

7 December 2012

## Announcement of NZX Regulation

### Introduction

NZ Markets Disciplinary Tribunal (“**NZMDT**”) has considered a Settlement Agreement in respect of a Statement of Case brought by NZX Regulation (“**NZXR**”) against an NZX Advisor employed by an NZX Participant Firm. In accordance with the Settlement Agreement, the identity of the NZX Advisor has been omitted from this public statement.

The Statement of Case related to breaches of NZX Participant Rules (“**Rules**”) 5.8.1, 8.1.1, 10.5.1 and 10.5.3 in respect of the Trade Me Group Limited (“**TME**”) initial public offering (“**IPO**”).

NZXR’s investigation of this matter arose from the matter being identified and self-reported by the Firm to NZXR, as required by the Rules.

### The applicable Rules

Rule 10.5.1 requires, amongst other things, that:

*Employees of a Trading Participant, NZX Advising Firm or Distribution and Underwriting Sponsor who wish to deal in any Securities quoted on a market provided by NZX on their own personal account must obtain written authority to do so for each individual Order to buy or sell any Security quoted on a market provided by NZX from the Compliance Manager, Managing Principal or Responsible Executive (or their delegate) of the Trading Participant or NZX Advising Firm.*

Rule 10.5.3 requires, amongst other things, that:

*Employees of a Trading Participant, NZX Advising Firm or Distribution and Underwriting Sponsor must not participate in, or request an allocation of, Securities in any initial public offer (unless via a public pool, or if the Employee has a pre-existing right in the new offer of Securities).*

Rules 5.8.1 and 8.1.1 require, amongst other things, that:

*Each Advisor must at all times refrain from any action, conduct, matter or thing which is, or is reasonably likely to be, detrimental to the wellbeing or proper conduct of NZX, discredit or bring into disrepute NZX, and must comply fully with all applicable Rules, and at all times observe Good Broking Practice.*

### Description of Breaches

- The NZX Advisor transferred funds to a client.
- The client used these funds to acquire 1,500 shares in the TME IPO.
- These shares were subsequently transferred, via an off-market transfer, to the NZX Advisor.

In doing so, the NZX Advisor:

- Participated in the TME IPO, in breach of Rule 10.5.3;
- Acquired securities without obtaining written authority from the Firm, in breach of Rule 10.5.1; and
- Did not refrain from conduct that was detrimental to NZX and its markets, and failed to comply fully with all applicable Rules, and at all times observe Good Broking Practice, in breach of Rules 5.8.1 and 8.1.1.

### **Mitigating Circumstances**

- The breaches were a one-off offence.
- No client suffered as a result of the breaches.
- There was an early admission of fault by the NZX Advisor.
- The NZX Advisor has faced disciplinary action from the Firm.

### **Decision**

NZXR and the NZX Advisor have reached a settlement in respect of the above breaches and have agreed that:

- The NZX Advisor will pay the NZX Discipline Fund \$10,000;
- The NZX Advisor will pay the costs incurred and invoiced for both NZXR and NZMDT (plus GST, if any); and
- This statement will be published.

The settlement has been approved by NZMDT, as contemplated by section 10 of the NZMDT Rules, and as such the settlement agreement is the determination of NZMDT.

ENDS