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Disclaimer

This guidance note has been issued to promote commercial certainty and assist market participants. It provides guidance to Issuers and their advisors on NZX's interpretation of the Listing Rules. 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 Rules in every situation. Guidance Notes do not constitute legal advice and are only a guide to NZX's policy & practice. NZX recommends that Issuers take advice from qualified professionals.

NZX may replace Guidance Notes at any time. Issuers should ensure that they have the most recent version of the Guidance Note. Guidance Notes are posted to NZX's website at www.nzx.com

GUIDANCE NOTE – TRADING HALTS AND THE PUBLIC RELEASE OF INFORMATION BY NZX

Introduction

This guidance note has been prepared to assist issuers to understand the use of the trading halt mechanism and to illustrate how the relevant rules operate. In particular this guidance note comments on New Zealand Exchange Limited (“NZX”) NZSX and NZDX Listing Rule 5.4 or NZAX Listing Rule A5.3 which are the chief provisions concerning trading halts and NZX Participant Rule A10.22 which guides the conduct of NZX Firms in respect of trading halts.

What is a Trading Halt?

A trading halt is a temporary halt in the normal trading of the market or in the trading of particular quoted securities. A halt can be distinguished from situations where trading in an issuer's Securities has been suspended. Trading halts are intended to provide companies with an opportunity to manage continuous disclosure issues and to give the market an opportunity to digest material information. The temporary nature of a trading halt reflects the principle that trading interruptions should be kept to a minimum.

When can a Trading Halt be used?

A trading halt may be implemented by NZX:

- under NZSX and NZDX Listing Rule 5.4.1 or NZAX Listing Rule A5.3.1 (as the case may be) at the request of an issuer; or
- under NZSX and NZDX Listing Rule 5.4.2 or NZAX Listing Rule A5.3.2 (as the case may be) where NZX receives an announcement from an issuer and that announcement is perceived by NZX to be likely to have a material effect on the price or value of quoted securities.

What is the difference between a Trading Halt and a Suspension?

Trading halts are distinguished from trading suspensions and are treated differently in the FASTER Trading system. Suspensions from trading under NZSX and NZDX Listing Rule 5.4.2(b) or NZAX Listing Rule A5.3.2(b) (as the case may be) are generally reserved for disciplinary action by NZX against an issuer.

This guidance note addresses each of these matters in more detail, however this guidance note does not deal with trading suspensions.

Issuer Requested Trading Halts

The relevant rule: NZSX and NZDX Listing Rule 5.4 and NZAX Listing Rule A5.3.1

“Request: An Issuer [or NZAX Issuer] may request:

(a) by notice in writing to NZX, that trading in its Securities be halted by NZX for a period not to exceed two Business Days;...

...After receipt of a request from an Issuer [or NZAX Issuer] in accordance with:

(a) Rule 5.4.1(a) [NZAX Listing Rule A5.3.1(a)] NZX may halt trading;...

...on or subject to such conditions as NZX thinks fit.”

Purpose of Trading Halt

Trading halts can be used to assist an issuer to manage its continuous disclosure obligations. For example, where material information is released to the market a brief trading halt can provide the market with time to digest the information. This should assist investors to trade on an informed basis.

In addition NZX expects and encourages issuers to request a trading halt in accordance with NZSX and NZDX Listing Rule 5.4.1 or NZAX Listing Rule A5.3.1 (as the case may be) whenever the issuer is not able to make an immediate announcement under NZSX and NZDX Listing Rule 10.1.1 or NZAX Listing Rule B1.1.1. This enables a halt to be applied until such announcement can be made.

Prior to granting a trading halt, NZX will consider the information provided by the issuer in support of granting the halt particularly whether the issuer is aware of any reason why the trading halt should not be granted. NZX will not grant a trading halt if it is not satisfied that a trading halt would be of benefit to the market.

Procedure for requesting a Trading Halt

NZSX and NZDX Listing Rule 5.4.1 or NZAX Listing Rule A5.3.1 (as the case may be) provides guidance to an issuer that wishes to request a trading halt. These rules state that an issuer may request, by notice in writing to NZX, that trading in its Securities be halted by NZX for a period not to exceed two Business Days. After receipt of a request from an issuer in accordance with NZSX and NZDX Listing Rule 5.4.1(a) or NZAX Listing Rule A5.3.1(a) NZX may halt trading on, or subject to compliance with, such conditions as NZX thinks fit.

A request to NZX for a trading halt should contain certain information to enable to NZX to reach a decision on the request, and implement the halt, if it determines to grant the request. In that regard, the footnotes to NZSX and NZDX Listing Rule 5.4.1 and NZAX Listing Rule A5.3.1 state:

“1. Where an Issuer [or NZAX Issuer] is requesting a trading halt, pursuant to Rule 5.4.1(a) [NZAX Listing Rule A5.3.1(a)], it must provide information to NZX on each of the following:

- its reasons for the trading halt;*
- how long it wants the trading halt to last;*
- the event it expects to happen that will end the trading halt;*
- that it is not aware of any reason why the trading halt should not be granted;*

- *any other information necessary to inform the market about the trading halt, or that NZX asks for.*
2. *NZX is not required to act on the Issuer's [or NZAX Issuer's] request for a trading halt."*

Where an issuer wishes to request a trading halt, it should contact NZX Regulation or Listed Company Relations in writing. Issuers should note that the information as set out in the footnote to NZSX and NZDX Listing Rule 5.4.1 or NZAX Listing Rule A5.3.1 must be provided in order for the request to be considered without delay. If NZX agrees to grant the trading halt it will advise the issuer and immediately place a trading halt on that issuer's quoted securities.

The application and the reasons for the trading halt will generally be released to the market together with any other information necessary to keep the market informed. If the reasons for the request are confidential or commercially sensitive and should not be released to the market, this should be noted in the issuer's request to NZX.

If the request is refused, NZX will advise the issuer of the decision and discuss options with the issuer for release of information to the market or possible suspension from trading.

Lifting the Halt

A trading halt will usually be lifted after the issuer has made the announcement that related to the request for a trading halt. If a series of announcements is anticipated, then the halt will generally remain in place until the last of the announcements is made. If an announcement has not been made by the agreed time, NZX may suspend the issuer's securities from quotation. This is to ensure that an issuer makes its announcements within the time period it has specified in its application for a trading halt. If more than a 48 hour trading halt is needed issuers should approach NZX about a waiver from the disclosure rules or request NZX to exercise its power to suspend the issuer's securities under NZSX and NZDX Listing Rule 5.4.2(b) or NZAX Listing Rule A5.3.2(b) (as the case may be) pending the release by the issuer. When exercising this power NZX can disclose the grounds for doing so, obviating any negative impression that may result from a suspension.

Other Trading Halts

The relevant rules

NZSX and NZDX Listing Rule 5.4.2 or NZAX Listing Rule A5.3.2 provide that:

"NZX may at any time, and in its absolute discretion, do any one or more of the following, without giving any reasons and (subject to Rule 5.4.4) [NZAX Listing Rule A5.3.4] without giving prior notice to the Issuer [NZAX Issuer] concerned:

- (a) *cancel the Listing of any Issuer [NZAX Listed Issuer]; or*
- (b) *cancel, halt or suspend for such period as NZX thinks fit, the Quotation of any or all of an Issuer's [NZAX Issuer's] Securities; or*
- (c) *(Revoked 1/5/04)*

- (d) *refer the conduct of any Issuer [NZAX Issuer], or of any Directors or Associated Person of any Issuer [NZAX Issuer], to NZX Discipline or to any statutory or governmental authority.”*

NZX Participant Rule A10.22 provides similar provisions in respect of Market Participants:

“A10.22 TRADING HALTS AND SUSPENSIONS OF TRADING

- A10.22.1 If any of the markets provided by NZX are halted or suspended during a Normal Trading Session for whatever reason, NZX may extend that Normal Trading Session. If such a decision is made, NZX will advise this decision to all Market Participants via a market announcement.*
- A10.22.2 A Trading Halt or suspension may be called during a Normal Trading Session for any Security listed on a market provided by NZX.*
- A10.22.3 During a Trading halt or suspension Market Participants may not:*
- (a) Trade or undertake Crossings; or*
 - (b) Report Crossings,*
- in the Security the subject of a Trading halt or suspension.*
- A10.22.4 If there is a Trading Halt or suspension affecting all Securities on any market provided by NZX, there shall be an Anonymous Call Auction or Pre-Opening Session for such market for a period of time, as determined from time to time by NZX, prior to re-commencing the Normal Trading Session in such markets.*
- A10.22.5 For avoidance of doubt NZX may suspend Trading in any market and shall advise Market Participants of such suspension and of the altered hours or market phases on that day.”*

NZX initiated Trading Halts

In some circumstances NZX may implement a trading halt at its own decision. This may occur when an issuer releases an announcement to NZX which is price sensitive. In such a case, it is NZX's policy to implement a trading halt for a period of not greater than 15 minutes or in the case of securities of an Overseas Listed Issuer or a Dual Listed Issuer for a period of not greater than 10 minutes.

In these circumstances, trading halts allow Trading Participants to manage their orders in a quoted security following the release of new information to the market without the pressure of continuing trading and to provide the market with an opportunity to re-price a quoted security in an orderly manner.

During the trading halt Trading Participants may withdraw orders, amend orders or place orders in the quoted security. However, NZX Participant Rule A10.22 prohibits Trading Participants from trading or undertaking crossings in quoted securities subject to the trading halt.

There is an inherent difficulty in determining whether or not an announcement is or is not price sensitive due to the number of factors particular to each issuer that must be considered in each circumstance and the time pressure of releasing information to the market as quickly as possible.

NZX acknowledges that the use of a trading halt may attribute an announcement with a status that is not warranted and therefore the seriousness of the announcement may be misinterpreted by the market causing undue price volatility in an issuer's securities.

For this reason, where the following potentially material types of announcements are released during normal trading, a trading halt will generally be applied for a period not exceeding 15 minutes from the time the announcement is released (or in the case of an Overseas Listed Issuer or a Dual Listed Issuer, a period not exceeding 10 minutes from the time of receipt of the announcement by NZX):

- There can be no definitive list of all the circumstances where a trading halt may be applied. However, the following information would require disclosure if material under the continuous disclosure rule:
 - a change in the issuer's financial forecast or expectation.
 - the appointment of a receiver, manager, liquidator in respect of any loan, trade credit, trade debt, borrowing or securities held by the issuer or any of its Subsidiaries.
 - a transaction for which the consideration payable or receivable is a significant proportion of the written down value of the entity's consolidated assets. Normally, an amount of 5% or more would be significant, but a smaller amount may be significant in a particular case.
 - a change in the control of the Manager of a Managed Fund, or a change of trustee of a Listed trust.
 - a proposed change in the general character or nature of a Listed trust.
 - a recommendation or declaration of a dividend or distribution.
 - a recommendation or decision that a dividend or distribution will not be declared.
 - undersubscription or oversubscription to an issue.
 - a copy of a document containing market sensitive information that the entity lodges with an overseas stock exchange or other regulator which is available to the public. The copy given to NZX must be in English.
 - giving or receiving a notice of intention to make a takeover.
 - an agreement between the issuer (or a Subsidiary) and a Director (or an Associated Person of the Director).

[Footnote 1 to NZSX and NZDX Listing Rule 10.1 or NZAX Listing Rule B1.1]

- Information upon major change of control or direction
[NZSX and NZDX Listing Rule 10.3, an equivalent doesn't exist in the NZAX Listing Rules]
- Preliminary announcements
 - Full year and half year announcements
 - Quarterly release of financial information[NZSX and NZDX Listing Rule 10.4, NZAX Listing Rule B1.4]
- Announcements of material changes
[NZSX and NZDX Listing Rule 10.7, an equivalent doesn't exist in the NZAX Listing Rules]
- Other Information to be notified to NZX
 - Proposal to sub-divide or consolidate securities
 - Proposal to amend conditions of quoted securities
 - Non-confirmation by shareholders at a meeting, or cancellation, or any proposal already notified to NZX

[NZSX and NZDX Listing Rule 10.8, NZAX Listing Rule B1.8]

- Announcements by mining issuers

- Hydrocarbon reports
- Ore and mineralisation reports
- Quarterly mining reports

[NZSX and NZDX Listing Rule 10.10, NZAX Listing Rule B1.10]

Issuers are encouraged to contact NZX to discuss whether or not a trading halt should be applied on release to NZX of a particular announcement.

Administrative Trading Halts

Under NZSX and NZDX Listing Rule 5.4.2 or NZAX Listing Rule A5.3.2 (as the case may be) and NZX Participant Rule A10.22 a trading halt may be used as an administrative tool in cases where a quorum of brokers for trading does not exist due to system outages or impaired connectivity.

In such cases, a trading halt will be applied to the market as a whole and not to securities individually.

Third Party Announcements

In the case of announcements regarding issuers received for release from third parties such as the Takeovers Panel, Securities Commission and Commerce Commission, NZX will, wherever possible, consult with the issuer concerned prior to a trading halt being implemented if the announcement is considered by NZX to be price sensitive.

Issuers who become aware that a regulatory body or other party is making an announcement to the market that may or may not impact the price of that issuer's quoted securities, are encouraged to contact NZX Listed Company Relations to ensure the announcement is handled appropriately.

If the issuer cannot be contacted, NZX will exercise its discretion as to whether or not to apply a trading halt on the company's securities.

General Matters

NZX Participant Rule A10.22 and A10.24 provide a number of general matters relevant to trading halts. Rule A10.22.1 provides that if NZX markets are halted during a Normal Trading Session for whatever reason, NZX may extend that Normal Trading Session. If such a decision is made, NZX will advise this decision to all Market Participants.

NZX Participant Rule A10.22.2 provides that a Trading Halt may be called during a Normal Trading Session for any Security listed on a market provided by NZX.

Rule A10.22.4 provides that if there is a Trading Halt affecting all Quoted Securities on any of NZX's markets, there shall be an Anonymous Call Auction or Pre-Opening Session for such period of time as determined by NZX, prior to recommencing the Normal Trading Session.

Contact Us

If issuers have any questions on the matters in this guidance note they may direct them to the Listed Company Relations team at NZX.