

SECTION 4

TRADING PARTICIPANTS

4.1 APPLICABLE MARKET PARTICIPANTS

4.1.1 For the purpose of these **Rules**, all:

- (a) NZX Trading and Advising Firms;
- (b) Bank Only Participants; and
- (c) Principal Book Only Dealers,

shall be deemed to be Trading Participants and must comply with this **Section 4**.
(Amended 28/2/07)

4.1.2 Trading Permission shall be deemed to have been granted to all NZX Trading and Advising Firms, Bank Only Participants and Principal Book Only Dealers, as the case may be, as a right of designation of that class of Market Participant.
(Amended 28/2/07)

4.1.3 Nothing in **Rules 4.1.1** and **4.1.2** prohibits NZX from appointing an Approved Organisation as a Trading Participant pursuant to **Rule 3.18**.

4.2 REQUIREMENT TO HAVE DESIGNATED DEALERS AND/OR DMA DEALERS

4.2.1 Subject to **Rule 4.2.2**, each Trading Participant must have Dealers accredited and approved by NZX to enter/submit Orders into the Trading System.
(Amended 28/2/07)

4.2.1A Each Trading Participant who uses the Direct Market Access facilities provided by NZX must ensure that those facilities are operated only by its DMA Dealers that have been accredited and approved by NZX.
(Inserted 28/2/07)

4.2.2 Notwithstanding **Rule 4.2.1**, DMA Authorised Persons who have been authorised by a Trading Participant by way of a written agreement to access the Trading System by Direct Client Order Processing, are not required to be

DMA Dealers to submit their Orders into the Trading System via the order entry systems of that Trading Participant. *(Amended 28/2/07)*

- 4.2.3 For the avoidance of doubt, a Trading Participant is responsible for ensuring that any DMA Authorised Person granted authority by that Trading Participant to submit Orders into the Trading System via Direct Client Order Processing, has the appropriate skill, expertise and knowledge of the workings and use of the Trading System to do so. *(Amended 28/2/07)*

4.2A APPLICATIONS FOR DEALERS AND/OR DMA DEALERS

- 4.2A.1 Applications for designation of an Employee of a Trading Participant as a Dealer and/or DMA Dealer (**candidate**) shall be made by the candidate in writing and shall provide all the information and supporting documentation required by the form provided in **Appendix 2** to these **Rules** and shall be submitted to NZX for consideration by NZX. The application shall be accompanied by a statutory declaration by the Dealer and/or DMA Dealer in the form provided in **Appendix 2A** and by an undertaking to NZX from the Trading Participant that employs the candidate in the form provided in **Appendix 2B**. *(Inserted 28/2/07)*

- 4.2A.2 Each Trading Participant that has an Employee applying for designation as a Dealer and/or DMA Dealer is responsible for ensuring that the Employee has the appropriate skills and experience to act as a Dealer and/or DMA Dealer as set out in **Rule 4.3.1A** *(Inserted 28/2/07)*

4.3 DESIGNATION OF DEALERS/DMA DEALERS

- 4.3.1 NZX may at its complete discretion:

- (a) Designate a candidate as a Dealer/DMA Dealer;
- (b) Decline to designate a candidate as a Dealer/DMA Dealer; and/or
- (c) Revoke any Dealer's/DMA Dealer's designation at any time.

(Amended 28/2/07)

- 4.3.1A NZX may at its complete discretion designate as a Dealer or DMA Dealer a candidate who has applied for designation as a Dealer or DMA Dealer under **Rule 4.2A** if the candidate:

- (a) Supplies evidence satisfactory to NZX of:
 - (i) The candidate's integrity and high standard of business conduct, as shown in the investigations and observations of the candidate's employer, previous employers, educational institutions and other relevant references; and
 - (ii) The candidate's potential ability to perform, in a satisfactory manner, the duties of a Dealer and/or DMA Dealer (as applicable) as demonstrated by a period of specific training for these duties in a Trading Participant's office or some equivalent office in the Securities industry;
- (b) Has fulfilled any NZX training, accreditation requirements and/or testing obligations. For the avoidance of doubt, the minimum training requirements for a candidate without previous relevant experience shall be **one month**. The training period may be reduced or waived at NZX's discretion if the candidate has had previous relevant experience in the Securities industry as a Principal or Employee of a Trading Participant, or in a closely allied field. During the training period, each trainee must undertake actual "on the job" training in the Trading Participant's organisation, while under the constant supervision of an accredited Dealer or DMA Dealer, as appropriate to the dealer type for which the candidate is seeking approval; and
- (c) Is able to demonstrate a thorough working knowledge of relevant sections of the **Rules**, Guidance Notes, any directions given from time to time by NZX and a working knowledge of the operations of the Trading System, and in the case of a DMA Dealer, Direct Market Access.
(Inserted 28/2/07)

4.3.2 Each person who is a designated Dealer/DMA Dealer on behalf of a Trading Participant shall have his or her name entered into a Dealers' register or DMA Dealers register (as applicable) maintained by NZX.
(Amended 28/2/07)

4.3.3 NZX may at any time and from time to time require current or prospective Dealers/DMA Dealers to undergo accreditation and/or training, from an NZX Trainer or otherwise, to ensure that each Dealer/DMA Dealer has up-to-date knowledge of the workings and use of the Trading System and/or Direct

Market Access facilities provided by NZX and/or to otherwise demonstrate competence and knowledge of the Trading System, Direct Market Access and their operation and functions. *(Amended 28/2/07)*

4.3.4 Upon approving the designation of a candidate as a Dealer/DMA Dealer in accordance with this **Rule 4.3**, these **Rules** shall form a binding contract between that Dealer/DMA Dealer and NZX. *(Amended 28/2/07)*

4.4 *(Revoked 28/2/07)*

4.5 *(Revoked 28/2/07)*

4.6 TRADING PARTICIPANT'S OBLIGATIONS

4.6.1 Only Dealers, DMA Dealers and DMA Authorised Persons may use the trading functionality available in the Trading System, including entering, withdrawing or amending Orders, Bids, Offers and/or Trades. *(Amended 28/2/07)*

4.6.2 A Trading Participant is responsible for ensuring the accuracy of the details, the integrity and bona fides of all trading messages which are entered into the Trading System using that Trading Participant's identification code, regardless of whether the trading messages are entered into the Trading System via a Dealer, DMA Dealer or as a result of the Trading Participant allowing access to its trading systems via Direct Client Order Processing. For the avoidance of doubt, a Trading Participant allowing access to its trading system via DMA must ensure that it has the appropriate filters, screens and security measures in place to achieve the objectives of this **Rule 4.6**. *(Amended 28/2/07)*

4.7 NOTIFICATION OF CHANGES TO DEALERS/DMA DEALERS

A Trading Participant must:

- (a) Ensure that NZX has at all times an up-to-date list of all Dealers/DMA Dealers employed by, or contracted to, that Trading Participant; *(Amended 28/2/07)*
- (b) Immediately notify and provide an amended list to NZX whenever a Dealer/DMA Dealer: *(Amended 28/2/07)*

- (i) Commences employment or contractual relations with; or
 - (ii) Ceases to be employed by or contracted to;
- that Trading Participant; and
- (c) Notify NZX in writing of any changes internally to the person(s) holding the position of Dealer or DMA Dealer for that Trading Participant as soon as such a change has been implemented by that Trading Participant and in any case within **5 Business Days** of a change being made.
(Inserted 28/2/07)

4.8 POST TRADE AGREEMENTS

- 4.8.1 A Trading Participant who is not a Delivery and Settlement Participant must enter into and maintain a written Post Trade Agreement with a Delivery and Settlement Participant setting out the terms and conditions governing their relationship.
- 4.8.2 Each Trading Participant, other than a Trading Participant who is also a Market Maker, may enter into Post Trade Agreements with more than one Delivery and Settlement Participant.
- 4.8.3 A Trading Participant who is also a Market Maker must not enter into more than one Post Trade Agreement without the prior written approval of NZX.
- 4.8.4 Each Trading Participant must advise NZX in writing of all of the Post Trade Agreements entered into between that Trading Participant and any Delivery and Settlement Participant and the terms and conditions of such agreements and any amendments to the Post Trade Agreement. Each Trading Participant must also advise each Delivery and Settlement Participant with whom it has a Post Trade Agreement in writing:
 - (a) Of the other Delivery and Settlement Participants with whom it has entered into a Post Trade Agreement; and
 - (b) When a Post Trade Agreement with another Delivery and Settlement Participant has expired or been terminated, and in the case of termination, the grounds for that termination.
- 4.8.5 A Post Trade Agreement must:

- (a) Contain the terms and conditions provided for in **Appendix 5** as amended from time to time by NZX;
- (b) Provide for:
 - (i) Procedures with respect to Discretionary Accounts;
 - (ii) Procedures in relation to receipt and delivery of Client Funds and Client Assets; *(Amended 28/2/07)*
 - (iii) The transfer of Settlement and Delivery Obligations to the Delivery and Settlement Participant (including but not limited to the transfer of information such as FINs);
 - (iv) Risk management provisions including dealing, position and settlement limits; *(Amended 28/2/07)*
 - (v) The extension of client credit (if applicable);
 - (vi) Communications, trade confirmation and reporting between the Trading Participant and the Delivery and Settlement Participant;
 - (vii) Controls and filters in place if the Trading Participant is allowing Direct Client Order Processing; and
 - (viii) Fees, disbursements and any other amounts payable.

4.8.6 Each Trading Participant and Delivery and Settlement Participant may include such other terms and conditions as agreed between them, provided that such terms and conditions are not inconsistent with the terms and conditions provided for in **Appendix 5**. If such an inconsistency occurs the terms and conditions provided for in **Appendix 5** will prevail.

4.8.7 If a Trading Participant instructs a Delivery and Settlement Participant to perform delivery and settlement functions for it without entering into a Post Trade Agreement with that Delivery and Settlement Participant then the terms and conditions as provided for in **Appendix 5** shall apply.

4.8.8 Notwithstanding anything in this **Rule 4.8**, a Trading Participant cannot enter into a Post Trade Agreement with a FASTER Participant.
(Inserted 28/2/07)

4.9 TERMINATION OF POST TRADE AGREEMENTS

4.9.1 If a Trading Participant, or a Delivery and Settlement Participant, resolves to terminate a Post Trade Agreement, the party proposing to terminate the agreement must provide the other party to the Post Trade Agreement notice in writing of such termination, and the Trading Participant must provide NZX notice of that termination, no later than **10 Business Days** before the effective date of such termination. Such notice must include the intended time and date (the “**notification date**”) on which the Post Trade Agreement is intended to be terminated.

4.9.2 If NZX is not advised of the notification date within the time specified in **Rule 4.9.1**, the termination of the Post Trade Agreement will not be effective until NZX suspends Trading Permission of that Trading Participant and removes all Orders of that Trading Participant in the Trading System unless, at the time of termination or at some earlier time, the Trading Participant has become an accredited Delivery and Settlement Participant, or has entered into a Post Trade Agreement with another Delivery and Settlement Participant and has provided NZX with notification of the new Delivery and Settlement Participant. *(Amended 28/2/07)*

4.10 CHANGE OF STATUS AS A DELIVERY AND SETTLEMENT PARTICIPANT

4.10.1 If a Trading Participant, which is also a Delivery and Settlement Participant, resolves to terminate its status as a Delivery and Settlement Participant, that Trading Participant must provide written notice to NZX and the other parties affected by that Trading Participant’s decision to cease being a Delivery and Settlement Participant as soon as the resolution to cease operating as a Delivery and Settlement Participant is made by that Trading Participant, and in any case no later than **10 Business Days** before the effective date of such termination. *(Amended 28/2/07)*

4.10.2 A Trading Participant that resolves to become a Delivery and Settlement Participant must provide a written application to NZX for designation as a Delivery and Settlement Participant pursuant to **Rule 3.1**.

4.10.3 *(Revoked 28/2/07)*