

NZX Group Equity Index Futures

Key Information Document

Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Product

This document provides information relating to equity index futures contracts that have been listed by NZX Limited (**NZX**). NZX is a licenced market operator pursuant to the Financial Markets Conduct Act 2013.

NZX is regulated by the Financial Markets Authority.

This document is dated 11 July 2018.

Please note: You are about to purchase a product that is not simple and may be difficult to understand.

What is this product?

The product is an equity index futures contract listed for trading on the NZX Derivatives Market (**Market**) and cleared through the NZCDC settlement system (**Clearing House**), which is a designated settlement system by Order 2010/277 of the Reserve Bank of New Zealand.

The objective of this product is to give you exposure to the value of the range of equities in the index. Information on specific equities can be found online at <https://www.nzx.com/markets/NZCX/overview>. The unit of trading is a fixed quantity of the index, to be valued at a future date. At the expiration of the futures contract, the product is cash-settled against a third party reference price for the equity index published at that time.

Equity index futures contracts are made available for trading in a number of monthly expiration dates, referred to as 'contract months'. The range of contract months available for trading, as well as the day and time at which the contract ceases trading can be found online at <https://www.nzx.com/markets/NZCX/overview>.

The sale of an equity index futures contract can offset the purchase of an equity index futures contract (and vice versa), and therefore offsetting purchases or sales can close out a futures position. NZX may modify or terminate the availability of trading in equity futures contracts under its emergency procedures.

Equity index futures contracts are offered for trading on margin, which is an amount of money that must be deposited when a futures position is opened, and is also referred to as 'initial margin'. Futures contracts are assigned a settlement price at the end of each trading day, and the gain or loss on a position from the previous day must be collected from or paid to the Clearing House, and is also referred to as 'variation margin'. The amount of margin held on deposit must be maintained at a minimum level set by the Clearing House and your Participant.

The product is intended for all types of investors, but it is important to note that futures trading is not suitable for all investors as it involves the risk of loss in excess of the amount invested. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, investors should only use funds that they can afford to lose without affecting their lifestyles. Retail clients in particular should have a good knowledge and experience of futures or other leveraged products, should be able to bear losses in excess of the amount invested, should have a high risk tolerance and a short-term investment horizon for this type of product.

The settlement prices of the product are prices of the equity index to be valued at the expiration date and in accordance with the terms of the futures contract. The return on investment is therefore determined by the market prices for the product when the position is opened and closed, on-market traded prices, the amount of

time to expiration, the amount of money held on deposit as margin and final settlement price in the underlying asset.

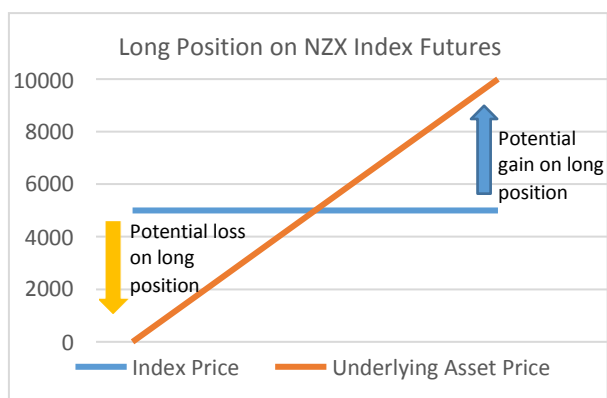
What are the risks and what could I get in return?

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because the Clearing House is unable to pay you.

We have classified this product as 7 out of 7, which is the highest risk class. As a futures contract, the product should be considered a high risk investment product.

This product does not include any protection from future market performance so you could lose some or all of your investment. There is no maximum loss. In some circumstances you may be required to make further payments to pay for losses. The total loss you may incur may significantly exceed the amount invested.

The product is listed for trading on the Market and there is no committed liquidity offered by market makers or the Exchange. Therefore, liquidity depends only on the availability of buyers and sellers in the market. Regular trading activity observed at one point in time does not guarantee regular trading at any other point in time.



Holding a long position by buying this product indicates that you think the underlying asset price will increase. Holding a short position by selling this product indicates that you think the underlying asset price will decrease.

What happens if NZX is unable to pay?

NZX is not a party to your trade, and its ability to pay is not relevant to your financial gain or loss.

The Clearing House is the central counter-party to every trade, so when your Participant places your order, the Clearing House is the buyer or seller on the other side.

The Clearing House is a designated settlement system and is regulated by the Reserve Bank of New Zealand and the Financial Markets Authority. The Clearing House maintains certain default capital to mitigate the chance of default by the Clearing House. However, there is a low risk that you may suffer financial loss if a Participant defaults and the Clearing House does not have the capital to pay out.

What are the costs?

NZX charges transaction fees in a number of situations. Fees may be charged to you directly or the Participant you place your order through. If the fee is charged to the Participant you place your order through, they may pass this fee on to you.

The NZX fee schedule can be found here: <https://www.nzx.com/services/market-participants/participant-fees>. Trading fees can be found in Section 9 of the fee schedule.

← Lower risk Higher risk →

The risk indicator assumes a holding period of 1 month. You may not be able to close your position easily or may have to close out at a price that significantly impacts on how much you get back.

The NZX Clearing Participant fee schedule can be found here:

http://www.nzxfutures.com/system/downloads/6/NZX_Clearing_Participant_Fee_Schedule_2017.pdf?1500589041.

You will be required to hold a margin account with your Participant and there may be a cost associated with this.

Aside from as disclosed in the fee schedule, no other charges are applied by NZX, although your Participant and any other intermediary firm employed by you may also charge fees for their services.

How long should I hold it and can I take money out early?

NZX does not provide a recommended holding period for this product, as this will be dependent on the needs of the investor. There is no minimum holding period, and no penalty for closing a position before expiry. Positions can be closed out by conducting an offsetting trade in the Market. NZX will charge a transaction fee for this offsetting trade and an additional close out fee. The fee schedule provided above illustrate these costs.

The Participant through which you placed the trade may require you to close your position before the product's expiration date.

How can I complain?

In first instance any complaints should be directed to the Participant through which you placed your trade.

Complaints regarding the operation of the Market can be directed to derivativesinfo@nzx.com, or you can call on +64 (9) 309 3672.

NZX is registered with an external dispute resolution provider, Financial Services Complaints Limited (**FSCL**), in accordance with the Financial Service Providers (Registration and Dispute Resolution) Act 2008. If you have contacted NZX directly regarding your complaint, and are unsatisfied with the outcome, FSCL may be able to assist. You can email complaints@fscl.org.nz, or phone from New Zealand on 0800 347 257.

Other relevant information

Contract Specifications, along with the futures contract's terms and administrative procedures, can be found here: <https://www.nzx.com/markets/NZCX/market-information>.

The NZX Derivative Market Rules (**Rules**) can be found here: <https://www.nzx.com/regulation/derivatives-rules>.

Capitalised terms in this document that are not otherwise defined bear the meaning contained in the Rules.