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Hong Kong Exchanges and Clearing Limited is a recognized exchange controller under the Securities and Futures Ordinance which is the controller of The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited, Hong Kong Securities Clearing Company Limited, The SEHK Options Clearing House Limited, HKFE Clearing Corporation Limited and OTC Clearing Hong Kong Limited.

通告 CIRCULAR

Subject: Enhancements on Self-Match Prevention Service in Derivatives Market
Enquiry: HKATS Hotline¹ Tel: 2211-6360

Reference is made to the circular dated 11 November 2022 (Ref: [MO/DT/302/22](#)). Hong Kong Exchanges and Clearing Limited (“HKEX”) plans to enhance the self-match prevention (“SMP”) service in the derivatives market in **Q2 2024**, subject to market readiness and regulatory approval.

The enhancements will provide Exchange Participants (“EPs”) an additional SMP model to avoid inadvertent self-matching of their own proprietary orders. Similarly, clients of EPs can apply via EPs to avoid self-matching of their own orders. SMP will remain as a free and optional service after the enhancements.

Please see the following features of the new SMP model:

- 1) Introduction of SMP ID as identifier for triggering SMP:** Under the new SMP model, SMP will be based on an identifier (“SMP ID”) assigned by the Exchange to cancel potential self-matching orders². During continuous trading session, a buy order and a sell order with the same SMP ID will be prevented from executing against each other, and either one side of orders will be cancelled according to the pre-specified cancellation method of the respective SMP ID.

¹ All calls to the HKATS hotline would be recorded. Please refer to the following link for HKEX privacy policy statement: http://www.hkex.com.hk/eng/global/privacy_policy.htm

² Including all orders types (with the exception of combo/bait order against outright) during continuous trading session (day and after-hours trading session).

EPs and/or their clients who apply for the new SMP model will be assigned a designated and unique SMP ID by the Exchange upon successful registration. SMP users can tag their assigned SMP IDs to their own orders to prevent self-matching. The Exchange will announce the details of SMP registration in due course.

- 2) **Cancel aggressive (“CA”) and cancel passive (“CP”) as the order cancellation methods:** Each SMP ID must be specified with either one of the two order cancellation methods. Upon a potential match between two orders bearing the same SMP ID with a designated cancellation method:
 - a) the incoming order will be cancelled if CA is chosen; or
 - b) the resting orders will be cancelled if CP is chosen.
- 3) **Multi-broker model:** This new SMP model would prevent self-matching of orders tagged with the same SMP ID via different EPs.

The existing SMP model at HKEX, based on HKATS Username (“HKATS Username-based SMP”) (details in [link](#)), will remain in service and unchanged in feature (i.e. without the enhanced features) after the introduction of the new SMP model (“ID-based SMP”). EPs who opt continue using HKATS Username-based SMP and EPs who do not plan to enable SMP will not be required to conduct any system enhancement and testing. EPs can either use HKATS Username-based SMP or ID-based SMP under the same HKATS Customer Code. However, they cannot enable both models at the same time. EPs should consider their business needs when choosing which SMP model to adopt. A comparison between both SMP models after the enhancements can be found in the Attachment.

Details of the technical specifications and testing arrangements for EPs who opt to use ID-based SMP will be announced in Q4 2023.

Web Corner and Webinar

Information regarding SMP enhancements in the derivatives market are now available at the [SMP web corner](#). Information in the web corner will be updated from time to time.

To facilitate EPs' understanding and preparation work, HKEX will organize an online webinar tentatively in late September. The details including the enrolment information will be further announced.

Kindly note that HKEX also plans to introduce SMP in its securities market in Q1 2024, subject to market readiness and regulatory approval. EPs may refer to the relevant circular published today ([CT/130/23](#)).

Matthew Cheong
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This circular has been issued in the English language with a separate Chinese language translation. If there is any conflict in the circulars between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.

Attachment

Comparison between the existing SMP model (HKATS Username-based SMP) and the additional new SMP model (ID-based SMP)

	The existing SMP model in derivatives market (HKATS Username-based SMP)	The additional new SMP model³ (ID-based SMP)
Service Nature	Optional service	
Cancellation Method	Cancel Aggressive	Cancel Aggressive or Cancel Passive
Level of Granularity on SMP Setting	Based on HKATS Username	Based on SMP ID
SMP Coverage	Single broker model (prevent self-matching for orders under same EP and within same HKATS Customer Code)	Multi-broker model (prevent self-matching orders with same SMP ID within/ across EPs)
Applicable Sessions	Continuous Trading Session (day trading session and after-hours trading session)	
Fee	Free of charge	
System change or testing required	nil	Required and details to be announced in Q4 2023

³ To be introduced in Q2 2024, subject to market readiness and regulatory approval