



# NZX Regulation Decision

NZX Regulation (“NZXR”)

Ruling on NZX Debt Market Listing Rule 5.2.3

29 September 2015



## Background

1. NZX Debt Market Listing Rule (“**Rules**”) 5.2.3 prescribes the requirements for the spread of Security holders for NZX Debt Market Issuers.
2. Rule 5.2.3 provides that a class of securities will not generally be quoted by NZX on the Debt Market unless:
  - a. at least 500 Members of the Public hold at least 25% of the number of Securities of that class on issue, with each Member of the Public holding at least a Minimum Holding, and those requirements are maintained; or
  - b. NZX is otherwise satisfied that the Issuer will maintain a spread of Security holders that is sufficient to ensure that there is a sufficiently liquid market in the Class of Securities.
3. The footnote to Rule 5.2.3 states that NZX will readily consider a waiver from the requirements of Rule 5.2.3 in the case of Debt Securities if NZX is satisfied that the lack of initial liquidity would not be of disadvantage to holders.
4. Due to the number of waivers NZXR has granted to Issuers of debt securities from Rule 5.2.3, and its observation that reduced spread requirements for Debt Securities have not disadvantaged holders of, or the market for, Debt Securities, NZXR has decided to issue a ruling that it is satisfied a spread of at least 100 Members of the Public holding at least 25% of the number of Debt Securities on issue, with each Member of the Public holding at least a Minimum Holding, will ensure that there is a sufficiently liquid market in those Debt Securities for the purposes of that Rule.
5. Capitalised terms that are not defined in this decision have the meanings given to them in the Rules.

## Decision

6. For the purposes of Rule 5.2.3, a Class of Debt Securities will generally not be considered for Quotation on the NZDX unless those Securities are held by at least 100 Members of the Public holding at least 25% of the number of Securities of that Class issued, with each Member of the Public holding at least a Minimum Holding, and those requirements are maintained.

## Reasons

7. The purpose of the spread requirements is to ensure that an Issuer has sufficient liquidity both at the time of listing and quotation and on an ongoing basis. Liquidity assists investors in efficiently changing their investment position and with price discovery.
8. As debt securities are not generally subject to the same level of trading as equity securities, NZX’s is satisfied that sufficient liquidity can exist in a secondary market for debt securities with a smaller number of security holders.

