Self Trade Prevention (STP)

The STP functionality can be used by Members to avoid unintentional internal trading by preventing certain Member Orders from executing against each other. The aim with the functionality is to facilitate members' compliance and risk management duties and needs.

The STP functionality may be activated on Order instruction level without any configuration. This allows greater flexibility; the Member may for example create protected trader groups. As the STP actions may also be expanded into multiple options, the functionality can target different regulatory and compliance requirements within the Member.

How to activate STP?

Three fields are available on the inbound order entry protocols (OUCH and FIX). By actively populating these fields the STP functionality is activated without any other configuration needed. The fields will also be displayed on associated Drop copies.

STP Level

STP Level indicates the scope of STP protection set on the Order. The member can choose between three levels.

1. MPID + Trader ID
2. MPID
3. Specified Trader Group

The idea with Specified Trader Group is that the member can decide that certain Orders should not interact. This enables varying usage of the functionality for the member. E.g. Algo engine flow A and B should not interact with each other.

STP Action

STP Action indicates the action that should be undertaken by the trading system in case of a potential Self-trade. Possible actions:

1. Cancel passive (default)
2. Cancel aggressive
3. Cancel both
4. Create technical transfer transaction

STP Trader Group

The STP Trader Group allows a member to assign a user code for Orders that should not interact, i.e. two Orders with the same code would be protected. Conditionally required for STP Level = 3, otherwise ignored.

To prevent a Self-Trade

To prevent a Self-Trade the following conditions must be "matched" for the respective passive and aggressive Order:

| 1 | STP Level must be provided on both Orders and they have to match |

| 2 | STP Level + Trader Group must have the same values |

If these conditions do not match, STP will not be enabled and a trade will occur.

The STP Actions does not have to match, and in case they are differently assigned on the respective Order, the setting on the aggressive Order will be honoured.

The functionality is only active during continuous trading.

STP Group

It is also possible to obtain STP protection across two or multiple MPIDs belonging to the same STP Group of MPIDs. Such requests should be made to mac@nasdaq.com.

Example Aggressive sell order.

Price	Qty	MPID	User	STP Level	STP Action	STP Trader Group	STP Group (Config)
100	250	AAA	LPS002	3	4	AA	V

Bids*

Price	Qty	MPID	User	STP Level	STP Action	STP Trader Group	STP Group (Config)	Comment
100	50	AAA	LPS002	1	1		V	Match
100	50	AAA	LPS001	3	1	AA	V	Transfer
100	50	AAA	ABCDEF	3	4	AB	V	Match
100	50	AAA	LPS002				V	Match
100	50	CCC	C00001				V	Match
100	50	DDD	D00001					Left in book
100	50	EEE	E00001					Left in book
99	50	AAA	BCDEFG					Left in book

* Book in priority order Price, Internal, Time.