SMBC NIKKO

Dark pool guide

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Dark pool

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Overview

- Internal crossing service that identifies orders which can be matched and traded off exchange
  - ✓ Executes immediately on ToSTNeT after internally identifying matches
- Offers liquidity and potential price improvement within bid/offer spread in TSE
- Strictly adheres to confidentiality – no offering of bid/offer indications
- Adopts low latency architecture running closely in tandem with SOR and algorithm strategies

Instrument Universe

TSE primary listed common stocks, ETFs and REITs (excluding foreign stocks and foreign ETFs)

Hours

- TSE trading hours（09:00～11:30, 12:30～15:00）
- Crosses only during continuous trading sessions.
- No crosses generated during:
  - ✓ Market pre opens
  - ✓ Special quotes/sequential trade quotes
  - ✓ Trading halt/suspension

Matching Rules

Priority	①Price ②Time of order received
Tick size	1/10 of TSE
Lot size(unit)	Same as TSE
Peg type	Matching price control within TSE bid/offer as follows ✓ **Mid** : Matches at mid price or better ✓ **Far（default）** : Matches at far touch or better
Min qty	Minimum execution quantity. Matches only when the size is equal to or more than the size specified
Counterparty control	• No cross with prop ✓ (optional) No dark pool matches with prop • No cross with the same client group/account ✓ (optional) No dark pool matches with orders from the same client group ✓ (NOT optional) No dark pool matches with orders from the same account. This is always applicable • No cross with external brokers ✓ (optional) No dark pool matches with order flow from external brokers
Matching price restriction	• Within TSE bid/offer (inclusive) • Within a range of 1% or 2JPY of last traded price in TSE • Within day's high/low prices in TSE

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Notes

	Description	Note
Operator	SMBC Nikko Securities Inc. (https://www.smbcnikko.co.jp)	No connectivity to any external dark pools
Participation of proprietary trading	Yes (proprietary/principal)	Counterparty control (not to get crossed with prop) can be specified
Participants	• Institutional investors (domestic/international) • External brokers (securities firms) • Proprietary/principal trading	• No flow from retail (individual investors)
Reference market	Tokyo Stock Exchange	• Matches only within bid/offer prices of the reference market (inclusive) • Matches only when bid/offer prices in the reference market are available
Matching time vs. execution time	Matched prices at matching times in dark pool are guaranteed to be within bid/offer prices of the reference market, whereas execution prices at execution times in ToSTNeT are not always within the bid/offer prices due to the time difference between matching and execution	• Matching time ✓ Time when dark pool internally identifies a match between buy and sell orders • Execution time ✓ Time when ToSTNet executes orders sent by dark pool after it identifies a match

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Example 1

- Order to dark pool
  - ✓ Side: Buy
  - ✓ Qty: 500 shares
  - ✓ Price limit: none (@market)
  - ✓ Peg type: Mid
- Executions
  - ✓ 100 shares @ 100.4
  - ✓ 200 shares @ 100.5

  ※Peg type=Mid restricts the matches at mid or better
- Remaining qty
  - ✓ 200 shares posted in the DP order book with price pegging at mid price

  (Effective price limit automatically updated following the changes of bid/offer in the ref market)

DP	TSE	price	TSE
	1,000	**101**	
200		100.7	
100		100.6	
200		100.5	
100		100.4	
		100	100

Example 2

- Order to dark pool
  - ✓ Side: Buy
  - ✓ Qty: 2,000 shares
  - ✓ Price limit: none (@market)
  - ✓ Peg type: Far
  - ✓ Min qty: 500 shares
- Executions
  - ✓ 500 shares @ 100.5
  - ✓ 800 shares @ 100.7

  ※ No matches below Min qty specified
- Remaining qty
  - ✓ 700 shares posted in the DP order book with price pegging at far touch

  (Effective price limit automatically updated following the changes of bid/offer in the ref market)

DP	TSE	price	TSE
	1,000	**101**	
800		100.7	
100		100.6	
500		100.5	
100		100.4	
		100	100

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Company Name

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