

## Explanatory Notes relating to Self-Match Prevention Service in Derivatives Market

### Part I SMP Service Introduction

1. Self-Match Prevention (“SMP”) Service (ID-based) (“SMP Service”) is an optional and free-of-charge service available in Hong Kong Derivatives Market that can be used by market participants (i.e. Exchange Participants (“EPs”) and/or their clients) to avoid unintentional self-trades by cancelling potential self-match order(s) from one or multiple EPs.<sup>1</sup> Please also refer to Section 4.11 of [HKATS User’s Guide](#).
2. There are two types of SMP Instructions, “Cancel Aggressive” (“CA”) and “Cancel Passive” (“CP”). In the *“Application for the Use and Maintenance of Self-Match Prevention (ID-based) in Derivatives Market” (“SMP ID Maintenance Form”)*, EPs are required to select either CA or CP as their SMP Instruction for an SMP ID.
  - i. CA: the incoming order or the remained unmatched part of such order with the same SMP ID will be cancelled.
  - ii. CP: the resting order(s) or the remained unmatched part of the order with the same SMP ID will be cancelled.
3. EPs should enhance their OMnet Application Programming Interface (“OAPI”) where necessary to support the tagging of SMP ID to their orders/ 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 Hong Kong Futures Exchange Limited (“HKFE”) or The Stock Exchange of Hong Kong Limited (“SEHK”) (as the case may be, 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 and specific Market Maker Quotes during continuous trading session in T Session and T+1 Session. Combo vs outright (including bait order) and trade reports (i.e. block trade) will not be applicable to SMP. An SMP ID is allowed to be tagged to an Auction Order (“AO”) and any AO tagged with an SMP ID carried forward from the Pre-Market Opening Period to the T Session will be subject to SMP.
5. SMP ID tagged to an outstanding order can be amended or removed. However, its original order priority in the Central Orderbook will be lost.
6. Terms and expressions used in this Explanatory Note shall have the same meanings as ascribed to them in the Rules, Regulations and Procedures of HKFE or the Options Trading Rules and Operational Trading Procedures for Options Trading Exchange Participants of SEHK, as the case may be, unless the context otherwise requires or unless otherwise defined in this Explanatory Note.

**Primary EP** means an EP who initiates the request to create an SMP ID under an HKATS Customer Code

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

7. Orders and quotes with SMP ID specified: (i) as blank or (ii) with the first character as NULL (\0) or (iii) with the first character as SPACE, they would be treated as NOT using SMP token function by the system and, therefore, are not subject to SMP ID validation.

<sup>1</sup> Another self-match prevention service, namely, Self Trade Prevention (HKATS Usernames-based). For further information, please refer to Section 4.10 of [HKATS User’s Guide](#) and [Request for Self-Trade Prevention of HKATS](#). In respect of an HKATS Customer Code, an EP can choose to use either the Self Trade Prevention (HKATS Username-based) or the SMP Service. If an EP makes an application to use an SMP ID, the use of Self Trade Prevention (HKATS Username-base) with the same HKATS Customer Code will be terminated.

**Part II**  
**Requirements for the use of an SMP ID**

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

*\*Please refer to [OAPI Technical Documentations](#) for the actual format of SMP ID.*

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

**EP's direct client**



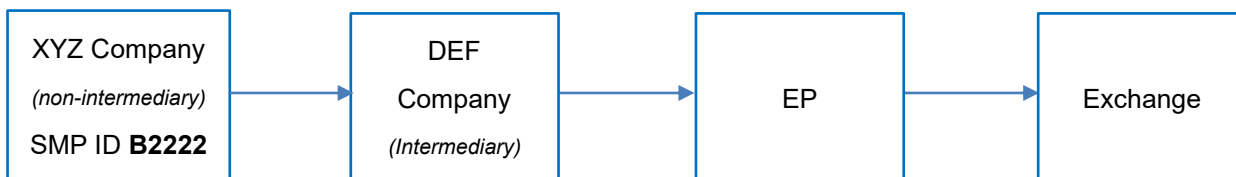
*ABC Company  
can use SMP ID  
A1111 for its  
orders*

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**



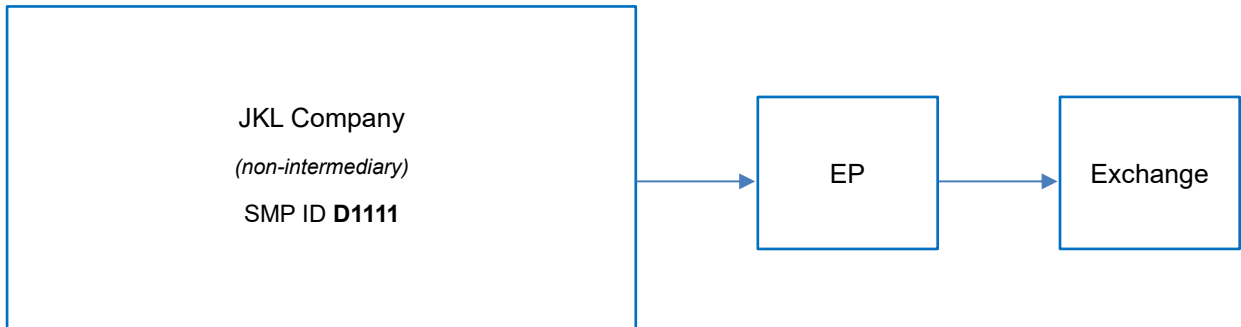
*XYZ Company can  
use SMP ID B2222  
for its orders*

9. 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).

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

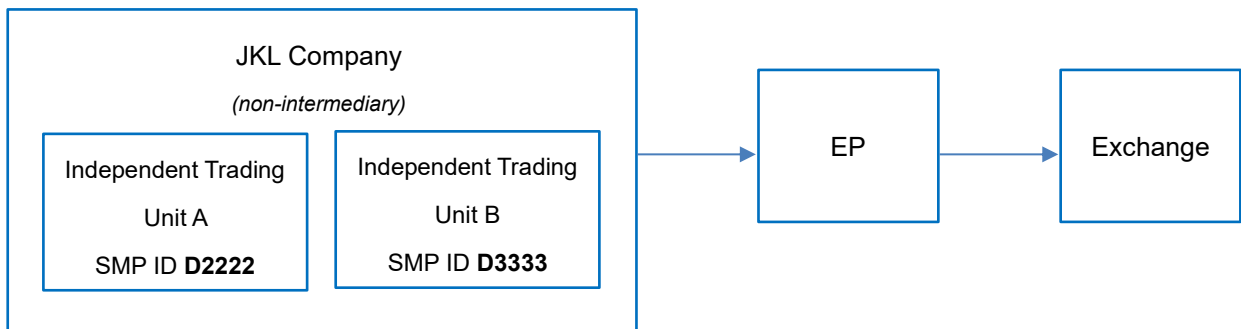
**Number of SMP ID(s) allowed** – Only one SMP ID may be applied for use by an EP for its proprietary orders and only one SMP ID may be applied for each client of an EP, i.e. each SMP ID is used to tag in orders of which the ultimate beneficial owner is the respective client (See below diagram),

*i. Use one SMP ID*

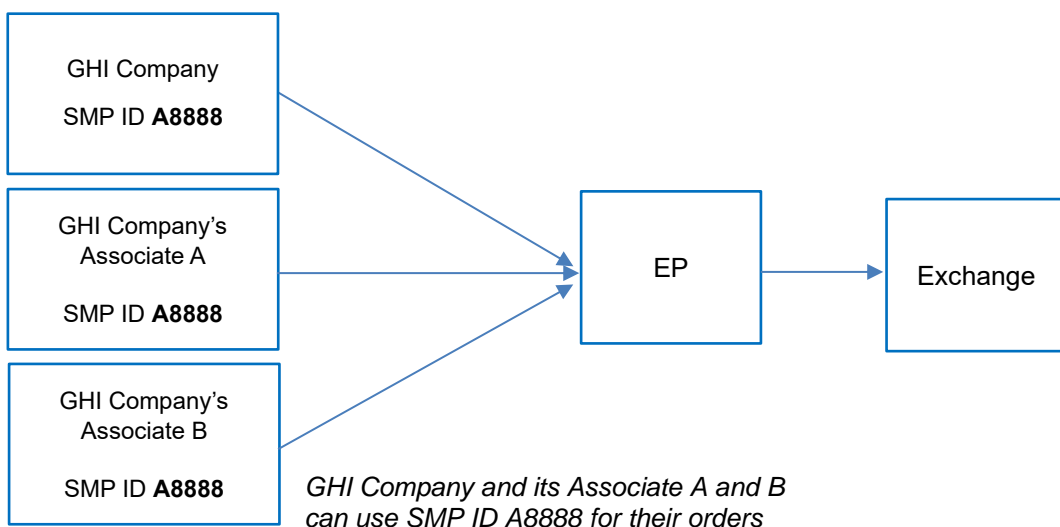


except when there are other independently operated trading unit(s) within the EP or the client for which additional SMP ID(s) may be applied (See below diagram).<sup>2</sup>

*ii. Use more than one SMP ID*



**Co-use the same SMP ID with associates<sup>3</sup>** – 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).<sup>4</sup>



<sup>2</sup> Please read the part *Independence* under the section *Documentary evidence which may be requested by the Exchange*.

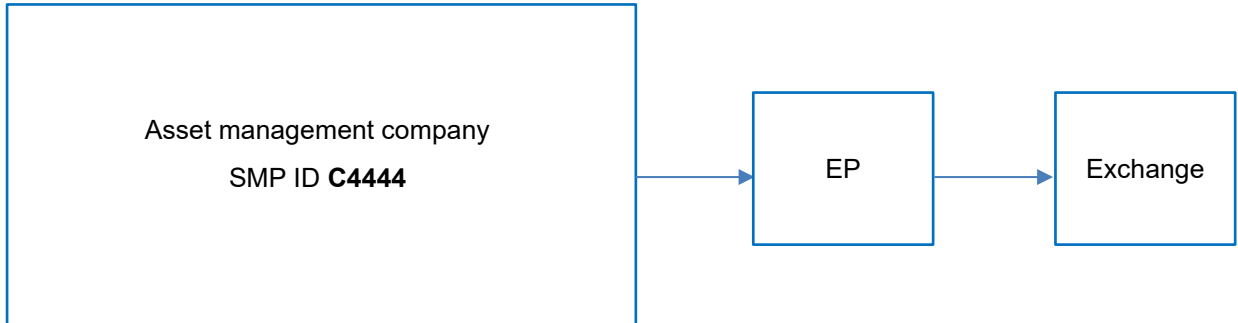
<sup>3</sup> Associates of a company means any of its holding companies, subsidiaries, or fellow subsidiaries, or any associated companies of them. Please refer to sections 2, 13 and 15 of the Companies Ordinance for the meaning of associated companies, holding companies and subsidiaries respectively.

<sup>4</sup> Please read the part *Co-use of the same SMP ID* under the section *Documentary evidence which may be requested by the Exchange*.

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

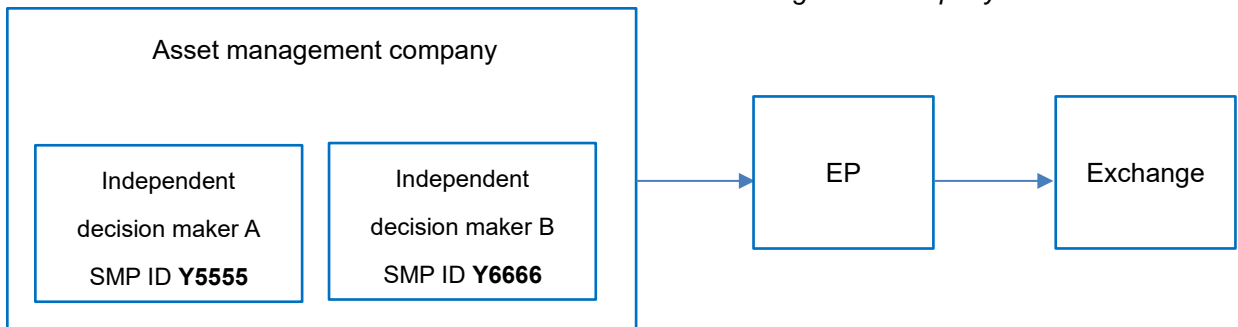
**Number of SMP ID(s) allowed** – In the case of a client which is an **asset management company**, i.e. maintain an account with Primary EP in the name of asset management company, if only one SMP ID is applied, it can be used for different funds or accounts<sup>5</sup> managed by the same asset management company (See below diagram).

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



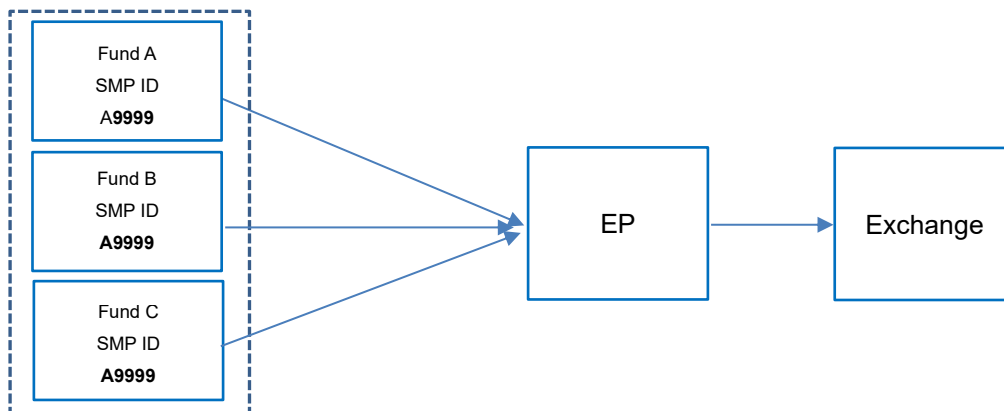
Alternatively, separate SMP IDs may be applied for use for different funds or accounts<sup>5</sup> managed or controlled by fund managers or trading decision makers whose operations are independent from one another.<sup>6</sup> Each fund manager or trading decision maker can use its SMP ID on his/her managed or controlled funds or accounts<sup>5</sup> (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 accounts<sup>5</sup> managed or controlled by the same fund manager or trading decision maker (See below diagram).<sup>7</sup>

*Funds controlled by decision maker A*



<sup>5</sup> Refer to accounts of which trading decision is controlled by the asset management company, e.g. discretionary accounts.

<sup>6</sup> Please read the part *Independence* under the section *Documentary evidence which may be requested by the Exchange*.

<sup>7</sup> Please read the part *Co-use of the same SMP ID* under the section *Documentary evidence which may be requested by the Exchange*.

## 12. 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:

- i.* written policy for the Chinese Wall set-up and segregation policy in relation to the relevant trading units;
- ii.* description or policies/procedures detailing that each relevant trading unit has no knowledge of any other trading unit's order/strategy, etc.;
- iii.* description or policies/procedures demonstrating the segregation of physical and system controls of each relevant trading unit;
- iv.* 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;
- v.* details of the internal gateways and trading systems utilized by the relevant trading units;
- vi.* details of the traders, trading technology, trading strategies associated with the relevant trading units;
- vii.* any other relevant documents.

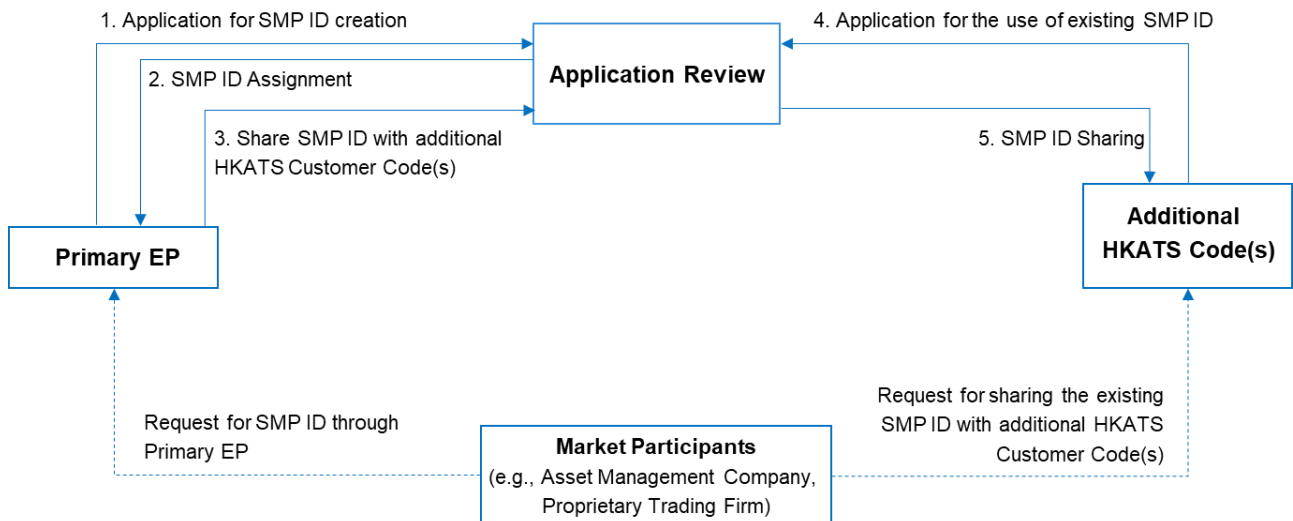
**Co-use of the same SMP ID** – EPs are required to provide and/or procure its clients to provide necessary documentary evidence upon the request of the Exchange to demonstrate that the co-use of the same SMP ID amongst different companies/funds is in compliance with requirements prescribed by the Exchange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

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

**Part III**  
**General Provisions**

13. 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).
14. The representation and undertaking in the **Application for the Use and Maintenance of Self-Match Prevention (ID-based) Service in Derivatives 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, Regulations and Procedures of HKFE or the Options Trading Rules and the Operational Trading Procedures for Options Trading Exchange Participants of SEHK, as the case may be, 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.
15. 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.
16. 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 Rules, Regulations and Procedures of HKFE or the Options Trading Rules and the Operational Trading Procedures for Options Trading Exchange Participants of SEHK, as the case may be.
17. 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](mailto:msm_smp@hkex.com.hk) when it detects any potential misuse of SMP ID.
18. 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 (ID-based) Services



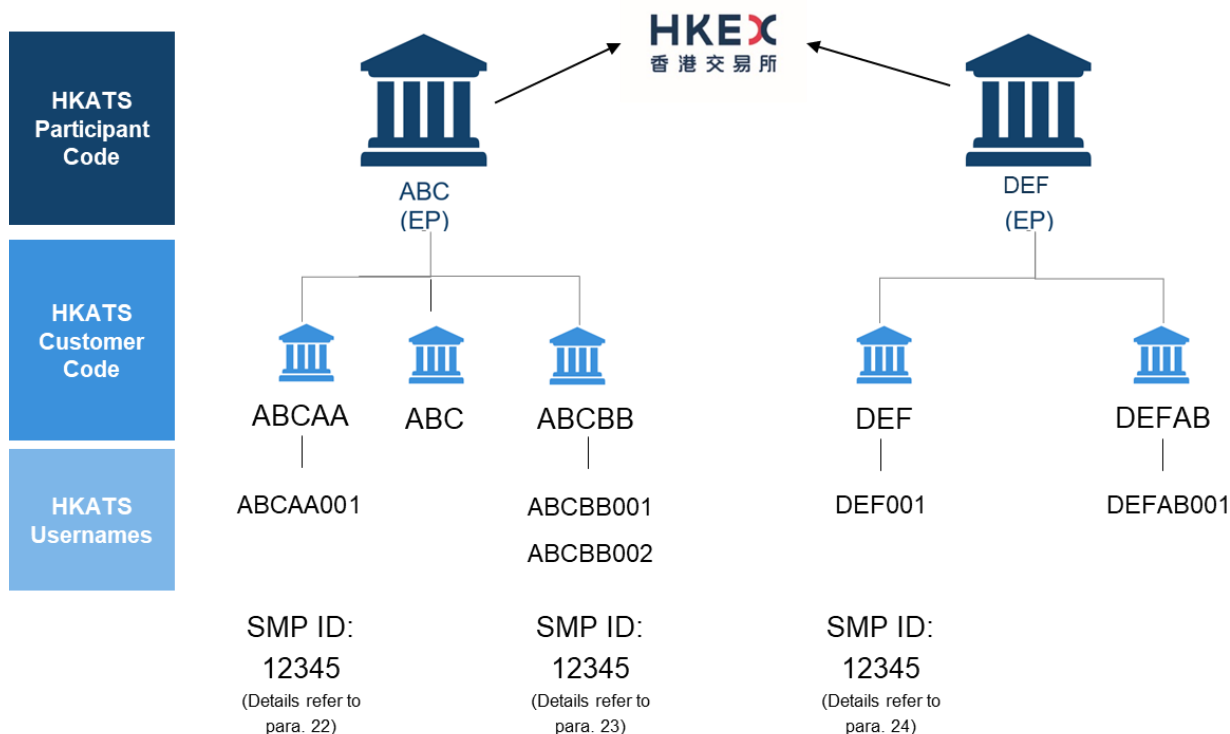
19. Primary EP can submit the “Application for the Use and Maintenance of Self-Match Prevention (SMP) ID in Derivatives Market (SMP ID Maintenance Form)” to:
  - i. create SMP ID for a HKATS Customer Code;<sup>8</sup>
  - ii. terminate SMP ID;
  - iii. change SMP Instruction;
  - iv. share SMP ID with additional HKATS Customer Code (same EP or different EP); or
  - v. remove SMP ID sharing from additional HKATS Customer Code (same EP or different EP).
20. Each Primary EP can create a maximum of 100 SMP IDs for each HKATS Customer Code. 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 HKATS Customer Code

21. If the existing SMP ID would like to apply to another HKATS Customer Code, EP(s) are required to submit i) the Application for the use of existing Self-Match Prevention (SMP) ID in Derivatives Market (“Use of Existing SMP ID Form”) and ii) SMP ID Maintenance Form to apply for using an existing SMP ID.

<sup>8</sup> Please note that same HKATS Customer Code can either choose Self Trade Prevention (HKATS Username-based) or SMP Service. If EP applies SMP Service, Self Trade Prevention (HKATS Username-based) under such HKATS Customer Code will be terminated.

22. An illustration of the application is as follows:



23. If EP – ABC, on behalf of its client, initiated the request to create an SMP ID for ABCAA and the assigned SMP ID is 12345. EP – ABC is the Primary EP of SMP ID 12345.

24. **Sharing SMP ID with HKATS Customer Code under Primary EP:** If EP – ABC (Primary EP of SMP ID 12345), on behalf of their clients, requires to enable HKATS Customer Code ABCBB to use SMP ID 12345, EP-ABC needs to conduct the following:

- i. EP – ABC to submit SMP ID Maintenance Form and indicate “share SMP ID with additional HKATS Customer Code” in Section II; and
- ii. EP – ABC to submit Use of Existing SMP ID Form

The request will automatically be expired if either of the form is not received within 7 calendar days.

25. **Sharing SMP ID with HKATS Customer Code under Additional EP:** If EP – DEF (Additional EP), on behalf of their clients, requires to enable HKATS Customer Code DEF to use SMP ID 12345, EP-ABC (Primary EP of SMP ID 12345) and EP-DEF are required to conduct the followings:

- i. EP – ABC to submit SMP ID Maintenance Form’s and indicate “share SMP ID with additional HKATS Customer Code” in Section II ; and
- ii. EP – DEF to submit Use of Existing SMP ID Form

The request will automatically be expired if either of the form is not received within 7 calendar days.

26. When the Primary EP ceases trading, all SMP IDs managed by the Primary EP will be deleted. Any such SMP ID under all other HKATS Customer Codes will be automatically removed. All relevant EPs approved to use the same SMP ID(s) will be notified via SMP ID Full Image Report and SMP ID Delta Change Report.

27. When an 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(s) will be notified via SMP ID Full Image Report and SMP ID Delta Change Report.

28. 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

29. When there is/are 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 - Derivatives Market (“SMP ID Information Update Form”)** within **30 calendar days** of the change.

## Lead time of processing

30. 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.
31. 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 HKATS Customer Code is **3 business days after the receipt of duly completed “SMP ID Maintenance Form”**.
32. Similarly, the lead time for the Exchange to process the request of sharing of SMP ID with another HKATS Customer Code is **3 business days after the receipt of both duly completed “SMP ID Maintenance Form” and “Use of Existing SMP ID Form”**.

## Submission Channel

33. 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

34. 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](#). For EPs with both HKFE and OTEP participation, two reports of the same content will be available in the folder. One is from HKFE and one is from SEHK.
35. EP should regularly check the above reports and take the appropriate action, including but not limited to the followings:
- i. Check the SMP ID Full Image Report to get the newly created SMP ID and the latest full image SMP IDs;
  - ii. Check the SMP File Submission Status Report on any rejection or any outstanding “Use of Existing SMP ID Form”;
  - iii. 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.