

## SECTION 12

### MARKET MAKERS

#### 12.1 MARKET MAKER PARTICIPANTS

12.1.1 Subject to these **Rules**, an NZX Trading and Advising Firm and a Principal Book Only Dealer may request designation by NZX as a Market Maker in one or more specified Securities listed on a market provided by NZX by completing the application in the form detailed in **Appendix 7** and by providing any additional information NZX requests. NZX shall review such application as soon as reasonably practical upon receipt.

*(Amended 28/2/07)*

12.1.2 At any time NZX may require any designated Market Maker to meet any requirements and conditions additional to these **Rules** that NZX considers appropriate to ensure an orderly and fair market.

*(Amended 28/2/07)*

12.1.3 NZX shall have complete discretion to consider an application for a company, firm, organisation or partnership as a Market Maker.

*(Amended 28/2/07)*

12.1.4 NZX shall have complete discretion to reject or approve (with or without conditions) an Applicant as a Market Maker. Where an Applicant's application is declined by NZX, NZX shall set out its reasons for declining that application and that decision shall be final and non-contestable by the Applicant.

*(Inserted 28/2/07)*

#### 12.2 ADDITIONAL SECURITIES

12.2.1 A Market Maker for one or more specified Securities may become designated as a Market Maker in additional Securities, including newly quoted Securities, by requesting such designation in writing from NZX specifying the additional Securities for which the Market Maker wishes to be designated to act as a Market Maker.

12.2.2 NZX shall review an application for designation as a Market Maker in an additional Security as soon as reasonably practicable upon receipt.

*(Amended 28/2/07)*

### 12.3 NORMAL BUSINESS HOURS

Each Market Maker must be open for business at all times during the Normal Trading Hours on each Trading Day (with the exception of Trading Halts).

### 12.4 OPERATIONAL OBLIGATIONS

12.4.1 Each Market Maker must make markets in those Securities for which it is designated as a Market Maker by NZX.

12.4.2 Each Market Maker must:

- (a) Buy and sell the Securities for which it is designated a Market Maker on its own account and on a continuous basis;
- (b) Enter and maintain Bids and Offers in the Securities for which it is designated a Market Maker during the hours specified in **Rule 12.3** or as otherwise agreed by NZX with that Market Maker;  
*(Amended 28/2/07)*
- (c) Satisfy Orders delivered to the Market Maker's posted quotes; and
- (d) Adjust and reinstate the two-sided quotations **within 60 seconds** or such other period as NZX may agree with that Market Maker of an executed Trade.  
*(Amended 28/2/07)*

12.4.3 All Employees of that Market Maker must comply with the Rules set out in this **Section 12**. Each Market Maker is responsible for all acts, omissions and transactions done, made or effected by its Employees.

12.4.4 Each Market Maker must enter and maintain quotations that are reasonably related to the prevailing market in that Security for which it is designated a Market Maker. If, in the reasonable opinion of NZX, it appears that the Market Maker's quotation for that Security is no longer reasonably related to the prevailing market for that Security, NZX may require that Market Maker to re-enter its quotations for that Security to better reflect current market conditions for that Security. Failure to make such an amendment as requested by NZX will result in the immediate suspension of that Market Maker's quotations in that Security.

- 12.4.5 No Market Maker may enter quotations into the Trading System for a Security it is designated to act as a Market Maker that exceed the guidelines for the maximum allowable Spread as set and advised by NZX from time to time. *(Amended 28/2/07)*
- 12.4.6 Each Market Maker must enter quotations into the Trading System for a Security for which it is designated to act as a Market Maker up to at least a minimum value as agreed by NZX and that Market Maker for that Security. *(Amended 28/2/07)*
- 12.4.7 No Market Maker may enter quotations into the Trading System for a Security for which it is designated to act as a Market Maker that are less than one cent (\$0.01). For the avoidance of doubt the minimum amount that each Market Maker may enter quotations into the Trading System for any Security for which it is designated to act as a Market Maker is one cent (\$0.01). *(Amended 28/2/07)*
- 12.4.8 Each Market Maker and/or the Delivery and Settlement Participant acting on behalf of the Market Maker must honour confirmed Trades on the scheduled settlement date.

## 12.5 TRADING HALTS AND EMERGENCIES

No Market Maker is obliged to maintain quotations in a Security for which it is designated to act as a Market Maker when the market provided by NZX on which that Security is listed and quoted is in a Trading Halt or is otherwise suspended as a result of an emergency (as determined by NZX).

## 12.6 WITHDRAWAL OF QUOTATIONS

- 12.6.1 Each Market Maker may request to withdraw a quotation for a Security for which it has designation as a Market Maker by completing and providing to NZX written notification setting out the reasons for the request to withdraw that quotation. For the avoidance of doubt, either **Rule 12.6.2(a)** or **(b)** must be satisfied for NZX to grant such request.
- 12.6.2 NZX shall consider applications for the withdrawal of a quotation provided under **Rule 12.6.1** in the following circumstances:
- (a) The result of circumstances beyond the control of the Market Maker. For the avoidance of doubt this does not include the request for the

withdrawal of quotation as a result of a sudden change in the price or Orders in a particular Security or the pending announcement about a Security which may affect the price of that Security; or

- (b) Failure of the Market Maker to maintain a Post Trade Agreement with a Delivery and Settlement Participant.

**12.6.3** NZX shall reasonably consider an application from a Market Maker requesting the withdrawal of a quotation for a Security for which it has designation as a Market Maker as soon as possible after a written application pursuant to **Rule 12.6.1** is submitted to NZX. For the avoidance of doubt, NZX is under no obligation to withdraw a quotation for a Security as requested by a Market Maker pursuant to **Rule 12.6.1**.

## **12.7 SUSPENSION, WITHDRAWAL AND DESIGNATION OF A MARKET MAKER**

**12.7.1** NZX may suspend and or withdraw a Principal Book Only Dealer's or NZX Trading and Advising Firm's designation to act as a Market Maker either in all Securities, or in specific Securities only, if NZX considers in its reasonable opinion that: *(Amended 28/2/07)*

- (a) The Market Maker has failed to comply with these **Rules**, any directions issued from time to time by NZX or failed to observe Good Broking Practice; or *(Amended 28/2/07)*
- (b) The integrity of all or any of the markets provided by NZX and/or the proper functioning of those markets are, in the opinion of NZX, at risk in any way.

**12.7.2** NZX will notify that Market Maker of its decision to suspend or withdraw its designation as a Market Maker, or as a Market Maker in specific Securities, and the reasons for that decision as soon as the decision has been made. NZX will reasonably consider any written submission received by NZX on behalf of that Market Maker outlining reasons why the designation of that Market Maker should not have been suspended or withdrawn.

**12.7.3** A Market Maker suspended or withdrawn under **Rule 12.7.1** must not hold itself out as Market Maker during the period of that suspension or withdrawal. At any time during the suspension of a Market Maker, NZX at its complete discretion may withdraw the designation of a Market Maker.

**12.7.4** A Market Maker suspended or withdrawn under **Rule 12.7.1** may be referred to **NZX Discipline** for a breach of these **Rules**, any directions issued from time to time by NZX, or failure to observe Good Broking Practice at the complete discretion of NZX. *(Amended 28/2/07)*

## **12.8 RESIGNATION AS A MARKET MAKER**

A Market Maker must advise NZX in writing of its intention to resign as a Market Maker, or as a Market Maker in a specific Security, not less than **20 Business Days (notice period)** before the intended date of such resignation unless NZX consents to a shorter notice period. NZX must not unreasonably refuse an application for resignation as a Market Maker.

## **12.9 SEPARATION OF A MARKET MAKER'S FUNCTIONS**

A Market Maker must separate its activities as a Market Maker from its other business activities, including:

- (a) Using a designated trader work station or other authorised access exclusively for its Market Making activities; and
- (b) Ensuring that the Employees of a Market Maker, in performing their activities, do not execute client Orders.

## **12.10 MARKET MAKER FACILITIES**

A Market Maker must use facilities approved by NZX to undertake its activities as a Market Maker.

**12.11** *(Revoked 28/2/07)*