the Exchange unless the context otherwise requires or unless otherwise defined as follows:

Primary EP means an EP who initiates the request to create an SMP ID.

Additional EP means an EP, which is not the Primary EP, who applies for the use of existing SMP ID.

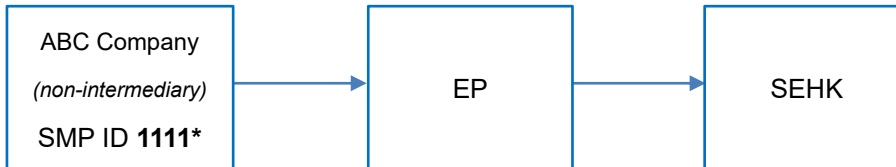
Part II
Requirements for the use of an SMP ID

7. EPs can apply for the use of an SMP ID for its proprietary orders or for its clients. For the purpose of the SMP Service, clients shall only include:

**For simplicity, a 4-digit SMP ID is used for illustration in this EN. Please refer to OCG-C Interface Specifications on [SMP web corner](#) for the actual format of SMP ID.*

- i. **direct client(s)** of an EP (See below diagram)

EP's direct client



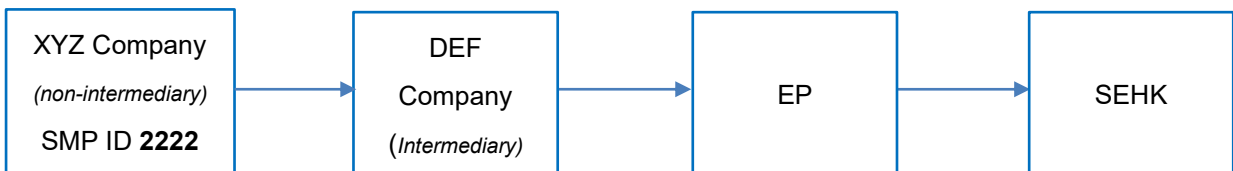
*ABC Company
can use SMP ID
1111 for its orders*

- ii. and where such client is itself an intermediary, the direct client(s) of such intermediary client, i.e. **indirect client(s) of an EP** (See below diagram).

Direct client of DEF Company

EP's indirect client

EP's direct client



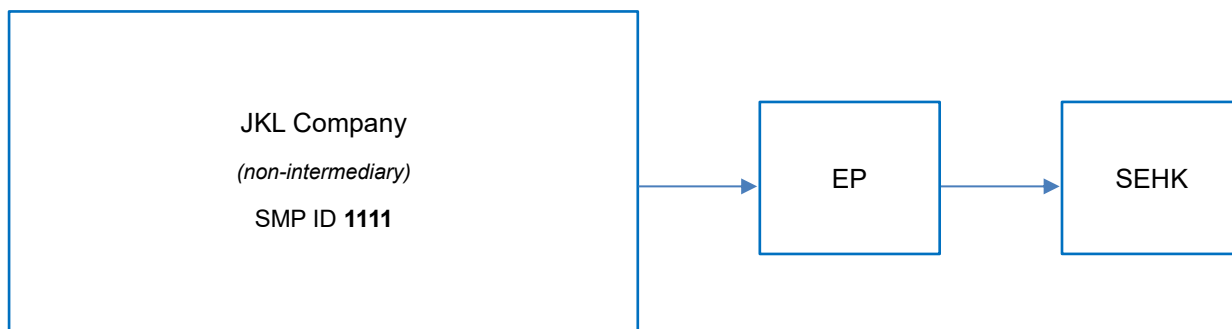
*XYZ Company
can use SMP ID
2222 for its orders*

8. No SMP ID may be applied for use in respect of a client who is an individual (including accounts of individuals and joint accounts of individuals).

9. **Application for the use of an SMP ID for EP itself or its client other than asset management company/fund**

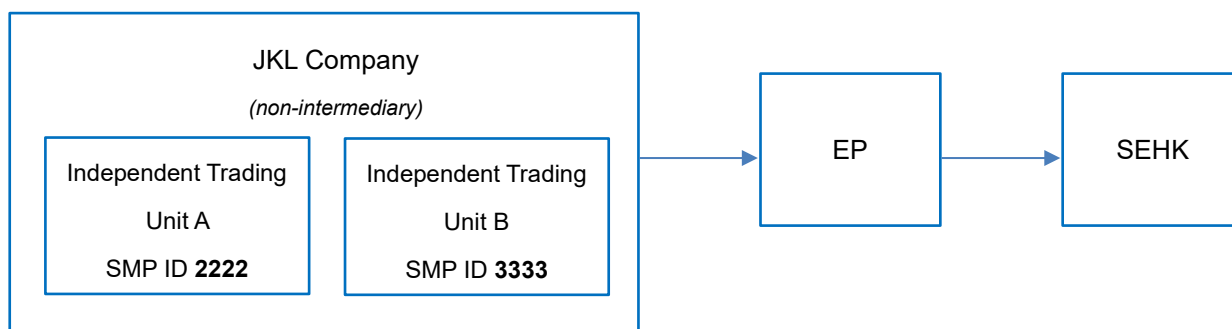
Number of SMP ID(s) allowed – Only one SMP ID may be applied for use by an EP for its proprietary orders and only one SMP ID may be applied for each client of an EP, i.e. each SMP ID is used to tag in orders of which the ultimate beneficial owner is the respective client (See below diagram),

i. Use one SMP ID

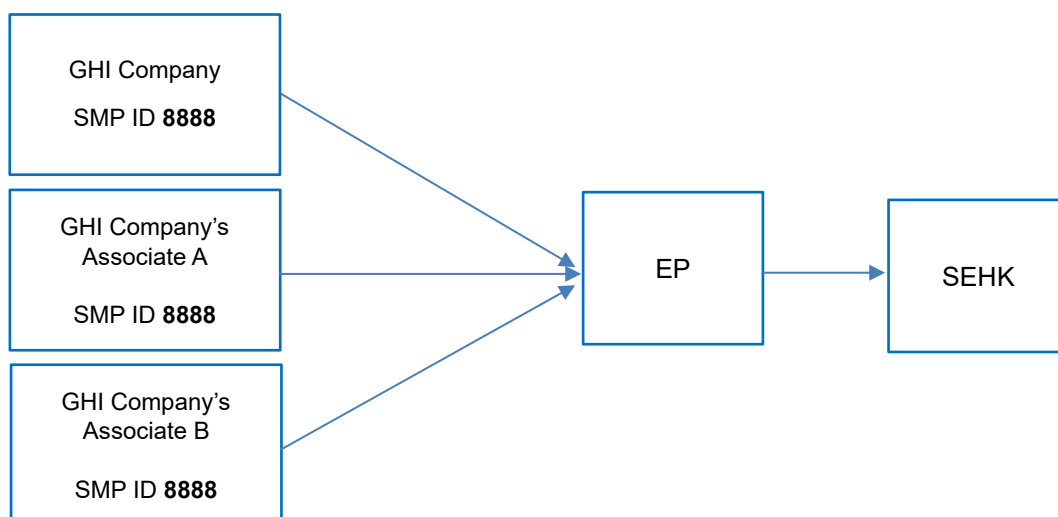


except when there are other independently operated trading unit(s) within the EP or the client for which additional SMP ID(s) may be applied (See below diagram).¹

ii. Use more than one SMP ID



Co-use the same SMP ID with associates² – An SMP ID may be applied for use by an EP or a client, as the case may be, together with any of its associates (See below diagram).³



GHI Company and its Associate A and B can use SMP ID 8888 for their orders

¹ Please read the part *Independence* under the section *Documentary evidence which may be requested by the Exchange*.

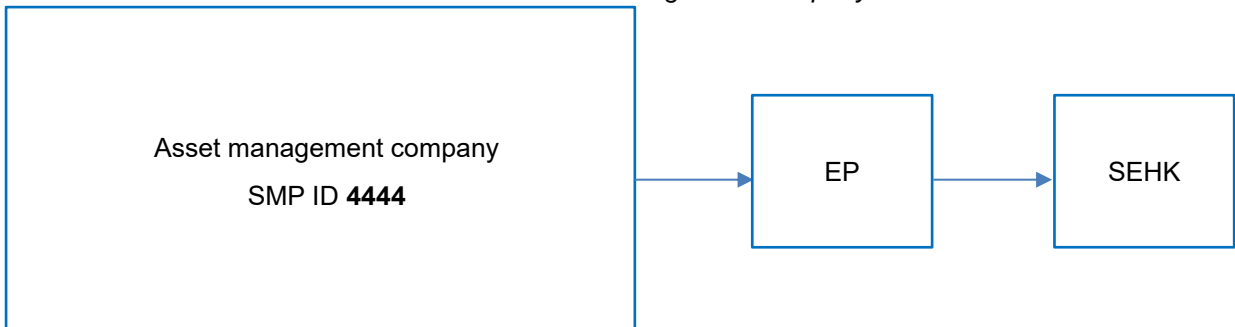
² Associates of a company means any of its holding companies, subsidiaries, or fellow subsidiaries, or any associated companies of them. Please refer to section 2, 13 and 15 of the Companies Ordinance for the meaning of associated companies, holding companies and subsidiaries respectively.

³ Please read the part *Co-use of the same SMP ID* under the section *Documentary evidence which may be requested by the Exchange*.

10. **Application for the use of an SMP ID for asset management company/fund**

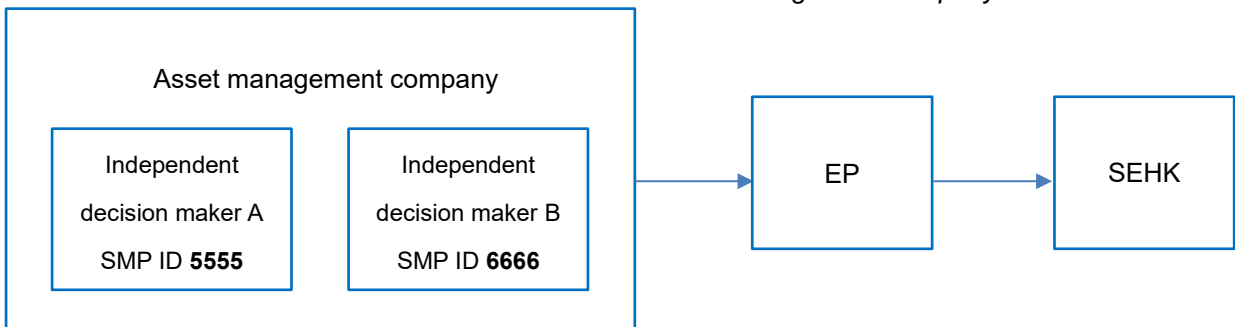
Number of SMP ID(s) allowed – In the case of a client which is an **asset management company**, i.e. maintain an account with Primary EP in the name of asset management company, if only one SMP ID is applied, it can be used for different funds or accounts⁴ managed by the same asset management company (See below diagram).

i. *Use one SMP ID for a client which is an asset management company*



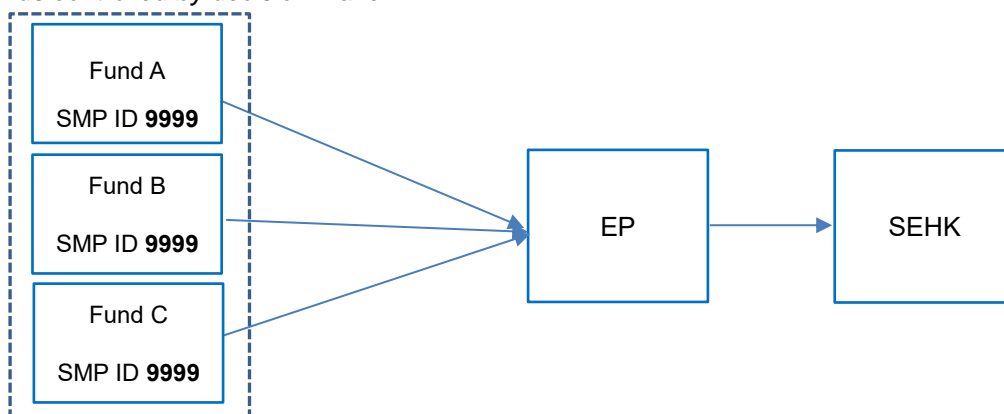
Alternatively, separate SMP IDs may be applied for use for different funds or accounts⁴ managed or controlled by fund managers or trading decision makers whose operations are independent from one another.⁵ Each fund manager or trading decision maker can use its SMP ID on his/her managed or controlled funds or accounts⁴ (See below diagram).

ii. *Use more than one SMP ID for a client which is an asset management company*



Co-use the same SMP ID with other fund(s) - In the case of a client which is a **fund**, i.e. maintain an account with Primary EP in the name of a fund, an SMP ID may be applied for use by the client, together with other funds or accounts⁴ managed or controlled by the same fund manager or trading decision maker (See below diagram).⁶

Funds controlled by decision maker A



⁴ Refer to accounts of which trading decision is controlled by the asset management company, e.g. discretionary accounts.

⁵ Please read the part *Independence* under the section *Documentary evidence which may be requested by the Exchange*.

⁶ Please read the part *Co-use of the same SMP ID* under the section *Documentary evidence which may be requested by the Exchange*.

11. Documentary evidence which may be requested by the Exchange

Independence – EPs are required to provide and/or procure its clients to provide necessary documentary evidence upon the request of the Exchange to demonstrate that the operations of any group, department or trading unit within the EP or the client for which an SMP ID is used, as the case may be, are independent of, or segregated by a Chinese Wall or other conflict of interest procedures from, those of the other group, department or trading unit within the EP or the client, as the case may be, for which another SMP ID is used. Such documentary evidence may include the following:

- written policy for the Chinese Wall set-up and segregation policy in relation to the relevant trading units;
- description or policies/procedures detailing that each relevant trading unit has no knowledge of any other trading unit's order/strategy, etc.;
- description or policies/procedures demonstrating the segregation of physical and system controls of each relevant trading unit;
- policies/procedures or internal systems/records/logs demonstrating the restriction of the access to the activities/positions of a relevant trading unit from other trading units;
- details of the internal gateways and trading systems utilized by the relevant trading units;
- details of the traders, trading technology, trading strategies associated with the relevant trading units;
- any other relevant documents.

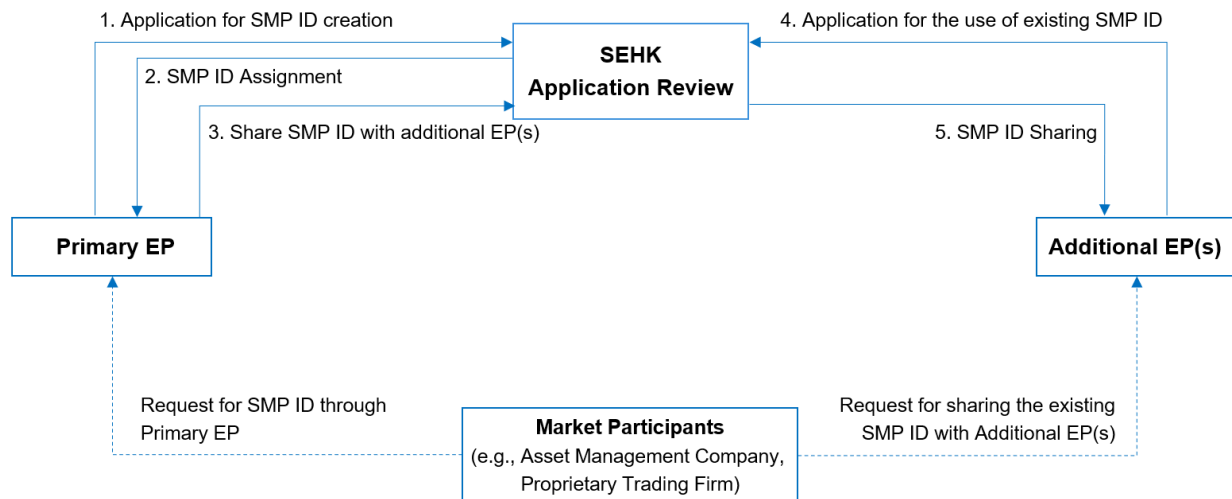
Co-use of the same SMP ID – EPs are required to provide and/or procure its clients to provide necessary documentary evidence upon the request of the Exchange to demonstrate that the co-use of the same SMP ID amongst different companies/funds is in compliance with requirements prescribed by the Exchange from time to time. Such documentary evidence may include the following:

- latest chart(s) of organisation structure or shareholding structure showing the key functions and ownership;
- details of the traders, trading technology, trading strategies associated with the relevant trading units;
- any other relevant documents.

Part III
General Provisions

12. EPs and its clients should note that the approval of the use of SMP ID(s) does not constitute any endorsement of the Exchange on the trading activities related to the orders tagged with the respective SMP ID(s).
13. The representation and undertaking in the **Application for the Use and Maintenance of Self-Match Prevention (SMP) ID in Securities Market ("SMP ID Maintenance Form")** and the documentary evidence provided to the Exchange does not relieve or exempt any activities conducted between or by EPs and/or its clients and/or any party, from compliance with any Rules of the Exchange or any laws or regulations including the Securities and Futures Ordinance and the SFC Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, nor should it be used as a defence of any market misconduct/manipulative behaviour.
14. Unless otherwise prescribed by the Exchange, an SMP ID may only be tagged to orders of an EP trading on its own account or for the account of its clients with the same beneficial owner or in accordance with such other requirements as the Exchange may from time to time prescribe.
15. SMP ID used for any alternative purposes, or in a manner not compliant with the requirements prescribed by the Exchange from time to time, or by any other parties which are not specified in the "SMP ID Maintenance Form" and are ineligible for co-using the relevant SMP ID, may constitute non-compliance with the terms and conditions of the SMP Service and may violate the Exchange Rules.
16. EPs are required to put in place and/or procure its direct client which is an intermediary to put in place relevant control measures to ensure the proper use of the SMP ID and detect any misuse of the SMP Service. EPs should report to the Exchange by email to msm_smp@hkex.com.hk when it detects any potential misuse of SMP ID.
17. The Exchange has the sole discretion in suspending, restricting, or terminating the use of a SMP ID or the SMP Service at any time, by notice in writing to the EP, if there is reasonable cause to suspect or believe that any of the prescribed requirements related to SMP are not properly followed or the SMP ID has been used or involved in any market misconduct or manipulative behaviour.

Part IV Operation and Application of SMP Services



18. Primary EP can submit the (“SMP ID Maintenance Form”) to:
- create SMP ID;
 - terminate SMP ID;
 - change SMP Instruction;
 - share SMP ID with Additional EP; or
 - remove SMP ID sharing from Additional EP.
19. Additional EP can submit the Application for the use of existing Self-Match Prevention (SMP) ID in Securities Market (“Use of Existing SMP ID Form”) to apply for using an existing SMP ID.
20. Each Primary EP can create a maximum of 100 SMP IDs. Primary EP will need to complete a separate “SMP ID Maintenance Form” for each request, meaning that one “SMP ID Maintenance Form” can only be used to create one SMP ID.

Sharing of SMP ID with other EPs

21. Primary EP can share SMP IDs to a maximum of 3 other Additional EPs.
22. When Primary EP submits the request to share SMP ID with Additional EP, Primary EP/client is required to inform Additional EP to submit **“Use of Existing SMP ID Form” within 7 calendar days after the submission of the “SMP ID Maintenance Form”** by Primary EP. The request will automatically be expired if no “Use of Existing SMP ID Form” is received by the deadline.
23. If Additional EP submits “Use of Existing SMP ID Form” and Primary EP does not submit “SMP ID Maintenance Form” within 7 calendar days, the “Use of Existing SMP ID Form” will automatically be void.
24. After successful sharing of the existing SMP ID, Primary EP, Additional EP, if any, and other relevant Additional EPs of the same SMP ID will be notified via SMP ID Full Image Report and SMP ID Delta Change Report.
25. When Primary EP ceases trading, SMP ID managed by the Primary EP will be deleted. As a result, the SMP ID shared with Additional EPs will be automatically removed. All relevant EPs approved to use the same SMP ID will be notified via SMP ID Full Image Report and SMP ID Delta Change Report.
26. When Additional EP ceases trading, the SMP ID(s) which the Additional EP may use will not be deleted. Yet, such SMP ID(s) can no longer be used by the Additional EP. All relevant EPs approved to use the same SMP ID will be notified via SMP ID Full Image Report and SMP ID Delta Change Report.
27. When Primary EP suspends trading, SMP ID(s) managed by Primary EP shall remain active. Additional EPs can still tag the SMP ID in their orders.

Change in the information provided to the Exchange

28. When there is change(s) to the information provided to the Exchange (e.g. co-use SMP ID with an associate not specified in the “SMP ID Maintenance Form” at the time of application), the Primary EP is required to submit the **Self-Match Prevention (SMP) ID Information Update Form - Securities Market (“SMP ID Information Update Form”)** within 30 calendar days of the change.

Lead time of processing

29. In general, the lead time to process the request of creation of a SMP ID by the Exchange is **10 business days after the receipt of duly completed “SMP ID Maintenance Form”**. The Exchange may however request the applicant to provide supplementary information or documentary evidence to support its application based on the circumstances of each individual application. As such, the lead time to process the creation of a SMP ID will be subject to the provision of information by the applicant.
30. In general, the lead time for the Exchange to process the requests of termination of a SMP ID, change of SMP Instruction and removal of SMP ID sharing from another EP is **3 business days after the receipt of duly completed “SMP ID Maintenance Form”**.
31. Similarly, the lead time for the Exchange to process the request of sharing of SMP ID with another EP is **3 business days after the receipt of both duly completed “SMP ID Maintenance Form” and “Use of Existing SMP ID Form”**.

Submission Channel

32. EP can logon Electronic Communication Platform (ECP) (<https://ecp2.hkex.com.hk/>) to submit the **“SMP ID Maintenance Form”, “Use of Existing SMP ID Form” and “SMP ID Information Update Form”**. For format and submission details, please refer to File Interface Specification published on HKEX website.

Reports for EPs

33. SMP File Submission Status Report, SMP ID Full Image Report and SMP ID Delta Change Report will be distributed to EP via ECP within the time period prescribed on the File Interface Specification.
34. EP should regularly check the above reports and take the appropriate action, including but not limited to the followings:
- Check the SMP ID Full Image Report to get the newly created SMP ID and the latest full image SMP IDs;
 - Check the SMP File Submission Status Report on any rejection or any outstanding “Use of Existing SMP ID Form” from Additional EP;
 - Check SMP ID Delta Change Report on any new addition/ removal of SMP ID, new addition/ removal of SMP ID sharing and change of SMP Instruction.