



# NZX Participant Guidance Note

NZX Adviser Designation

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## Contents

1.	Introduction.....	3
1.1	Scope of this Guidance Note.....	3
2.	Adviser Types.....	3
2.1	NZX Adviser.....	4
2.2	NZDX Adviser.....	4
2.3	NZX Derivatives Adviser.....	4
3.	Applying for Designation as an Adviser.....	4
4.	Designation requirements.....	5
4.1	Education.....	5
4.2	Experience.....	6
4.3	Supervision of Advisers yet to be designated.....	7

This Guidance Note has been issued by NZX Limited (**NZX**) to promote market certainty and assist NZX Participants. This Guidance Note sets out NZX's general approach to the subject, but is not to be regarded as a definitive statement of the application of the Participant Rules or Derivatives Market Rules in every situation. Examples set out in this Guidance Note are limited and are not designed to cover all eventualities. NZX may replace Guidance Notes and Practice Notes at any time and an NZX Participant should ensure it has the most recent versions of these documents. Guidance Notes do not constitute legal advice. NZX recommends that NZX Participants take advice from qualified persons.



# 1. Introduction

The purpose of this Guidance Note is to provide information for Participants on the designation of Advisers, including NZX Advisers, NZDX Advisers, and NZX Derivatives Advisers (Advisers).<sup>1</sup>

## 1.1 Scope of this Guidance Note

This Guidance Note relates to Adviser designations under both the Participant Rules and the Derivatives Market Rules (**Rules**), including:

- The types of Adviser categories under the Rules;
- The process for applying for designation as an Adviser; and
- The requirements imposed on Advisers.

Where relevant, examples of required education ~~or experience~~ are set out in this Guidance Note. These examples are provided for illustrative purposes only, and are not designed to cover all eventualities. All applications to NZX for Adviser designation are considered on a case-by-case basis, and determined based on their particular facts.

~~References to NZX Participants in this Guidance Note include:~~

- ~~• Participants, Advisers and Dealers as defined in the Derivatives Market Rules; and~~
- ~~• Market Participants, Advisers and Dealers as defined in the Participant Rules,~~

~~as specified in each relevant Rule.~~

Capitalised terms which are not defined in this Guidance Note have the same meanings given to them in the Rules.

Under Participant Rule 21.4.1 and Derivatives Market Rule 14.14.1, NZX may act by and through NZX Regulation Limited (**NZ RegCo**) in performing any function or discharging any power set out in the Rules. References in this Guidance Note to NZX therefore also include NZ RegCo in relation to any regulatory activity or discretion.

## 2. Adviser Types

NZX Participant Rule 5.2 outlines the requirement for each person providing advice on transactions relating to NZX Quoted Products (except those Quoted on the NZX Derivatives Market) to be designated by NZX as an NZX Adviser. NZX Derivatives Market Rule 6.7 outlines

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<sup>1</sup> NZX Derivatives Advisers refers to Advisers designated under the NZX Derivatives Market Rules, who are designated only in respect of advice relating to Derivatives Contracts

the requirement for any person providing advice on transactions relating to Derivatives Contracts to be approved as an NZX Derivatives Adviser.

## 2.1 NZX Adviser

An NZX Adviser is an individual who has been designated and approved by NZX and who is permitted under Participant Rule 5.2 to ~~may~~ provide advice to clients, or deal in any market operated or provided by NZX on behalf of clients, on transactions relating to NZX Listed Products (except those Quoted on the NZX Derivatives Market for which separate designation is required) ~~under Participant Rule 5.2.~~

## 2.2 NZDX Adviser

An NZDX Adviser is a person who is ~~designated permitted under Rule 5.3 only and approved to only~~ provide advice to clients on transactions in relation to Financial Instruments or any other instrument Quoted on the NZDX. An NZDX Adviser under Participant Rule 5.3 ~~and~~ may not provide advice or deal in respect of any other NZX market.

## 2.3 NZX Derivatives Adviser

An NZX Derivatives Adviser is a person who is designated and approved under Derivatives Market Rule 3.6 to provide advice to Clients on Derivatives Contracts and Dealing in Derivatives Contracts ~~as per Derivatives Market Rule 3.6~~

# 3. Applying for Designation as an Adviser

Application for designation as an Adviser requires the applicant to complete the application forms in:

- Appendix 9 of the Participant Rules for NZX Advisers;
- Appendix 10 of the Participant Rules for NZDX Advisers; or
- Form 7 of the Derivatives Market Rules Procedures for Derivatives Advisers.

Application forms must be accompanied by the relevant supporting ~~documentation~~information required as set out in the application forms. ~~Supporting The~~ information must ~~evidence include~~ how the applicant meets the requirements for education and experience and include ~~the applicant's CV,~~ details of any registrations or licences, confirmation that the applicant meets the legislative requirements and any other relevant information. Evidence of education can be provided in a variety of forms, including (but not limited to) certificates, academic transcripts or, in some cases, a letter of nomination and support from the Participant. It is recommended that applicants provide as much supporting evidence as possible.

NZX may, at its sole discretion, consider and accept evidence of ~~experience or~~ qualifications, ~~either~~ for an exemption from the educational ~~or experience~~ requirements set out in this Guidance Note.

## 4. Designation requirements

The requirements in order to be recognised as an NZX Adviser, NZDX Adviser and NZX Derivatives Adviser are set out in Participant Rules 5.4 to 5.5, Derivatives Rule 3.6 and this Guidance Note.

An applicant is able to attain the requisite educational and experience requirements prior to or while employed at a Participant, in advance of an application for designation being made.

In order to meet the education and experience requirements to be designated as one of the categories of ~~NZX~~ Adviser, as set out in Participant Rules 5.4.2 or 5.5.2 or Derivatives Market Rule 3.6, the applicant will need to provide evidence of the following:

1. Education that meets the New Zealand legislative requirements and provides:
  - ~~a.~~ ~~Knowledge of the relevant NZX Rules and guidance;~~
  - ~~b.~~a. Understanding of trading, clearing and settlement;
  - ~~c.~~b. Understanding of financial markets (in particular stock markets or derivatives markets, as applicable) more generally; and
  - ~~d.~~c. Understanding of the NZ legislative context.
2. ~~Experience — 2 years' r~~ Relevant financial markets experience or other equivalent experience to satisfy the Participant that the applicant is able to suitably represent the Participant in the provision of advice ~~(to be determined by NZX at its discretion), obtained over the 5 years preceding the application.~~

### 4.1 ~~NZX Rules Test~~

~~As part of the education requirement, an applicant must have a working knowledge of the NZX Participant Rules or the Derivative Market Rules. In order to demonstrate this knowledge of the relevant NZX Rules and Guidance, applicants are required to complete and pass an online NZX Rules test facilitated by NZX.~~

~~A Rules test can be arranged by contacting NZX. This must be completed before the application is submitted.~~

### 4.12 Education

~~In addition to the NZX Rules test,~~ A applicants will need to provide evidence of education that meets the New Zealand legislative requirements and provides:

- Understanding of trading, clearing and settlement;
- Understanding of financial markets (in particular stock markets) more generally; and
- Understanding of the New Zealand legislative context.

- These components can be achieved through various means, including:
  - a. NZ Certificate in Financial services Level 5 with the Investment strand included (or successor qualifications);
  - a.b. A degree or diploma in a relevant discipline;
  - b.c. Kaplan papers 508N 'Securities Law and Market Regulation in New Zealand' and:
    - 405N 'The New Zealand Stockmarket' for NZX Adviser or NZDX Adviser; or
    - FIN353 'Derivatives Markets and Strategies' for NZX Derivatives Adviser;
  - ~~NZ Certificate in Financial services Level 5 with the Investment strand included (or successor qualifications);~~
  - c.d. Overseas recognised qualifications relating to markets (e.g. U.S. Series 7); or
  - d.e. A significant level of relevant experience directly related to the NZX markets (or similar overseas markets).

When choosing to use a degree or diploma to meet one or more of the education components, information that demonstrates the relevance of the degree or diploma to the component must be provided.

Understanding of the New Zealand legislative context can also be achieved through internal training provided by the Participant. Evidence and scope of the training will need to be provided as supporting documentation with the application.

If ~~a candidate~~ an applicant wishes to rely on their previous experience (as detailed in (e) above) rather than any of the other education options, they will need a minimum of five years' experience in the eight years preceding their application, and their application will need to be supported by a written submission from the Participant ~~to support the application~~. The submission should provide details as to why the Participant thinks the candidate has appropriate knowledge and skills.

## 4.23 Experience

The ~~minimum Participant must be satisfied that the candidate~~ applicant has appropriate experience requirement is two years of relevant financial markets experience obtained over the preceding five years to competently represent the Participant in the provision of advice. This can include various categories of experience within financial markets, including for example operational or support roles where the candidate gained broader market related experience. The application should outline how the applicant's experience is relevant and meets the NZX's requirements to be designated. NZX may request additional information from the Participant regarding how the applicant's experience is relevant to their role as an Adviser.

~~In order to be relevant, the experience will need to support the specific category of Adviser designation that is sought. For example, two years' experience that is specific to cash markets is unlikely to be sufficient to meet the requirements for recognition as an NZX Derivatives Adviser, or vice-versa.~~

Similarly a candidate who has only had experience in FX markets or banking will also require experience in capital markets to be recognised as an NZX Adviser.

A candidate with extensive experience as an Authorised Financial Adviser, would also need to have experience in capital markets and direct investment in listed products to be recognised as an NZX Adviser.

#### **4.34 Supervision of Employees who wish to become Adviser candidates yet to be designated**

Where a Participant wishes to train and provide an Employee candidate who intends to seek NZX Adviser status in future, with suitable experience, the Participant must ensure the candidate Employee is suitably appropriately supervised until they are accredited in accordance with the Participant's obligations under the Rules.<sup>2</sup> . The criteria to become designated by NZX as an Adviser include both academic qualifications and experience. A person new to the market will generally be expected to gain at least some of the experience required to become a designated Adviser by working under the supervision of an NZX Adviser, although they could also gain some of their experience in operational or support roles where they are exposed to broader market experience. NZX's policy is that such supervision should include a reasonable level of oversight in order to provide the level of training required to become designated. NZX considers that, at a minimum, a reasonable level of oversight by a designated Adviser will involve the following:

as NZX does not consider that supervision can be achieved remotely from another office, the supervisor should be seated in close proximity, ideally beside or opposite one another, to the supervised person in order to provide regular guidance and to be able to listen to telephone conversations the supervised person has with clients;

as any advice of the supervised person on transactions relating to NZX Listed Products is effectively being provided by the supervisor, any advice and recommendations to clients must be reviewed by the supervisor in advance;

written communications must also be reviewed and approved by the supervisor before being sent; and

where the supervisor is away from his/her desk, another NZX Adviser must be designated to supervise any interaction with clients.

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<sup>2</sup> Participant Rule 3.13(a) and Derivatives Market Rule 3.22.6(a).