

Items covered include:

- NZX Market Participant Fees
- NZX Market Participant Infrastructure Fees
- NZX Participant Fee Schedule Review 2008

21 June 2007

Disclaimer

This Pricing Update has been issued by NZX to promote market certainty and to assist Market Participants. NZX may replace Pricing Updates at any time and a Market Participant should ensure it has the most recent version.

MARKET PARTICIPANT PRICING UPDATE No. 10

INTRODUCTION

This pricing update outlines changes to specific Market Participant fees. All other Participant pricing remains the same and these have not been discussed in this Pricing Update.

BACKGROUND

In 2004, a substantial review of the NZX Participant structure created a significant change in the number and type of categories available for organisations to select from, to extend and broaden the range of activities firms could undertake in the various NZX markets. Prices for these various categories were set, recognizing the value attached to the NZX brand, as well as the need to incentivise some organisations to undertake roles to develop markets run by NZX.

Prior to the introduction of new NZX Participant firm categories in 2004, there were 37 Participants in the form of NZX Firms. Now there are 84 Market Participants (not including NZX Advisors) spread across the 8 categories and include varying skill sets such as Law Firms, Banks, Accounting Firms and Custodians. The NZX Participant fee schedule has not been reviewed since 2004.

Infrastructure

With the introduction of the new trading system (Trayport) and FIX 4.4, NZX has had to review the infrastructure fees. We are confident that users will appreciate the functionality that the new trading system will bring. Accordingly, to encourage greater uptake of Trayport users, NZX is subsidizing Trayport user fees for at least the first 12 months (from implementation of this fee) to levels of \$80 per month for trade/order execution users and \$35 per month for view only users. We hope that Participants will take this opportunity to increase the number of users of the trading system to maximize exposure to the data that Trayport access can provide.

Implementation Date

The NZX Participant fee changes in this paper are implemented on **1 July 2007**.

NZX MARKET PARTICIPANT ACCESS FEES

A. PRINCIPAL BOOK ONLY AND BANK ONLY PARTICIPANTS

Fee Change

- Decrease initial Bank Only Participants fees to \$10,000 from \$15,000.
- Decrease initial Principal Book Only Participants fees to \$5,000 from \$10,000.
- Decrease both participants' annual fees to \$5,000 from \$10,000 for each.

Initial and annual fees cover access to New Zealand's regulated capital markets, continued use of the NZX brand, access to other market participants, and access to NZX staff.

This category was established to allow, for example banks, to be involved in debt markets or organisations to be principal traders only, as well as to appeal to more broad principal market participants as are evident in offshore markets. There are currently no participants in these categories.

While there are many other considerations in becoming a participant in these categories, NZX has decided to lower a potential barrier to entry by reducing fees for these categories to encourage organisations who have skills and expertise in these areas, to apply for inclusion in these categories.

B. NZX SPONSORS

Introduction

One of the changes brought about with the introduction of the NZAX market was the introduction of NZX Sponsors. This initiative was designed to extend the range of organisations that could assist companies in coming to market, and recognised the existing relationships that organisation like law firms, accounting firms and banks had with potential listed issuers.

NZX has committed significant resource to approving a wide range of NZX Sponsors, and ensuring they are best prepared to assist companies in the listing process, providing one-on-one assistance as well as seminars to help NZX Sponsors and issuers better understand the requirements of listing.

Fee Change

- Minimum annual fee paid by all NZX Sponsors set at \$2,500.
- NZX Sponsors who bring securities to the NZAX market will have this fee rebated.

Comment

The NZX Sponsor category was introduced in conjunction with the launch of the NZAX Market to diversify the participants able to assist Issuers in coming to market, thus providing an alternative and sometimes cheaper access to capital and public markets. To encourage new sponsors, NZX did not charge any fees to NZX Sponsors.

The widespread take-up reflects the view of the value of this category and NZX has committed considerable resources to establishing this category and sponsor education. NZX Sponsors are now aware of the value attached to this category and therefore an annual fee of \$2,500 fee has been introduced. NZX continues to provide support to NZX Sponsors via the rebate for NZX Sponsors that bring securities to the NZAX market. The annual fee for NZX Sponsors who bring securities to the NZSX or NZDX markets remains unchanged at \$12,500.

NZX Firms that choose to be NZX Sponsors continue to be exempt from this fee.

C. DISTRIBUTION & UNDERWRITING SPONSORS

Fee Change

- Decrease the initial fee by \$5,000 to \$5,000.
- Increase the annual fee by \$5,000 to \$10,000.

Comment

This category was primarily set up to allow banks to distribute and underwrite initial public offerings in the debt market. Distribution and Underwriting Sponsors receive great benefit from underwriting debt securities without the requirement to be an NZX Trading and Advising firm. More importantly, it has provided the ability for organisations to distribute IPOs to their respective client bases. NZX believes that the value proposition of this category is yet to be realised so NZX has lowered the barriers to entry with a decrease in the initial fee and an increase in the annual fee to reflect the value that would be recognised by a participant of this category.

NZX Firms that choose to be Distribution and Underwriting Sponsors continue to be exempt from this fee.

D. NZX ADVISORS / FUTURES & OPTIONS ADVISORS

Fee Change

- Increase individual advisor fees (including NZX Futures and Options Advisors) from \$250 to \$350 per annum.

Comment

The individual advisor fee covers provision of accreditation and branding associated with being an advisor, as well as advisor education initiatives undertaken by NZX.

In addition, NZX has committed significant resources in increasing the events that NZX Advisors are exposed to e.g. the various NZX seminars (High-tech, NZAX Market, and Warrants), and Issuer presentations. NZX continues to provide ongoing contribution to the quality and standards of the NZX Advisor qualification and NZX continues to commit resources to the development of the regulatory landscape on the proposed financial intermediary regime for recognition of the advisor qualification and ensuring that the proposed Approved Professional Body landscape has a minimal impact.

Over the next 12 months, NZX will engage in considerable work initiatives in regards to accreditation and possible ongoing certification for advisors in the regulatory requirements that are likely to be introduced in the near future. In comparison, the advisor fee remains significantly below membership fees for other professional bodies.

NZX MARKET PARTICIPANT INFRASTRUCTURE FEES

A. FIX CONNECTIVITY FEE (FORMERLY DMA LICENCE FEE)

Fee Change

- Increase monthly fee from \$2,000 to \$2,500.

Comment

This used to be known as the 'DMA Licence Fee' and has now been changed to "FIX Connectivity Fee" to more accurately reflect the nature of the service provided. This monthly fee is for DMA participants only.

Participants using FIX connectivity will have increased value from the additional functionality from FIX 4.2 to FIX 4.4 with the roll out of the new trading system which includes:

- FIX 4.4 is more compliant with international standards whereas FIX 4.2 was non-standard, almost a proprietary system for New Zealand.
- The international standardisation of FIX 4.4 will make it easier for independent software vendors (ISVs) to develop and conform their front end trading solutions.
- Better order execution reports.
- Increased fields for further releases.

Looking Forward

NZX will be approaching FIX 4.4 users to ascertain usage and to consider disclosure requirements around that usage.

B. TRAYPORT SOFTWARE LICENCE FEE

New Fee

- Fee for trade/order execution \$80 per user per month.
- Fee for view only access \$35 per user per month.

Comment

Under the new trading system, Trayport, the fee structure has changed and each user comes at a cost of approximately \$180 per user per month. This differs from the price structure under the current trading system

NZX will subsidise this fee for at least 12 months from the date of implementation to encourage firms to take advantage of this functionality. This subsidy will be in place for at least the first 12 months from the implementation of this fee.

Trayport is scheduled to go live on 6 July 2007.

NZX PARTICIPANT FEE SCHEDULE REVIEW 2008

NZX intends to undertake a comprehensive review of the entire NZX Participant Fee schedule in the second quarter of 2008. This review will recognise that prices have not been changed since 2004, include inflation (four years on since the last pricing review) and, with the investigations into developing a central counterparty, it is likely that the cost structure for clearing and settlement will need to be reviewed. Similarly, connectivity fees may require restructuring as a result of the 2007 change in trading systems to Trayport.

If you have any queries please contact NZX Client & Market Services in the first instance by emailing helpdesk@nzx.com or calling +64 4 496 2853.