



NZX Limited

NZX Participant Rule Procedures

12 September 2014



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Section A: Interpretation and Construction

A.1 Interpretation

A.1.1 Definitions incorporated by reference: Capitalised terms defined in the NZX Limited Participant Rules have the same meaning when used in these Procedures, unless expressly stated or the context requires otherwise.

A.2 Construction

A.2.1 Without limiting any provision in a Rule relating to the application of that Rule to one or more Procedures, the following Rules shall also apply to these Procedures, with such necessary modifications to assist such application, including references to “a Rule” or “these Rules” being replaced with references to “a Procedure” or “these Procedures” mutatis mutandis:

Rules 1.2, 1.5, 10.1, 10.2 and 10.3.

Section 1: Error Trade Cancellation Procedure

Procedures for Rules 10.15.1, 10.15.2 and 10.15.4

Rule
10.15.1

10.15.1 If a Trading Participant considers that an Error has occurred in respect of a Trade and wishes to have or retain the right to request to have that Trade cancelled or amended under this Rule 10.15, the Trading Participant must notify NZX of the Error by the time and in the manner set out in Procedures and request that the Trade be cancelled or amended in accordance with this Rule 10.15.

10.15.2 If a Trading Participant becomes aware that an Error has occurred in respect of a Trade and the Error may have a Market Impact, then the Trading Participant must notify NZX of the Error under Rule 10.15.1 immediately.

10.15.4 Upon receipt of a request for cancellation or amendment of a Trade under Rule 10.15.1 NZX will:

(a) use its reasonable endeavours to either confirm or query the request within the time set out in Procedures;

(b) if required, use reasonable endeavours to contact the counterparty Trading Participant to the Trade within the time set out in Procedures to ascertain whether the counterparty Trading Participant agrees to the cancellation or amendment to the trade.

1.1 Notice by Trading Participant

Rule
10.15.1

1.1.1 A Trading Participant must notify NZX of an Error in respect of a Trade within the time set out in the table below.

Type of Trade	Participant must notify NZX
Crossing (not having a Market Impact)	15 minutes after the Crossing has been reported through the Trading System
Negotiated Deal (not having a Market Impact)	30 minutes after the negotiated deal has been confirmed through the Trading System
Trade effected as a result of matching of Orders in the Trading System (not having a Market Impact)	15 minutes after the matching of Orders in the Trading System
Any Trade that may have a Market Impact	Immediately when the Trading Participant becomes aware that there is an Error

1.2 NZX Action

Rule
10.15.4

1.2.1 NZX will use its reasonable endeavours to:

- (a) either confirm or query a request; and
- (b) if required, contact the counterparty Trading Participant to the Trade to ascertain whether the counterparty Trading Participant agrees to the

cancellation or amendment to the Trade; and

(c) as soon as possible within the time set out in the table below:

Type of Trade	Time by which NZX will endeavour to respond to the Trading Participant's Request
Crossing (not having a Market Impact)	30 minutes after being notified by the Trading Participant
Negotiated Deal (not having a Market Impact)	30 minutes after being notified by the Trading Participant
Trade effected as a result of matching of Orders in the Trading System (not having a Market Impact)	30 minutes after being notified by the Trading Participant
Any Trade that may have a Market Impact	60 minutes after being notified by the Trading Participant

1.3 Information to be provided to NZX

1.3.1 A Trading Participant must notify or make a request by contacting NZX Surveillance by telephone or by chat through the Trading System or NZX Client & Market Services by telephone providing the following information:

- (a) date of notice or request;
- (b) Trade date;
- (c) deal ID/Trade reference number;
- (d) security code;
- (e) number of Securities;
- (f) price;
- (g) counterparty (if known); and
- (h) nature of Error and reason for seeking cancellation.

1.4 Trading Error Register

1.4.1 A Trading Participant or an NZX Advising Firm must keep a record of all Trades and Crossings with a value of \$1,000 or more in respect of which an Error has occurred. The Trading Error register must, as a minimum, contain the following information:

- (a) the nature of the Error;
- (b) the Security the Error related to;
- (c) any effect the Error has had on that Trading Participant and/or client of that Trading Participant;

Rule
10.16.10

- (d) whether, and if so how, the Error was remedied;
- (e) the date the Error was made and who made the Error; and
- (f) the date the Error was remedied.

Section 2: Capital Adequacy and Monthly Reporting

Capital Adequacy and Monthly Reporting Procedure

Procedures for Rules 1.1, 19.3.2 19.9.2 and 20.14

1.1 “Recognised Market Index” means an index specified in the Procedures;

1.1 “Recognised Market” means a market specified in the Procedures;

19.3.2 A Market Participant Requiring Capital must provide to NZX a monthly report of its daily Capital Adequacy Calculations during that month at the time and in the manner prescribed by Procedure.

19.9.2 NZX may determine the Position Risk Requirement for a particular Financial Instrument or transaction or class of Financial Instrument or transaction or a particular Issuer or class of Issuer by Procedure.

20.14.1 Each Market Participant Requiring Capital must deliver to NZX the information as prescribed by Procedure.

Rule 1.1

2.1 Recognised Market Index

2.1.1 Each of the indices specified in the following table is a Recognised Market Index:

Country	Index
Australia	S&P/ASX200
Austria	ATX
Belgium	BEL 20
Canada	TSE 35
France	CAC 40
Germany	DAX
Hong Kong	Hang Seng
Italy	MIB 30
Japan	Nikkei 225
Netherlands	EOE 25
Spain	IBEX 35
Sweden	OMX

Switzerland	SMI
UK	FTSE 100; FTSE mid-250
US	S&P 500

2.2 Recognised Market

2.2.1 Each of the markets specified below (and any successor thereof) is a Recognised Market:

Australian Securities Exchange
Toronto Stock Exchange
Deutsche Borse
Hong Kong Exchange
Tokyo Stock Exchange
Singapore Exchange
SIX Swiss Exchange
NASDAQ OMX
London Stock Exchange
NYSE Euronext

2.3 Monthly Reporting

2.3.1 Within 10 Business Days of the end of each calendar month, each Market Participant Requiring Capital must deliver to NZX in the manner and the form as prescribed by NZX from time to time:

- (a) a copy of a trial balance as at the last day of the preceding month. Such trial balance must provide details as to the name or nature of each balance, must be provided in each separate currency and consolidated to NZ\$ equivalents determined using the prevailing spot rate of exchange for the relevant currency to NZ\$ on or about 9.00 am on the date of such trial balance (and such spot rate must be specified to NZX) or such other rate of exchange as agreed with NZX;
- (b) financial statements of the Market Participant Requiring Capital for the previous month (which may be those prepared for internal management purposes);
- (c) a copy of the Market Participant Requiring Capital's Capital Adequacy Calculations for the last Business Day of the previous calendar month in the form and including the information and supporting documents specified by NZX from time to time for that purpose;
- (d) a summary of the Market Participant Requiring Capital's Capital Adequacy Calculations for each Business Day of the previous month showing the amounts calculated and recorded as required by Rule 2.17.1; and
- (e) a monthly internal control checklist and certificate in the form of Appendix A signed by the Market Participant Requiring Capital's Managing Principal or Responsible Executive and the Market Participant Requiring Capital's chief financial officer.

2.4 Position Risk Requirement

- 2.4.1 The Position Risk Requirement for all Securities that have an element of leverage is 100%, unless NZX determines otherwise.

Section 3: Fonterra Shareholders' Market

FSM Legal Title Transfer Procedure

Procedures for Rule 22.11

3.1 FSM Share Legal Title Transfer Procedure

Procedure for Rule 22.11.2

22.11.2 If at the Prescribed Time on any Trading Day for any reason an FSM Participant, an FSM Participant's Relevant Clearing Participant or an FSM Participant's Legal Title Transfer Depository Participant is holding legal title to FSM Shares, the FSM Participant must procure that those FSM Shares are transferred immediately to the Custodian.

3.2 Transfer of Legal Title to FSM Shares

3.2.1 The Prescribed Time for the purposes of Rule 22.11.2 is 5.00pm.

3.3 Failure/Delay in Delivery of FSM Shares to Client

Procedure for Rule 22.11.3

22.11.3 If the delivery of FSM Shares to a client of an FSM Participant has not been completed within the Prescribed Time, then the FSM Participant must procure the sale of the FSM Shares subject of the Trade or FSF Redemption within a further Prescribed Time and the client or their estate shall be liable for any deficiency and be entitled to any surplus which may result.

3.3.1 The Prescribed Times for the purposes of Rule 22.11.3 are:

- (a) 5.00pm on the eighth Trading Day after the Trading Day on which the relevant Trade or FSF Redemption was executed; and
- (b) 5.00pm on the fifth Trading Day referred to in paragraph (a) above.

Appendix A

Monthly Internal Control Checklist (Participant Rule 19.3.2 and 20.14)

Name of Market Participant:

ICC for month ended:

Please respond Yes, No or Not Applicable. For questions relating to notification to NZX, please respond “N/A” if notification was unnecessary. If you respond “Y” or “N” to such questions, please provide details.

Part A -

Rule	Internal Control Questions	Y, N, NA	Comment
	Section 3: Market Participants (all Market Participants)		
3.3.4	We confirm that, in this month, the Market Participant has notified NZX in writing of any change to the Market Participant’s Managing Principal and provided an executed statutory declaration by that person in the form provided in Appendix 1A.		
3.5.1	We confirm that, in this month, the Market Participant: <ul style="list-style-type: none"> has notified NZX of the appointment of any director or partner within 5 Business Days of that appointment and has provided to NZX an executed Statutory Declaration in the form at Appendix 1D to the NZX Participant Rules; has notified NZX in writing of the resignation of any director or partner within 5 business days of that resignation. 		



3.5.2	We confirm at any time in this month that the Market Participant has filed an annual return, financial statements, or a notice of a change in its share capital, its directors or its constitution with the Registrar of Companies, it also sent a copy of such return or notice to NZX.		
3.8.3	We confirm that, in this month, all branch offices of the Market Participant were under the direct full time control of an NZX Advisor or an NZX Associate Advisor.		
3.10.3	We confirm that, in this month, the Market Participant has notified NZX in writing of any changes to its Management arrangements/structure within 5 Business Days of that change.		
3.11.2	We confirm that, in this month, the Market Participant has notified NZX of the resignation , appointment or change of its Compliance Manager within 1 Business Day of that change being made		
3.12.2	We confirm that, in this month, the Market Participant has notified NZX in writing details of any changes to any of those entities to which Rule 3.12(a) and (b) applies within 5 Business Days		
3.21	We confirm that, in this month, the Market Participant: <ul style="list-style-type: none"> • has notified NZX of any intention to open a further Broking Office in addition to its Principal Broking Office and/or its current Broking Offices within 15 Business Days of such intention to do so; • has notified NZX of any intention to join in partnership or to become formally associated with another Market Participant within 15 Business Days of such intention to do so. 		
3.26.2	We confirm that the Market Participant continues to have the following insurances: <ul style="list-style-type: none"> (a) Professional indemnity insurance; and (b) Directors' and officers' liability insurance (when applicable to the legal structure of the Market Participant.) 		



3.26.3(f)	We confirm that, in this month, the Market Participant has notified NZX of any material change made to the amount of insurance that the Market Participant has cover for.		
3.26.4	We confirm that, in this month, the Market Participant has notified NZX of any material claim on any insurance policy that Market Participant has that is relevant to the Broking Business of that Market Participant.		
3.28.2	We confirm that, in this month, the Market Participant has updated NZX in writing of any change to its after hours/emergency contact details within 1 Business Day of that change being made.		
3.29(a)	We confirm that, in this month, the Market Participant has notified NZX of any change to the accredited client accounting software vendor (if applicable) used by the Market Participant within 10 or 20 Business Days (as determined by the impact to the Trading System or the Clearing House System) of such change coming into effect.		
3.29(b)	We confirm that, in this month, the Market Participant has notified NZX of any change to the name of the Market Participant not less than 10 Business Days before the name change is intended to be effected.		
3.29(c)	We confirm that, in this month, the Market Participant has notified NZX of any change to the location of any of the Market Participant's Broking Offices not less than 10 Business Days prior to the intended location change.		
	Section 4: Trading Participants (all Trading Participants)		
4.6(c)	We confirm that, in this month, the Trading Participant has notified NZX in writing of any changes internally to the person(s) holding the position of Dealer or DMA Dealer for that Trading Participant within 5 Business Days of such a change being made.		
	Section 5: Client Advising Participants (all Client Advising Participants)		
5.2	We confirm that, in this month, the Client Advising Participant, has at all times ensured that all persons who provide advice to clients on transactions in relation to Securities etc are either: <ul style="list-style-type: none"> designated NZX Advisors or NZX Associate Advisors; or 		



	<ul style="list-style-type: none"> supervised as outlined in Guidance Note 07/04. <p>Please list all supervised persons, their supervisors, the FINSIA paper(s) they have yet to complete to meet the qualification requirement and the date(s) that these will be taken.</p>		
5.9.1	We confirm that, in this month, the Client Advising Participant has immediately notified NZX whenever an Advisor has: (i) commenced employment or contractual relations with; or (ii) ceased to be employed by or contracted to, that Client Advising Participant.		
	Section 6: Clearing Arrangements		
6.3.1	We confirm that, in this month, the Trading Participant (not being a Clearing Participant) has been party to and has maintained a separate written agreement with each of its Clearing Participant(s) and has given NZX a copy of each of its C&S Agreements.		
6.3.2	We confirm that, in this month, we have notified NZX of any amendments to any of its C&S Agreements at least 10 Business Days before the amendment became effective.		
	Section 8: General Obligations (all Market Participants)		
8.7.3	We confirm that, in this month, the Market Participant has notified NZX of any change in the legal or Beneficial Ownership of any shares in the Market Participant that is a company or in the company partners of a Market Participant that is a partnership, within 5 days of the change being made and has provided full details of the changes and confirmation of the identity of the Beneficial Owner of such shares (where applicable)		
8.15.3	We confirm that, in this month, there has been no emergency which resulted in the Market Participant being unable to comply with its obligations under the NZX Participant Rules.		
	Section 15: Trading on behalf of a Client (all Client Advising Participants)		
15.17.1	We confirm that, in this month, all contract notes have been sent within the required timeframe.		



	Section 18: Client Assets (all Market Participants Accepting Client Assets)		
18.4.1	We confirm that, in this month, the Market Participant Accepting Client Assets has ensured that the Total Client Assets held at all times has equaled or exceeded that Market Participant's total Outstanding Obligations.		
18.6.1 (a)	We confirm that, in respect of all Client Funds Accounts (not being a Depository Account), the Market Participant Accepting Client Assets holds a written acknowledgement from the Bank holding the Client Funds Account of the trust status of the account and the words "Client Funds Account" appear in the name of that Client Funds Account.		
18.6.1(b)	We confirm that, in this month, the Market Participant Accepting Client Assets has not deposited Client Funds into an account which is not a designated Client Funds Account.		
18.6.1(c)	We confirm that, in this month, the Market Participant Accepting Client Assets has notified NZX immediately of any changes to any of its Client Funds Accounts.		
18.6.1 (f)	We confirm that, in this month, the Market Participant Accepting Client Assets has reconciled the records for each of the Client Funds Accounts held by the Market Participant Accepting Client Assets with the records of CDO or the Bank holding the Client Funds Account in all currencies on a daily basis.		
18.6.1 (f)	We confirm that, in this month, the Market Participant Accepting Client Assets has immediately notified NZX if, for any reason, the Market Participant Accepting Client Assets was unable to perform a daily reconciliation pursuant to Rule 18.6.1(f).		
18.6.2	We confirm that, in this month, the Market Participant Accepting Client Assets has immediately notified NZX if its bank book ledger balance, Depository Account or the physical Bank account balance for its Client Funds Account became overdrawn for any reason.		<i>Please list all overdraw instances.</i>
18.7.1	We confirm that, in this month, all payments of funds to the Market Participant Accepting Client Assets for Securities bought on behalf of all clients have been made directly into the Market Participant Accepting Client Assets' designated Client Funds Account.		



	If not the case, please provide details.		
18.15.1(e)	We confirm that where the Market Participant Accepting Client Assets provides/manages safe custody services, it has reconciled its Safe Custody Accounts in the past month and has controls in place to monitor un-reconciled items.		
	Section 21: NZX Powers (all Market Participants)		
21.7.1	We confirm that, in this month, the Market Participant , where it has become aware that it or another Market Participant breached or is likely to breach any of its obligations under the Rules and that the breach or likely breach is significant, has promptly notified NZX in writing of the circumstances of that breach or likely breach		

Acknowledgement

I, [insert name of Managing Principal/Responsible Executive] of [insert name of Market Participant], solemnly and sincerely declare that:

- (a) I have read and understood the questions above; and
- (b) the answers and comments given to the questions in Part A of this Internal Control Checklist are true and correct.

Signature of Managing Principal/Responsible Executive:

_____ Date: _____



Part B

Rule	Internal Control Questions	Y, N, NA	Comment
	Sections 19 and 20: Capital Adequacy and Monthly Reporting (all Market Participants Requiring Capital)		
19	We confirm that, in this month, the Market Participant Requiring Capital has met the requirements of Rule 19 at all times (including at all times during each day).		
20.14	The figures in the trial balance have been taken from a trial balance summary and are in agreement with the general ledger		
19	The figures in the Capital Adequacy Calculations for the last Business Day of the previous month and the summary calculations for each Business Day of the month, are in agreement with the general ledger and have been calculated according to the requirements of the Rules.		
19.3.4	We confirm that, in this month, the Market Participant Requiring Capital has notified NZX if its Net Tangible Assets were less than 120% of its Prescribed Minimum Capital Adequacy, as soon as reasonably practicable after becoming aware of the same.		

Acknowledgement

I, [insert name of Managing Principal/Responsible Executive] of [insert name of Market Participant], solemnly and sincerely declare that:

- (a) I have read and understood the questions above; and
- (b) the answers and comments given to the questions in Part B of this Internal Control Checklist are true and correct.



Signature of Managing Principal/Responsible Executive:

_____ Date: _____

Acknowledgement

I, [insert name of Chief Financial Officer] of [insert name of Market Participant], solemnly and sincerely declare that:

(a) I have read and understood the questions above; and

(b) the answers and comments given to the questions in Part B of this Internal Control Checklist are true and correct.

Signature of Chief Financial Officer:

_____ Date: _____

