# NZX Limited

## Participant Rules

February 2026~~November 2025~~

NOTIFICATION VERSION

MARKET ORDER AMENDMENTS

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# Section 1:
# Definitions and Administration

## 1.1 DEFINITIONS

In these Rules, unless otherwise stated or the context otherwise requires:

**"Accrual"**, for the purpose of Section 17, means an adjustment to the settlement terms of a Trade or contract arising from a benefit, call or instalment payment, entitlement or right of conversion which arises while the Trade or contract remains unsettled;

**"Acting as Principal"** means a Market Participant acting in a transaction where the Market Participant is a Beneficial Owner of part or all of the Securities at any stage in the transaction;

"**Adjust Session**" means the market phase of ~~NZX Central~~ during which time Dealers and DMA Authorised Persons may deal in Securities in accordance with Rules 11.7 or, 14.7~~,~~;

**"Adviser"** means either;

(a) An AZX Adviser; or

(b) An NZXDX Adviser;

**"AFSL"** means an Australian Financial Services Licence issued to financial planners and financial services industry corporations by the Australian Securities and Investments Commission;

**"Agent"** means an individual authorised by a Managing Principal or a Responsible Executive of a Market Participant (whichever is applicable) to act on behalf of that Market Participant from time to time;

**"Alternative Regulator"** means a regulatory body, other than NZX, that is established under the law of New Zealand or another jurisdiction, and whose function is, or includes, prudential supervision;

"**American Depository Receipt**" or "**Global Depository Receipt**" means a receipt for the Securities of an entity whose Securities are listed or Quoted on a market provided by NZX which are held in the vault of a United States bank or, for the purposes of a Global Depository Receipt, a Bank which is not a New Zealand Bank entitling the shareholders to all dividends and capital gains;

**"AML Legislation**" means the Financial Transactions Reporting Act 1996 and the Anti-Money Laundering and Countering Financing of Terrorism Act 2009;

**"Anonymous Call Auction Session"** means a phase of ~~NZX Central~~ which is a Pre-Opening Session with the exception that only the best Bids and Offers or no Bids and Offers, as NZX may at its complete discretion deem appropriate from time to time, will be displayed and, if displayed, such Bids and Offers will only be displayed on an anonymous basis;

**"Appendix"** means an appendix to these Rules, as amended from time to time by NZX. Each appendix shall have the same force and effect as though it were part of these Rules;

**"Applicant"** has the meaning given to that term in Rule 3.1.1;

**"Approved BPOT Client"** means an Institutional Client domiciled in a Recognised BPOT Jurisdiction who has been approved by NZX as a client for whom a Trading Participant may undertake BPOT;

**"Approved Product"** has the meaning set out in the C&S Rules;

**"Approved Organisation"** means any organisation, association of persons or other entity approved from time to time by NZX to be a Market Participant pursuant to Rule 3.19;

**"Arbitrage"** means the sale or purchase of a Financial Instrument in one market and the taking of an equal and opposite position in a similar instrument in another market to provide a profit, i.e. exploiting pricing differences (anomalies) across markets;

**"AUD"** means the lawful currency of Australia from time to time;

**"Authorisation Code"** or **"FIN"** means an alphanumeric identifier issued by NZX, an Issuer or a Securities Registry, to a Security holder that provides authority to access the shareholders account at the Securities Registry;

"**Authorised Financial Adviser**" means an Authorised Financial Adviser as defined by the Financial Advisers Act 2008; or a person holding a status, designation or registration under any amendment to or re-enactment of that Act, or Act passed in substitution for that Act or dealing with a subject matter similar to that Act, which, as closely as possible, corresponds to that of an Authorised Financial Adviser;

**"Bank"** means:

(a) Except for the purposes of Section 19, a registered bank in terms of the Reserve Bank of New Zealand Act 1989, a bank having recognition comparable to that of a registered bank under the Reserve Bank of New Zealand Act 1989 under the laws of Australia, the United States of America, Japan, Europe or the United Kingdom, or any other financial institution designated as a Bank by NZX for the purpose of these Rules;

(b) For the purposes of Section 19, a registered bank in terms of the Reserve Bank of New Zealand Act 1989; a bank or financial institution which has a rating for its long-term unsecured and non credit-enhanced debt obligations of A- or higher by Standard & Poor's Rating Services or Fitch Ratings Limited or A3 or higher by Moody's Investor Services Limited or a comparable rating from an internationally recognised credit rating agency; or any other bank or financial institution approved by NZX from time to time for the purposes of Section 19;

**"Bank Only Participant"** means a Bank that is designated and approved as a Trading Participant in the NZDX only and that may Trade in that market either on its own account or on behalf of its clients;

"**Base Currency**" means NZ$;

**"Beneficial Owner"** means the underlying beneficial owner of a Security;

**"Best Execution"** means using best endeavours to obtain for a client the best available price for the size and kind of transaction concerned relative to the instructions received

from that client;

**"Bid"** means the price or yield of Securities to be purchased;

**"Board"** means the board of directors from time to time of NZX, appointed in accordance with NZX's constitution and includes any delegate of the Board as appointed from time to time by the Board;

**"BPOT"** means a booking purposes only transaction (which is not a Trade) that is conducted on-market by a NZX Participant who acts on both sides of the transaction, and which applies to Orders in the manner described in the SMP Practice Note, to prevent an Order from resulting in a Trade where there is no resulting change in Beneficial Ownership. A BPOT is not a Mandatory Transaction for the purposes of the C&S Rules.

**"Broking Business"** includes:

(a) trading in Securities when Acting as Principal, or for and on behalf of, or as agent for, any other person;

(b) giving investment advice relating to NZX Quoted Products to any other person for remuneration; and/or

(c) any other business performed by a Market Participant which relates to Securities and which impacts on the financial position of the Market Participant including, but not limited to, settlement and delivery of Securities;

**"Broking Office"** means any place of business from which a Broking Business is conducted;

**"Buffer"** has the meaning given to that term in Rule 18.3.3;

**"Business Day"** means a day on which NZX's Securities markets are open for trading;

**"Buyer"** means a buying Trading Participant for Trades or contracts between Trading Participants;

**"Buying Clearing Participant"** means the Clearing Participant providing clearing and settlement services to the Buyer under a Trade;

**"C&S Rules"** means CHO's Clearing and Settlement Rules;

**"C&S Agreement"** means a clearing and settlement agreement that a Trading Participant must enter into and maintain at all times with each of its Clearing Participants (except in respect of itself where the Trading Participant is also a Clearing Participant) for the provision of clearing and settlement services;

"**Call Option**" means an Option where the buyer has the right (but not the obligation) to acquire or notionally acquire a Commodity or Futures Contract;

**"Cancel-Passive SMP"** means the Cancel-Passive functionality of the self match prevention tool, which will apply to an Order in the manner described in the SMP Practice Note, to prevent an Order from resulting in a Trade where there is no resulting change in Beneficial Ownership.

**"Capital Adequacy"** means the requirement for a Market Participant Requiring Capital to

have sufficient funds as set out in Section 19 of these Rules;

**"Capital Adequacy Calculations"** has the meaning given to that term in Rule 19.3.1;

**"CDO"** means New Zealand Depository Limited, including its Board, senior executives, employees, officers, agents, contractors, or its predecessors, successors or assigns, and as the context permits includes any duly authorised delegate of CDO;

**"CHO"** means New Zealand Clearing Limited, including its Board, senior executives, employees, officers, agents, contractors, or its predecessors, successors or assigns, and as the context permits includes any duly authorised delegate of CHO;

**"Churning"** means the practice of excessive Trading in Financial Instruments on/or for the account of a client in order to enable a Trading Participant to earn maximised commission irrespective of the best interests of that Trading Participant's client;

**"Clearing and Settlement Obligation"** means an obligation imposed on a Clearing Participant under the C&S Rules;

**"Clearing and Settlement Terms"** means the rights and obligations of the Buyer or the Seller (as applicable) under a Trade as principal;

**"Clearing House"** means the clearing house operated by CHO in accordance with the C&S Rules;

**"Clearing House System"** has the meaning set out in the C&S Rules;

**"Clearing Participant"** means a person that CHO has allowed to be a clearing participant in the Clearing House in accordance with the C&S Rules;

**"Client Advising Participant"** means:

(a) an NZX Trading and Advising Firm;

(b) an NZX Advising Firm;

(c) a Bank Only Participant; and

(d) any Approved Organisation designated as a Client Advising Participant from time to time by NZX pursuant to Rule 3.19;

**"Client Assets"** has the meaning as set out in Rule 18.1;

**"Client Funds"** means the funds given by a client to a Market Participant Accepting Client Assets to be held by that Market Participant Accepting Client Assets in its Client Funds Account;

**"Client Funds Account"** has the meaning given to that term in Rule 18.3;

**"Client Inward Transfer"** or "**CIT**" has the meaning set out in the Depository Rules;

**"Client Outward Transfer"** or "**COT**" has the meaning set out in the Depository Rules;

"**Close**" means the market phase of NZX Central as determined from time to time by NZX during which time Trades are created from matching Orders in accordance with Rules 11.6

or, 14.6;

**"Closing Market Price"** means the last Price Setting Traded price of a Security at the end of a Trading Day;

"**Commodity**" means any property, right (present or future or of any description) or asset and includes a financial product, a Security, an Emission Unit, electricity and Money in any currency but excludes any property or right in a Derivatives Contract;

**"Common Shareholder Number"** or "**CSN"** means a unique alphanumeric identifier that uniquely identifies that Security holder:

(a) on all Securities Registries; and

(b) to NZX;

**"Company"** means a company registered or re-registered under the Companies Act 1993;

**"Compliance Manager"** means a person appointed to identify and report to the Managing Principal or the Responsible Executive of a Market Participant (whichever is appropriate) any suspected breaches of that Market Participant's internal policies and procedures, in addition to ensuring compliance with these Rules and any directions issued from time to time by NZX and any other statutory requirements;

**"Compliance Officer"** means the individual(s) appointed as a Compliance Officer in accordance with Rule 4.3(a)(iii) of the NZX Regulations in existence prior to these Rules coming into force;

"**Contingent Liabilities**" has the meaning determined in accordance with Generally Accepted Accounting Practice;

**"Conventional Sale"** means any sale of Securities that is not a Short Sale;

"**Counterparty**" means in respect of a transaction to which a Market Participant Requiring Capital is a party, another party to that transaction;

"**Counterparty Risk Requirement**" means the amount calculated under Rule 19.7;

**"Crossing"**, in relation to a transaction in Securities, means a transaction (other than a BPOT) where a Trading Participant acts as:

(a) Buyer and Seller for that transaction in an agency capacity; or

(b) Buyer or Seller on one side of that transaction in an agency capacity and as a Trading Participant Acting as Principal on the other side; and

(c) for the avoidance of doubt Crossings includes Special Crossings;

"**Currency Risk Requirement"** means the amount calculated under Rule 19.10;

**"Current Market Price"** means the latest Price Setting Traded price of a Security at any given time in the Trading System;

**"Custody Account"** means a client account for which the client is the Beneficial Owner of the Securities in the account and:

(a) the Market Participant's Nominee Company is the legal owner of the Securities in the Account; or

(b) the Securities are held in a Depository Account in the name of the Market Participant's Nominee Company; and

the Market Participant's Nominee Company is accountable to the client in respect of those Securities;

**"Dealer"** means a person who has been accredited and approved by NZX as a Dealer to use the trading and reporting functionality available in the Trading System, including entering, withdrawing or amending Orders, Bids and/or Trades on behalf of a Trading Participant;

**"Debt Security"** has the meaning given to that term in the NZX Listing Rules;

**"Defaulter"** has the meaning set out in Rule 21.5;

**"Depository"** means the depository operated by CDO in accordance with the Depository Rules;

**"Depository Account"** means an "Account" as that term is defined in the Depository Rules, but excludes a "Settlement Account", as that term is defined in the Depository Rules;

**"Depository Nominee"** means the "Nominee" as that term is defined in the Depository Rules;

**"Depository Participant"** means a Person that CDO has allowed to be a participant in the Depository in accordance with the Depository Rules;

**"Depository Rules"** means CDO's Depository Operating Rules, as amended from time to time by CDO;

**"Depository System"** has the meaning set out in the Depository Rules;

"**Derivatives Contract**" means a Futures Contract and/or an Option;

**"Designated Market Maker"** means a person who has been designated by NZX as a market maker pursuant to Rule 16.1, and is required to maintain firm Bids and Offers on its own account by standing ready to buy and sell at quoted prices/yields on a continuous basis in accordance with the obligations in its Market Making Agreement;

**"Direct Client Order Processing"** or **"DCOP"** means the process by which an Order is submitted by a DMA Authorised Person directly into the Trading System via the order entry system of a Trading Participant without being accepted or re-keyed by a Dealer of that Trading Participant;

**"Direct Market Access"** or **"DMA"** is the automatic entering of Orders directly into the Trading System via the Order entry system of a Trading Participant, including those Orders submitted via Direct Client Order Processing (DCOP);

**"Director"** means:

(a) in relation to a Company, a director of that Company within the meaning of section 126(1)(a) of the Companies Act 1993;

(b) in relation to any other entity, any person occupying a position in that entity that is comparable with that of a director of a Company as defined in (a);

**"Discretionary Account"** means an account for which a Client Advising Participant buys and/or sells Securities and/or undertakes other transactions without prior reference to the client and includes a discretionary investment management service as defined in the Financial Advisers Act 2008 and the FMC Act;

**"Distribution and Underwriting Sponsors"** means a Market Participant that is approved and designated by NZX to assist a prospective Issuer in the distribution and/or underwriting of that Issuer's Debt or Equity Securities on any market provided by NZX;

**"DMA Authorised Client"** means a DMA Authorised Person who has that status by reason of being a client of the Trading Participant;

**"DMA Authorised Employee"** means a DMA Authorised Person who has that status by reason of being an Employee of the Trading Participant employed for the purpose of Trading or dealing in Securities on behalf of clients;

**"DMA Authorised Person"** means a person, not being a Dealer of the relevant Trading Participant, who has proper authority from a Trading Participant and is employed by or acts for/or by arrangement with a Trading Participant to submit Orders into that Trading Participant's Order entry system for Direct Market Access, in one of the following capacities:

(a) as a client of the Trading Participant; or

(b) as an Employee of a Trading Participant employed for the purpose of Trading or dealing in Securities on behalf of clients;

provided that status as a DMA Authorised Person will not confer on such a person any status as a Dealer and, when Trading as a DMA Authorised Person, no such person may exercise the functions or powers of a Dealer (including any monitoring or reporting function or power) in relation to such Trading;

**"Emission Unit"** means:

(a) a unit as defined in section 4(1) of the Climate Change Response Act 2002; and

(b) personal property that:

(i) is created by, or in accordance with, any enactment (whether of New Zealand, another country, or any jurisdiction of any country), rule of law, contractual provision, or international treaty or protocol as:

(A) one of a fixed number of units issued by reference to a specified amount of greenhouse gas; or

(B) evidence of a specified amount of reductions, removals, avoidance, storage, sequestration, or any other form of mitigation of greenhouse gas emissions; and

(ii) can be surrendered, retired, cancelled, or otherwise used to:

(A) offset greenhouse gas emissions under or otherwise comply with any enactment (whether of New Zealand, another country, or any jurisdiction of any country), rule of law, contractual provision or international treaty or protocol; or

(B) enable a Person who surrenders, retires, cancels, or otherwise uses it to claim an environmental benefit;

An **"Employee"** of a Market Participant includes all persons engaged by that Market Participant and includes Directors, partners, employees, officers, Agents, Dealers, Advisers and contractors of that Market Participant, but does not include an Independent Director of the Market Participant;

**"Enquiry Session"** means the market phase in NZX Central during which time no Bids or Offers can be entered, amended, or withdrawn in accordance with Rules 11.8 or, 14.8;

**"Equity Security"** has the meaning given to that term in the Listing Rules;

**"Error"** in relation to a Trade or a Crossing means:

(a) an error by a Trading Participant including:

(i) in relation to a Trade that is not an Off-Market Trade, an error in a Bid or Offer or an error in an amendment of a Bid or Offer entered into the Trading System; and

(ii) in relation to an Off-Market Trade or a Crossing, an error in executing that Off-Market Trade or Crossing or reporting the same through the Trading System,

involving a mistake by the Trading Participant as to;

(iii) the identity or fundamental characteristic of the relevant Security;

(iv) the volume or quantity of an Order that the Trading Participant has executed, entered, amended or cancelled;

(v) the matching of, or correspondence between, the price or value referred to in the Order and the Securities referred to in the Order: or

(b) an error by NZX or an error arising from a delay, breakdown or malfunction in NZX's systems or processes;

**"Execution Only Order"** means an Order executed by a Client Advising Participant upon the specific instructions of a client or other person authorised to place Orders for that client where the Client Advising Participant does not give any advice relating to the merits of the transaction;

**"Family Company"** means, in relation to an Employee or the Immediate Family of an Employee, a company or other body corporate:

(a) controlled by that Employee and/or any one or more of that Employee's Immediate Family, or

(b) in which that Employee and/or any one or more of that Employee's Immediate Family is beneficially entitled to more than 50% of the issued capital or holds or controls more than 50% of the voting power;

**"Family Trust"** means, in relation to an Employee or the Immediate Family of an Employee, a trust:

(a) of which that Employee and/or any one or more of that Employee's Immediate Family is the sole or major beneficiary (where a "major beneficiary" is a beneficiary potentially able to receive a benefit under the trust of 33% or more of the value of the assets of the trust); or

(b) under which that Employee and/or any one or more of the Employee's Immediate Family, as a trustee or otherwise, has the power to distribute 33% or more of the value of the trust assets to a beneficiary;

and, in either case, in relation to which that Employee and/or any one or more of that Employee's Immediate Family has the ability to remove all or a majority of the trustees and replace those trustees with their own nominees;

**"Financial Asset"** and **"Financial Liability"** have the meaning determined in accordance with Generally Accepted Accounting Practice;

**"Financial Instrument"** means:

(a) a Commodity (which includes without limitation, a Security and an Emission Unit);

(b) a Derivatives Contract; and

(c) any other instrument prescribed as such by NZX from time to time;

**"Financial Reporting Legislation"** means, as applicable, the Financial Reporting Act 1993, Financial Reporting Act 2013, and Part 7 of the FMC Act;

**"Financial Service Provider"** means a Financial Service Provider as defined by the Financial Service Providers (Registration and Dispute Resolution) Act 2008;

**"Final Settlement Amount"** means the amount payable (if any) on the expiry of a Futures Contract (to the extent it is cash settled), or on exercise of a cash settled Option;

**"FMC Act"** means the Financial Markets Conduct Act 2013;

"**Forward Rate Agreement**" means an agreement in which two parties agree that:

(a) one party will make payments to the other party of an amount of interest for a specified period in respect of an agreed principal amount;

(b) no commitment is made to lend or borrow the principal amount; and

(c) the exposure is limited to the difference between the agreed and actual market interest rates at settlement;

**"Full Time"** means:

(a) employment predominantly in; or

(b) acting as a consultant or as an independent contractor predominantly for,

the Broking Business of a Market Participant;

**"Fund Security"** has the meaning given to that term in the Listing Rules;

**"Futures Contract"** means a "derivative" as defined in section 8(4) of the FMC Act and also includes:

(a) any other agreement or transaction entered into in connection with protection against or a benefit from fluctuation in any rate, price, index or volume; and

(b) any other financial product or agreement declared by NZX to be a futures contract,

but excludes an Option;

**"Generally Accepted Accounting Practice"** has the meaning set out in the Financial Reporting Legislation;

**"Good Broking Practice"** means conduct that is, at the discretion of NZX, in the wider interests of the markets operated or provided by NZX, the New Zealand Securities markets and investors and which complies with the spirit and intent of the practices, procedures and requirements as set by NZX in:

(a) the Rules; and

(b) the Procedures, any Guidance Notes, Practice Notes, documents, policy statement or direction issued from time to time by NZX; and

for the avoidance of doubt, common industry practices and/or historical practices, especially in areas where no policy statement has been issued by NZX, do not necessarily constitute Good Broking Practice;

**"Group"** means a Holding Company or entity and its Subsidiaries, and **"member of a Group"** means any one of them;

**"Guidance Note"** means the guidance notes for these Rules as issued from time to time by NZX;

**"Holding Company"** has the meaning set out in the Companies Act 1993, subject to Rule 1.2.1(g);

**"Hold Mail Account"** means an account maintained by a Client Advising Participant for which documents and information generated by the Client Advising Participant that would normally be required to be sent or made available to the client in accordance with these Rules (for example contract notes and periodic statements) are held by the Client Advising Participant;

**"Immediate Family"** means the spouse or de facto partner and dependent children of an individual;

**"Independent Director"** means a director of a Market Participant who is not an executive officer or employee of the Market Participant and is not involved in the day to day Broking Business of the Market Participant;

**"Index"** means a broad-based securities index that is widely recognised and widely used in the financial markets;

"**Index-tracking Fund**" means a fund that is required under the statement of investment policy and objectives, or the terms of its trust deed, or the terms of the offer of the interests in the fund, to hold financial products as near as practically possible to the financial products' proportions in an Index;

**"Initial Margin Capital Requirement"** means (with all terms used in this definition bearing the same meaning as in the NZX Derivatives Market Rules):

(a) in relation to a Contract which has arisen from an Order by a Trading Participant, such initial margin amount as determined by CHO;

(b) in relation to a Derivatives Contract which has arisen from a F&O Order placed with a F&O Executing Participant, such initial margin amount (howsoever described) as determined by the rules and regulations of the relevant F&O Exchange with whom the F&O Order was placed; or

(c) in relation to a Derivatives Contract not captured under (a) or (b), such initial margin as determined by NZX or CHO in any Guidance Note.

**"Institutional Client"** means a person whose principal business is the investment of money or who, in the course of and for the purpose of their business, habitually invests money, and in relation to purchases of its own Securities includes an Issuer;

"**Intangible Assets**" has the meaning determined in accordance with Generally Accepted Accounting Practice;

**"Intermediary"** means a person that intermediates between a client and a Client Advising Participant but does not include those individuals or entities granted authority to act on behalf of the client by virtue of any of the forms of authority referred to in Rule 9.3.1(j);

"**In the Money**" means:

(a) in relation to Call Options or rights, that the current market price of the underlying instrument is greater than the exercise price; and

(b) in relation to Put Options, that the current market price of the underlying instrument is less than the exercise price;

"**In the Money Amount**" means, in relation to an Option or right that is In the Money, the absolute value of the difference between the current market price of the underlying instrument and the exercise price;

**"Investment Banking Services"** means all corporate advisory services with the exception of services directly relating to the execution of a transaction that is required to be executed or reported on-market;

"**Investment Grade**" means a Security with a credit rating that is BBB- or higher by Standard & Poor's or Baa3 or higher by Moody's or BBB (low) or higher by DBRS;

**"Issuer"** means:

(a) in all Sections of these Rules other than Section 19, any person who is or has been listed on a market operated or provided by NZX or another Recognised Securities Exchange and, where applicable, may include all members (other than another listed entity or a Subsidiary thereof) of any Group and/or other entities of which the Issuer is the Holding Company or in which the Issuer otherwise has a controlling interest; and

(b) in Section 19 of these Rules, the person who is the issuer of a Security for the purposes of the FMC Act, and includes any person who, in respect of the Security, has entered into a listing agreement with an exchange:

**"Large Position Counterparty Risk Requirement"** means the amount calculated under Rule 19.8.2;

**"Large Position Issuer Risk Requirement"** means the amount calculated under Rule 19.8.3;

**"Large Position Risk Requirement"** means the amount calculated under Rule 19.8.1;

**"Legal Title Transfer Depository Participant"** means a person that CDO has allowed to be a Legal Title Transfer Depository Participant in accordance with the Depository Rules;

**"Legal Title Transfer System"** means an electronic system used to effect transfer of legal title to Securities in accordance with the Depository Rules;

**"Listing Rules"** means those listing rules promulgated by NZX for the markets provided by NZX (including, but not limited to, NZSX and NZDX), and as amended from time to time by NZX;

**"Management"** means the Directors, partners, Principals, and appropriately qualified and competent senior executive staff of a Market Participant;

**"Managing Principal"** means, in relation to NZX Firms, a responsible individual who is designated, in accordance with Rule 3.3, as a Principal of the NZX Firm and who is responsible for carrying out the duties of the chief executive, managing director or managing partner of the relevant NZX Firm, whichever is appropriate, and includes any delegate of the Managing Principal;

**"Margin Account"** means an account for margin trading;

**"Market Capitalisation"** means the total dollar value of all outstanding Securities in an issuer to be calculated by multiplying the number of Securities of that Issuer times the Current Market Price for that Issuer's Securities;

**"Market Impact"** in relation to an Error means that in the absence of NZX intervention, an Error is likely to:

(a) have a severe and adverse impact on the functions of NZX or the Clearing House, the integrity or certainty of NZX markets or the Trading System, such as (but not limited to) a breakdown or malfunction in NZX's systems;

(b) have a severe and adverse impact on one or more Market Participants, including, without limitation, a financial loss of NZD25,000 or more; or

(c) result in a movement in the market price of a Security of more than 10%;

**"Market Making Agreement"** means the agreement imposing obligations on a Designated Market Maker to maintain firm Bids and Offers on its own account by standing ready to buy and sell at quoted prices/yields on a continuous basis during specified periods that the relevant markets provided by NZX are open for Trading;

**"Market Making Representative"** means a person appointed by a Designated Market Maker under Rule 16.5;

**"Market Participant"** means a participant in the Securities markets provided by NZX who has been accredited and approved by NZX as any of the following:

(a) an NZX Trading and Advising Firm;

(b) a Principal Book Only Dealer;

(c) an NZX Advising Firm;

(d) a Bank Only Participant;

(e) an NZX Sponsor;

(f) a Distribution and Underwriting Sponsor;

(g) any company, firm, organisation or corporation or any other business entity designated or approved as a Market Participant from time to time by NZX pursuant to Rule 3.19;

**"Market Participant Accepting Client Assets"** means:

(a) a Trading Participant receiving or that has received Client Assets; and/or

(b) an NZX Advising Firm receiving or that has received Client Funds;

**"Market Participant Requiring Capital"** means a Market Participant who must comply with the Capital Adequacy requirements of Section 19 of these Rules as set out in Section 2 of these Rules;

**"Market Risk Requirement"** means the amount calculated under Rule 19.12;

**"Material Information"** has the meaning set out in the Listing Rules;

**"Mid-Point"** means: (best available Bid in NZX Central + best available Offer in NZX Central) ÷ 2 and is not limited to the standard Price Steps set out in Procedure under Rule 11.9;

**"Minimum Executable Quantity"** means the minimum number of Securities specified in a

NZX Dark Order that the Order must be executed against per Trade;

**"Minimum NTCA"** means the minimum levels of Net Tangible Current Assets prescribed in Rule 19.2;

**"Negotiated Deal"** means an Off-Market Trade between two Trading Participants Acting as Principal or acting as agent;

**"Net Tangible Current Assets"** or **"NTCA"** means, in respect of a Market Participant Requiring Capital, the amount calculated in accordance with Rule 19.4;

**"Net Underwriting Commitment"** means the aggregate of underwriting, sub-underwriting and firm allocation commitments of the Market Participant Requiring Capital in respect of a particular Security less any sub-underwriting commitment, firm allocation commitment or legally binding applications from clients or other third parties in relation to that commitment;

**"Nominee Account"** means a Custody Account in which a Market Participant acts as a bare trustee and holds Securities on behalf of a client for the purpose of, for example, facilitating transactions of those Securities on behalf of that client;

**"Nominee Company"** means a body corporate registered with the New Zealand Companies Office (or equivalent overseas authority) whose business consists solely of acting as a nominee holder of investments or other property on behalf of other persons;

**"Normal Trading Session"** means a phase of the market in NZX Central as determined from time to time by NZX during which Bids and Offers may be entered in the Trading System, and during which Trades will automatically be executed, in accordance with Rules 11.4 or, 14.4, as applicable;

**"Notice"** has the meaning given to that term in Rule 1.3;

**"NZ$"** or "**$**" or **"NZD"** the lawful currency of New Zealand from time to time;

**"NZDX"** or **"New Zealand Debt Market"** means the market operated by NZX under that name and any subsequent name;

**"NZDX Adviser"** means an individual who has been approved by NZX as an adviser in the NZDX pursuant to Rule 5.2 or Rule 5.3;

**"NZ Markets Disciplinary Tribunal"** means the body constituted by NZX under the NZ Markets Disciplinary Tribunal Rules as amended from time to time and where the context permits includes any division or duly authorised delegate of NZ Markets Disciplinary Tribunal;

**"NZSX"** means the market operated by NZX under that name and any subsequent name;

**"NZX"** means NZX Limited or its predecessors, successors or assigns, and as the context permits includes any duly authorised delegate of NZX;

**"NZX Advising Firm"** means a Market Participant that has been accredited and approved by NZX as an NZX Advising Firm for the purpose of providing investment advice and/or investment recommendations, with respect to transactions in NZX Quoted Products, to clients;

**"NZX Adviser"** means an individual who has been designated and approved by NZX as an NZX Adviser;

**"NZX Central"** means the order book in the Trading System in which Bid and Offer prices and quantities are disclosed in real-time and Orders are prioritised in accordance with Rule 10.13.4(a);

**"NZX Dark"** means the undisclosed order book in which NZX Dark Orders for Securities Quoted on the NZSX may be entered in the Trading System, and prioritised in accordance with Rule 10.13.4(b);

"**NZX Dark Order**" means an Order that is entered in NZX Dark, and only includes a Sweep Order for the time that it remains in NZX Dark;

**"NZX Dark Sweep Order"** means an Order entered into NZX Dark that will instantly be routed to NZX Central to the extent it fails to match in NZX Dark, in accordance with Rule 10.13.7, after which it will be treated as an Order in NZX Central.

**"NZX Firm"** means an:

(a) NZX Trading and Advising Firm;

(b) NZX Advising Firm; and

(c) any company, firm, organisation or corporation or any other business entity designated or approved as an NZX Firm from time to time by NZX pursuant to Rule 3.19;

**"NZX Quoted Products"** means Financial Instruments Quoted on a market operated or provided by NZX;

**"NZX Sponsor(s)"** means a Market Participant that has been accredited by NZX as an NZX Sponsor for the purpose of bringing, but not distributing, Securities to the markets provided by NZX and includes, but is not limited to those companies, firms and organisations accredited as NZX Sponsors prior to these Rules coming into force;

**"NZX Trading and Advising Firm"** means a Market Participant that has been accredited and approved by NZX as an NZX Trading and Advising Firm for the purpose of providing investment advice and/or investment recommendations, with respect to transactions in NZX Quoted Products, to clients, facilitating Trades in the Securities markets provided by NZX as principal or on behalf of clients and may include being a Market Maker in any of the markets provided by NZX;

**"NZX Trainer"** means a trainer (which may include NZX) or training facility appointed or provided electronically by NZX to undertake any of the initial and ongoing training required under these Rules that has been approved by NZX as an NZX Trainer;

**"OECD"** means the Organisation for Economic Co-operation and Development;

**"Offer"** means the price or yield of Securities to be sold;

**"Off-Market Trade"** means any transaction between Trading Participants in Securities Quoted on a Securities market operated or provided by NZX effected outside the Trading System and includes a Crossing, but excludes a BPOT;

**"One Off Sale"** means a one off request received by a Client Advising Participant from a person to sell all of that person's holdings in a given Security or that person's entire holdings in Securities Quoted on a market operated or provided by NZX or another Recognised Securities Exchange that does not result in an ongoing relationship being created between that Client Advising Participant and that person;

**"Opening Market Price"** means the price/yield of the first Price-Setting Trade for each Security to be determined at the Opening Order Match period at the beginning of each Trading Day;

**"Opening Order Match"** means a phase of NZX Central as determined from time to time by NZX immediately following a Pre-Opening Session, where Trades are created from matching Orders in NZX Central, using a pre-set algorithm when prices/yields overlap, in accordance with Rules 11.3 or, 14.3;

**"Operational Risk Requirement"** means the amount calculated under Rule 19.6;

**"Option"** means an option to acquire or sell a Security or an interest in a Security, and in Rule 19.3 to Rule 19.13 includes an agreement that confers on the holder the right (but not the obligation) to:

(a) acquire or dispose of a Commodity or an interest in a Commodity;

(b) require the other party to the Option to enter into a Futures Contract; or

(c) require the other party to pay a Final Settlement Amount;

**"Order"** or **"Orders"** means an instruction to purchase or sell Securities or an instruction to amend or cancel a previous instruction to purchase or sell Securities;

**"Overdue"** means where an unconditional obligation of a Counterparty remains unpaid after the date on which the obligation was due for payment under the terms of the transaction, except that:

(a) for trades in Financial Instruments, the transaction shall be considered overdue if unsettled 10 Business Days after the date on which Settlement was due; and

(b) for a written Option, the transaction shall be considered overdue if the Counterparty has not paid the premium on the due date; and

(c) a transaction where the Market Participant Requiring Capital holds on trust as security for the amount outstanding, Securities with a current market value of at least 140% of the amount payable, shall not be considered overdue;

**"Overseas Participant"** means a Market Participant that is domiciled, resident or incorporated in a jurisdiction outside of New Zealand;

**"PDS"** has the meaning given in the FMC Act and must contain the information outlined in section 57(1)(a) of that Act;

**"Position Risk Requirement"** means the amount calculated under Rule 19.9;

**"Positive Credit Exposure"** means an exposure to a Counterparty where, if the Counterparty were to default, the Market Participant Requiring Capital would suffer

financial loss and includes a Counterparty's aggregate gross liabilities to deliver Securities and cash;

**"Practice Note"** means the practice notes as issued from time to time by NZX;

**"Pre-Close Session"** means the market phase ~~in NZX Central~~ following the close of the Normal Trading Session and prior to the commencement of the Close during which Dealers and DMA Authorised Persons may deal in Securities in accordance with Rules 11.5 or, 14.5;

**"Pre-Opening Session"** means a market phase ~~in NZX Central~~ as determined from time to time by NZX during which certain Bids and Offers may be entered, amended or removed ~~in NZX Central (but may not be entered or amended in NZX Dark),~~ but during which Trades will not be created when prices/yields meet or overlap, in accordance with Rules 11.2 or, 14.2;

"**Prescribed Minimum Capital Adequacy**" has the meaning given to that term in Rule 19.1.1;

**"Prescribed Person"** in relation to a Market Participant means:

(a) an Employee of that Market Participant;

(b) the Immediate Family of an Employee of that Market Participant;

(c) a Family Company or a Family Trust of a person referred to in (a) or (b); and

(d) any company, body corporate or other entity controlled by any one or more of the persons referred to in paragraphs (a) to (c) (where "control" has the meaning set out in clause 48 of Schedule 1 of the FMC Act);

But does not include the Market Participant itself;

**"Prescribed Time"** means the time set out in Procedures;

**"Price Movement Limits"** means the price movement limits set by NZX from time to time, designed to prevent Orders being entered into the Trading System at unrepresentative price levels, in order to support the functioning of an orderly market;

**"Price Setting Trade"** means a Trade that is determined by NZX in its sole discretion to represent the most recent valuation for a NZX Quoted Product. "**Price Setting Trading**" has a corresponding meaning;

**"Primary Market Participant"** means a Market Participant accredited and designated by NZX to bring new offers of Securities to a market provided by NZX and includes:

(a) NZX Sponsors;

(b) Distribution and Underwriting Sponsors;

(c) NZX Firms;

(d) Bank Only Participants; and

(e) any other company, firm, organisation or corporation designated or approved as a Primary Market Participant from time to time by NZX pursuant to Rule 3.19;

"**Primary Market Risk Requirement**" means the amount calculated under Rule 19.11;

**"Principal"** means an individual:

(a) who is a partner, Director or shareholder of an NZX Firm;

(b) who is a Director of, or controlling shareholder in, a company which holds directly or indirectly more than 20% of the issued capital of the NZX Firm; or

(c) who has or has had at any time a relationship with an NZX Firm giving him or her the right or opportunity to influence or control the direction of that NZX Firm which, in the opinion of NZX, would reasonably require that person to be regarded at the material time as a Principal of that NZX Firm;

**"Principal Account"** means the account(s) of a Trading Participant established for the purpose of Acting as Principal Trading;

**"Principal Book Only Dealer"** means a Market Participant accredited or approved as a Principal Book Only Dealer by NZX who solely Acts as Principal in any of the markets provided by NZX;

**"Principal Broking Office"** means the Broking Office of the Market Participant designated as such in accordance with Rule 3.8.2;

**"Procedure"** means a Procedure relating to the operation of NZX's Securities markets and the activities of NZX and Market Participants under these Rules, as approved and amended from time to time by NZX in accordance with Rule 1.6;

**"Property, Plant and Equipment"** has the meaning determined in accordance with Generally Accepted Accounting Practice;

**"Put Option"** means an Option where the buyer has the right (but not the obligation) to dispose of or notionally dispose of a Commodity or Futures Contract;

**"Quoted"** means, in relation to Securities of an Issuer, those Securities of the Issuer that are approved for trading on a market operated or provided by the relevant Recognised Securities Exchange (and for the avoidance of doubt, Securities do not cease to be Quoted merely because trading in those Securities is suspended);

**"Reciprocal Arrangement"** means any agreement or arrangement between NZX and any government or non-governmental agency, authority or association (including without limitation, a Securities or derivatives exchange) in New Zealand or elsewhere whose functions include the monitoring, surveillance, or regulation of trading in or clearing and settlement of transactions in Securities, derivatives or commodities (in New Zealand or elsewhere) which provides for the disclosure of information between NZX and others in relation to dealings in Securities, derivatives, or commodities (in New Zealand or elsewhere);

**"Recognised BPOT Jurisdiction"** means a jurisdiction specified in the Procedures, and

any other jurisdiction designated by NZX for the purposes of these Rules;[1]

**"Recognised Market"** means a market specified in the Procedures;[2]

**"Recognised Market Index"** means an index specified in the Procedures;[3]

**"Recognised Securities Exchange"** means a person who is:

(a) a Securities exchange recognised and approved by the World Federation of Exchanges;

(b) a licensed market operator within the meaning of section 6 of the FMC Act;

(c) an existing exchange within the meaning of clause 42, Part 3 of Schedule 4 to the FMC Act; or

(d) an entity with comparable status under the laws of any other jurisdiction as NZX may approve;

and includes NZX;

**"Record Date"** has the meaning given to it in the relevant Listing Rules;

**"RegCo"** means NZX Regulation Limited or its predecessors, successors or assigns, and as the context permits includes any duly authorised delegate of RegCo;

**"Related Company"** has, subject to Rule 1.2.1(g), the meaning set out in section 2(3) of the Companies Act 1993;

"**Relevant Clearing Participant**" in relation to a Trading Participant and a Trade, means the person identified in the Trading System as the Clearing Participant for the purposes of the clearing and settlement of that Trade for that Trading Participant;

**"Relevant Employee Communications"** means communications by or with the Market Participant's institutional sales and trading desk and/or principal desk (including both proprietary and facilitation trading) and includes conversations, communications and instructions, in relation to receiving, arranging, negotiating or executing Orders on NZSX either as Principal or on behalf of Institutional Clients;

**"Relevant Interest"** has the meaning given in the FMC Act;

**"Relevant Settlement Transaction"** means, in relation to the Settlement Transactions resulting from any Trade:

(a) if the Trading Participant was the Buyer under that Trade, the Settlement Transaction between the Buying Clearing Participant and CHO; or

(b) if the Trading Participant was the Seller under that Trade, the Settlement Transaction between the Selling Clearing Participant and CHO;

**"Research Services"** means research, information or recommendations related to a

[1] Procedure 3.3

[2] Procedure 3.2

[3] Procedure 3.1

Financial Instrument generally, and not directed at a specific dealing in a Financial Instrument or a particular client;

**"Responsible Executive"** means an individual appointed by a Market Participant, other than an NZX Firm, to be responsible for carrying out the duties of the chief executive, managing director or other appropriate senior executive of that Market Participant and includes any delegate of the Responsible Executive;

**"Resignation Date"** has the meaning given to that term in Rule 3.17.3;

**"Retail Client"** means a client who is a retail investor within the meaning of clause 35(1) of Schedule 1 of the FMC Act;

**"Revocation"** has the meaning given to that term in Rule 21.13.1;

**"Right"** means any right to acquire any Security or benefit of any kind, whether conditional or not and whether renounceable or not;

**"Risk Warnings"** means the requirement as set out elsewhere in these Rules for a Client Advising Participant to appropriately inform its clients of any relevant risks involved with investing in any Security and/or Financial Instrument and includes informing clients of any relevant risk in relation to Short Sales, margin trading, warrants, Futures Contracts and Options;

**"Rules"** mean these NZX Participant Rules;

**"Security"** or **"Securities"** means, in all Sections of these Rules other than Section 19, any interest or right to participate in any capital, assets, earning, royalties, or other property of any Person; and includes:

(a) a "financial product" as defined under the FMC Act;

(b) an Equity Security;

(c) a Debt Security;

(d) an Option or a Right; and

(e) any renewal or variation or the terms or conditions of any existing Security;

And, in Section 19 of these Rules means a "financial product" within the meaning of section 7(1) of the FMC Act and includes any right or option to acquire any Security or benefit of any kind, whether conditional or not and whether renounceable or not;

**"Securities Register"** means the register of the legal owner of record of Securities issued by an Issuer and maintained by or on behalf of that Issuer as required by section 87 of the Companies Act 1993, section 51 of the Securities Act 1978, section 215 of the FMC Act, or under applicable requirements of a foreign jurisdiction;

**"Securities Registry"** means a company, organisation or firm that is appointed by an Issuer to maintain its Securities registers and that is able to access the Legal Title Transfer System to enable that company, organisation or firm to register the transfer of Securities of that Issuer;

**"Securities Transfer Legislation"** means either:

(a) the Securities Transfer Act 1991; or

(b) Sub-part 9 of Part 5 of the FMC Act;

**"Seller(s)"** means a selling Trading Participant for Trades or contracts between Trading Participants;

**"Selling Clearing Participant"** means the Clearing Participant providing clearing and settlement services to the Seller under a Trade;

**"Services"** has the meaning given to that term in Rule 8.6;

**"Service Level Agreement(s)"** means an agreement between NZX and a Market Participant and/or an Adviser setting out the terms and conditions of use of NZX technology and service;

**"Settlement Account"** means a "Settlement Account" as that term is defined in the Depository Rules;

**"Settlement Date"** means the day on which a transaction is due to be settled in accordance with these Rules;

"**Settlement Day"** means a "Settlement Day" as that term is defined in the C&S Rules;

**"Settlement System"** means the facilities and systems used by CHO and/or CDO to effect the clearing and settlement of Securities transactions and includes the Clearing House System, the Depository System and the Legal Title Transfer System;

**"Settlement Transaction"** means a contract between a Clearing Participant and CHO arising in respect of novation of a Trade under the C&S Rules;

**"Shareholder Balance Enquiry"** means an online check at the Securities Registry of any client's current holdings in any Issuer;

**"Short Sale"** or **"Short Selling"** means a sale of any Security where at the time of the sale:

(a) the Seller does not have a presently exercisable and unconditional right to vest the Security in the Buyer except where the Seller has an unconditional right or option to acquire that right prior to the date required to settle the sale; or

(b) the Security being sold has been borrowed and the Seller has a presently exercisable and unconditional right to vest the Security in the Buyer;

and related expressions shall have a corresponding meaning;

**"SMP Key"** means the identifier described in the SMP Practice Note that identifies the entity for whom self-match prevention is made available;

**"SMP Practice Note"** means the practice note that describes how the self-match prevention tool (which includes Cancel-Passive SMP and BPOT functionality) operates.

**"Special Crossing"** has the meaning given in Rule 13.4.1 in relation to the NZSX and Rule 14.11 in relation to the NZDX;

**"Special Portfolio Crossing"** has the meaning in Rule 13.4.2;

**"Spread"** means the difference between a Bid and Offer price for a Security;

**"Stand Manager"** means the stand manager appointed from time to time by NZX to manage stands in the market by Trading Participants;

**"Stock Reservation"** has the meaning given to that term in the Depository Rules;

**"Structured Finance Product"** means a Security that has been issued in respect of an asset pool or as part of any asset-backed or mortgage backed securities transaction and includes residential mortgage-backed Securities, collateralised or credit enhanced debt obligations, (including synthetic and hybrid collateralised or credit enhanced debt obligations), collateralised loan or fund obligations, credit derivatives, perpetual debt obligations and any other Security or class of Security specified in the Procedures;

**"Subordinated Debt"** means, in respect of a Person, any indebtedness of that Person that, in terms of priority for payment and otherwise, would, on a winding up, dissolution or liquidation of the Person, rank behind claims in respect of general unsecured unsubordinated indebtedness of the Person and the terms "**Subordinated**" and "**Unsubordinated**" shall be interpreted accordingly;

**"Subsidiary"** has, subject to clause 1.2.1(g), the meaning set out in the Companies Act 1993;

**"Surveillance Officer"** means an individual appointed for the purpose of Rule 3.11.6 to perform the responsibilities of a Market Participant's Compliance Manager when that Market Participant's Compliance Manager is based outside New Zealand;

**"Suspension"** in relation to a Market Participant, has the meaning set out in Rule 21.10.2;

"**Swap**" means a transaction in which two parties agree to exchange streams of payments over time on a pre-determined basis;

~~**"Sweep Order"** means a NZX Dark Order that will immediately be routed to NZX Central, to the extent it fails to match in NZX Dark in accordance with Rule 10.13.6;~~

**"Takeovers Code"** means the takeovers code in the Takeovers Code Approval Order 2000;

"**Total Risk Requirement**" means the amount calculated in accordance with Rule 19.5.1;

**"Trade"** or **"Trades"** means any resulting transaction where an Order to buy Securities is matched in the Trading System with an Order to sell Securities, or any Off-Market Trade, but excludes a BPOT. "**To Trade**" and "**Trading**" have the corresponding meanings;

A **"Trade with Price Improvement"** is an Off-Market Trade where the transaction is executed at a price which is:

(a) higher than the best available Bid and lower than the best available Offer by one or more Price Steps; or

(b) at the Mid-Point;

**"Trading Agreement"** means a written agreement between a Trading Participant and an

NZX Advising Firm for the performance of Trades on behalf of that NZX Advising Firm by the Trading Participant;

**"Trading Day"** means a day other than:

(a) a Saturday or a Sunday;

(b) a day specified in paragraphs (a) to (j) of section 44(1) of the Holidays Act 2003;

(c) any other day that NZX determines is not a Trading Day;

**"Trading Hours"** means the hours the Securities markets provided by NZX are open during a Trading Day for Trading as determined from time to time by NZX. The Trading Hours for each of the markets provided by NZX may be different as determined by NZX;

**"Trading Participant"** means:

(a) an NZX Trading and Advising Firm;

(b) a Principal Book Only Dealer;

(c) a Bank Only Participant; and

(d) any company, firm, organisation or corporation or any other business entity designated and approved as a Trading Participant from time to time by NZX pursuant to Rule 3.19;

**"Trading Permission"** means permission granted by NZX to an accredited Trading Participant to Trade via the Trading System;

**"Trading System"** means the systems, facilities and services provided by NZX for lodging quotations and Orders for Trading and reporting Trades and any other replacement system provided by or on behalf of NZX to perform the same or similar functions;

**"Transfer Account"** has the meaning given to that term in the Depository Rules;

**"Trustee Certificate"** means the certificate issued by the trustees for a trust which confers on the trust the power to invest in Securities and records the persons/trustees authorised to act on behalf of that trust;

**"Trustee Company"** means Public Trust and any trustee company within the meaning set out in the Trustee Companies Act 1967;

**"Volume Weighted Average Price"** or **"VWAP"** means the volume weighted average price of qualifying Trades; and

**"Wholesale Client"** means a client who is a wholesale investor within the meaning of clause 36 of Schedule 1 of the FMC Act.

## 1.2 INTERPRETATION

1.2.1. In these Rules:

(a) the headings are inserted for convenience only and do not affect the interpretation of these Rules;

(b) a reference to a "person" includes an individual, firm, entity, company or corporation or unincorporated body of persons, or any state or government or agency thereof (in each case whether or not having separate legal personality), and a reference to a "company" includes a person;

(c) words importing one gender include the other genders;

(d) words importing the singular include the plural and vice versa;

(e) references to any legislation or legislative provision (including regulations and orders) includes that legislation or provision as from time to time amended, re-enacted, or substituted and, unless otherwise expressly stated, refers to New Zealand legislation and provisions and includes any statutory instrument regulations or orders issued under that legislation or legislative provision;

(f) where the day on, or by which anything is to be done is not a Trading Day, that thing must be done on or by the succeeding Trading Day;

(g) all references to a subsidiary or holding company or related company where the relevant company or other body corporate is not a company incorporated under the Companies Act 1993 shall be construed as if that company or other body corporate was incorporated under that Act;

(h) all references to times are references to New Zealand time unless stated otherwise;

(i) **"NZX", "RegCo", "CHO"**, **"CDO"** or **"Depository Nominee"** includes its successors, permitted assigns, permitted transferees and delegates;

(j) a reference to the "**Rules**", an "**Appendix**", the "**Procedures**", the "**Listing Rules**", the "**C&S Rules**" or the "**Depository Rules**", is a reference to any such rules, appendix, procedure, as the context requires, as amended, varied, supplemented, consolidated, replaced or novated from time to time;

(k) a reference to "**writing**" or "**written**" includes representing or reproducing words, figures or symbols:

(i) in a visible and tangible form by any means and in any medium; and

(ii) in a visible form in any medium by electronic means that enables them to be stored in permanent form and to be retrieved and read.

1.2.2 NZX:

(a) shall, if requested by a Market Participant or Approved Organisation;

(b) may at any time,

provide interpretations of these Rules, and NZX will notify all Market Participants affected by the interpretation accordingly. If NZX so designates, an interpretation of these Rules will be binding on all Market Participants and will take effect as if set out in these Rules.

## 1.3 NOTICES

1.3.1 A notice, approval, consent or other communication ("**Notice**") under these Rules must be in writing and must be left at, or sent by prepaid ordinary post to, the address of the addressee, or sent by facsimile to the facsimile number of the addressee, or sent by email to the email address of the addressee, or sent by such other electronic method, platform or system as NZX may approve in writing from time to time.

1.3.2 Notices to:

(a) a Market Participant shall be sent to its Principal Broking Office;

(b) an Approved Organisation shall be sent to its registered office; or

(c) an Adviser, Dealer, Responsible Executive or Managing Principal shall be sent care of the Market Participant who employs that individual;

in each case, at the address, facsimile number or email address notified to NZX from time to time or, in the case of an electronic method, platform or system approved by NZX under Rule 1.3.1, in accordance with the requirements of that method, platform or system to enable delivery.

1.3.3 A notice is deemed to be received if delivered by hand, on receipt; if sent by post, on the **2nd Business Day** after (but exclusive of) the date of posting; if sent by facsimile, on production of a transmission report by the machine from which the facsimile was sent which evidences that the facsimile was sent in its entirety free from errors to the facsimile number of the recipient; if sent by email, when sent, provided the sender can produce a copy of the email showing the email was sent to the correct email address; and if sent by an electronic method, platform or system approved by NZX under Rule 1.3.1, when sent, provided the sender can demonstrate the requirements of that method, platform or system to enable delivery have been met.

## 1.4 AMENDMENTS

1.4.1 Amendments to these Rules shall be notified to each Market Participant and Approved Organisation by email and shall become effective on the date specified by NZX **provided that** the date specified is no less than **20 Business Days** after all Market Participants and Approved Organisations have been sent notice of the amendment.

## 1.5 PARTIAL INVALIDITY

1.5.1 If any term or provision of these Rules or their application to any person or circumstances is, to any extent, held to be invalid or unenforceable, the remainder of these Rules, or the application of such terms or provisions to any other person or circumstances will not be affected, and each term and provision of these Rules will be valid and enforceable to the extent permitted by law.

## 1.6 PROCEDURES

1.6.1 NZX may, from time to time, prepare and approve written Procedures under these Rules relating to the operation of NZX's markets and the activities of NZX and Market Participants.

1.6.2 If there is any inconsistency between any Rule and any Procedure, the Rules will prevail.

1.6.3 The Procedures do not form part of the Rules. However, if a Rule requires a person to comply with any part of the Procedures, failure by the person to comply with any part of the Procedures is a contravention of that Rule.

## 1.7 DELEGATION TO REGCO

1.7.1. NZX, CHO and CDO may act by and through RegCo in performing any function or discharging any power set out in these Rules. RegCo shall have the authority to exercise any rights, powers, authorities and discretions under any delegated authority granted to it by NZX, CHO or CDO.

# Section 2: Summary of Rules for Market Participants

## 2.1. NZX TRADING AND ADVISING FIRMS

NZX Trading and Advising Firms must comply with all of the Rules.

## 2.2. PRINCIPAL BOOK ONLY DEALERS

Principal Book Only Dealers must comply with the Rules set out in:

(a) Section 1: Market Participants;

(b) Section 2: Summary of Rules for Market Participants;

(c) Section 3: Market Participants;

(d) Section 4: Trading Participants

(e) Section 8 General Obligations of All Market Participants and Advisers;

(f) Section 10: Trading – General Obligations when Trading on the Markets Provided by NZX;

(g) Section 11: Trading – Additional Requirements for Trading on the NZSX;

(h) Section 13: Obligations when Trading in Securities Quoted on the NZSX;

(i) Section 14: Specific Requirements for Trading on the NZDX;

(j) Rule 15.12 of Section 15: General Trading Obligations when Trading on the markets provided by NZX;

(k) Section 16: Market Makers (if appropriate);

(l) Section 19: Capital Adequacy;

(m) Section 20: NZX Supervision; and

(n) Section 21: NZX Powers

## 2.3. NZX ADVISING FIRMS

NZX Advising Firms must comply with the Rules set out in:

(a) Section 1: Definitions and Administration;

(b) Section 2: Summary of Rules for Market Participants;

(c) Section 3: Market Participants;

(d) Section 5: Client Advising Participants;

(e) Section 7: Primary Market Participants;

(f) Section 8: General Obligations of All Market Participants and Advisers;

(g) Section 9: Client Advising;

(h) the following parts of Section 10: Trading – General Obligations when Trading on the Markets Provided by NZX:

Rules
10.1.1 to 10.1.3
10.2 to 10.5
10.11.1 to 10.11.5
10.12
10.13.13
10.14.4 to 10.14.11
10.17
10.18
10.19;

(i) Section 15: General Trading Obligations when Trading on the markets provided by NZX;

(j) Section 16: Market Makers (if appropriate);

(k) Section 18: Client Assets;

(l) Section 19: Capital Adequacy;

(m) Section 20: NZX Supervision; and

(n) Section 21: NZX Powers

## 2.4. NZX SPONSORS

NZX Sponsors must comply with the Rules set out in:

(a) Section 1: Definitions and Administration;

(b) Section 2: Summary of Rules for Market Participants;

(c) the following parts of Section 3: Market Participants:

Rules
3.1.1
3.1.2
3.1.3(a), (b), (c), (e) and (f)
3.2 (if applicable)
3.4 to 3.6
3.9 to 3.10
3.14
3.16 to 3.23
3.26 to 3.30;

(d) Section 7: Primary Market Participants;

(e) Section 8: General Obligations of All Market Participants and Advisers; and

(f) Section 21: NZX Powers

## 2.5. DISRIBUTION AND UNDERWRITING SPONSORS

Distribution and Underwriting Sponsors must comply with the Rules set out in:

(a) Section 1: Definitions and Administration;

(b) Section 2: Summary of Rules for Market Participants;

(c) the following parts of Section 3: Market Participants:

Rules
3.1.1
3.1.2
3.1.3(a), (b), (c), (e) and (f)
3.2
3.4 to 3.6
3.9
3.15 to 3.23
3.26 to 3.30;

(d) Section 7: Primary Market Participants;

(e) Section 8: General Obligations of All Market Participants and Advisers;

(f) Section 19: Capital Adequacy;

(g) Section 21: NZX Powers.

## 2.6. BANKS ONLY PARTICIPANTS

Bank Only Participants must comply with the Rules set out in:

(a) Section 1: Definitions and Administration;

(b) Section 2: Summary of Rules for Market Participants;

(c) Section 3: Market Participants;

(d) Section 4: Trading Participants;

(e) Section 5: Client Advising Participants;

(f) Section 7: Primary Market Participants;

(g) Section 8: General Obligations of All Market Participants and Advisers;

(h) Section 9: Client Advising;

(i) Section 10: Trading – general Obligations when Trading on the Markets Provided by NZX;

(j) Section 11: Trading – Additional Requirements for Trading on the NZSX;

(k) Section 13: Obligations when Trading in Securities Quoted on the NZSX

(l) Section 14: Specific Requirements for Trading on the NZDX

(m) Section 15: general Trading Obligations when Trading on the markets provided by NZX;

(n) Section 16:Market Makers (if appropriate);

(o) Section 18: Client Assets;

(p) Section 19: Capital Adequacy;

(q) Section 20: NZX Supervision; and

(r) Section 21: NZX Powers.

## 2.7. [DELETED]

## 2.8. [DELETED]

## 2.9. Designated Market Makers

A Designated Market Maker must comply with the Rules set out in the following sections in relation to its market making activity as though it was a Market Participant:

(a) Section 1: Definitions and Administration;

(b) Section 2: Summary of Rules for Market Participants;

(c) The following parts of Section 3: Market Participants:

Rules:

3.12;

3.16; and

3.18

(d) The following parts of Section 8: General Obligations of All Market Participants and Advisers:

Rule 8.1 (except for 8.1.1(b)(iii))

(e) The following parts of Section 10: Trading – General Obligations when Trading on the Markets Provided by NZX:

Rule 10.2

(f) Section 16: Designated Market Makers

(g) The following parts of Section 20: NZX Supervision:

Rules:

20.4

20.9

20.10

20.12

20.13

20.15

20.16

(h) The following parts of Section 21: NZX Powers:

Rules:

21.1 to 21.4; and

21.7 to 21.9

# Section 3: Market Participants

## 3.1. APPLICATION AND DESIGNATION AS A MARKET PARTICIPANT

3.1.1. An application by a person for designation as a Market Participant (the Applicant) shall be made in writing and shall provide all the information and supporting documentation required by the form provided in Appendix 1 and shall be submitted to NZX for consideration by NZX.

3.1.2. NZX shall have complete discretion to reject or approve (with or without conditions) an Applicant as a Market Participant. 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.

3.1.3. NZX, at its complete discretion, shall designate an Applicant as one or more class of Market Participant when:

(a) NZX is satisfied that the Applicant will meet all of the requirements of these Rules, any directions given from time to time by NZX and at all times observe Good Broking Practice applicable to the class or classes of Market Participant in respect of which the Applicant has requested designation and any conditions imposed on that Applicant that NZX considers, at its complete discretion, appropriate to impose in the interests of maintaining fair and orderly markets;

(b) the Applicant provides evidence to the satisfaction of NZX that:

(i) all the requirements of these Rules, as applicable to the Market Participant class or classes in respect of which the Applicant has requested designation, have been met;

(ii) the Applicant will carry out its responsibilities as a Market Participant honestly and diligently;

(iii) the Applicant will ensure, where applicable, that its Employees will at all times fully comply with the Rules, any directions given from time to time by NZX, and at all times observe Good Broking Practice;

(iv) the Applicant has paid the relevant application fee as determined by NZX from time to time; and

(v) the Applicant holds all licences, consents and approvals and has completed all registrations as are necessary to enable the Applicant to carry on the business it proposes to carry on;

(c) the Applicant specifies, in its application submitted pursuant to Rule 3.1.1, the class or classes of Market Participant for which the Applicant is applying;

(d) NZX is satisfied that the Applicant's business plan, management controls, payment and accounting systems, and/or technology are adequate to ensure the Applicant will be able to meet its obligations under all applicable Rules, any directions given from time to time by NZX and that it can facilitate the operations of orderly markets;

(e) where the Applicant is a company, firm, organisation or partnership:

(i) the Managing Principal or Responsible Executive, whichever is appropriate, of the Applicant has delivered to NZX an undertaking as provided in Appendix 2 or Appendix 3 (as applicable); and

(ii) each Director or partner of the Applicant or person responsible for carrying out the duties of a Director or partner for the Applicant, whichever is appropriate, has delivered to NZX an undertaking as provided in Appendix 4;

(f) NZX is satisfied that the Applicant's Management structure has persons who are sufficiently and demonstrably experienced and capable to enable the Applicant's business to be conducted in a way that will not place other Market Participants and/or the investing public at unreasonable risk.

3.1.4. NZX will use all reasonable endeavours to ensure that a decision on an application for designation as a Market Participant is made and communicated as soon as reasonably practicable after receiving a completed written application and all supporting documentation from an Applicant.

## 3.2. OVERSEAS APPLICANTS

3.2.1. If an Applicant is a company, firm, organisation or partnership domiciled, resident or incorporated in a jurisdiction outside of New Zealand (Overseas Applicant), evidence that the Overseas Applicant is regulated by a Recognised Securities Exchange, or other foreign regulatory authority recognised by NZX as upholding the same or similar standards as NZX, must be provided with the application for designation as a Market Participant submitted pursuant to Rule 3.1.1.

3.2.2. An Overseas Applicant that is not subject to the AML Legislation must satisfy NZX that it is subject to foreign legislation or rules of any foreign regulatory authority applicable to an Overseas Applicant which is generally equivalent to, or more onerous than, the requirements of the AML Legislation. If an Overseas Applicant cannot satisfy NZX of such, NZX may require the Overseas Applicant to comply with the requirements of the AML Legislation.

3.2.3. NZX may require an Overseas Applicant to give additional undertakings in relation to any matter that NZX, at its complete discretion, considers reasonable and in the best interests of ensuring fair and orderly markets.

3.2.4. If NZX is satisfied that a requirement of foreign legislation or rules of any foreign regulatory authority applicable to an Overseas Applicant is generally equivalent to or more onerous than a corresponding requirement imposed by these Rules, then NZX may exercise its powers under Rule 21.3.1(c) and waive that requirement of these Rules in respect of the Overseas Applicant. This Rule does not limit Rule 21.3.1(a).

## 3.3. MANAGING PRINCIPALS

3.3.1. Each Market Participant that is designated as an NZX Firm must have appointed an individual to be its Managing Principal.

3.3.2. The Managing Principal of a Market Participant is responsible for ensuring that the Market Participant complies on an ongoing basis with all applicable Rules, any directions issued from time to time by NZX and that the Market Participant observes Good Broking Practice.

3.3.3. All Managing Principals must be sufficiently qualified and experienced to fulfil the function of a Managing Principal.

3.3.4. Whenever a Market Participant appoints a new Managing Principal, the Market Participant must notify NZX in writing and provide an executed undertaking signed by that person in the form provided in Appendix 2 within one Business Day of that change being made.

## 3.4. RESPONSIBLE EXECUTIVES

3.4.1. Every Market Participant, with the exception of NZX Firms (who must comply with Rule 3.3), must have a Responsible Executive who is approved by NZX in accordance with this Rule 3.4. Applications for approval as a Responsible Executive by the Market Participant shall be made in writing and shall provide all the information and supporting documentation required by the form provided in Appendix 3 and shall be submitted to NZX for consideration by NZX.

3.4.2. To be approved by NZX as a Responsible Executive of a Market Participant, a person must:

(a) be of good character and integrity;

(b) have completed any training and/or have such qualifications as required from time to time by NZX, at its complete discretion; and

(c) have appropriate work experience that NZX, at its complete discretion, considers appropriate to the role of supervisor and manager of the Broking Business performed by the Responsible Executive.

3.4.3. Without limitation NZX, in assessing the character of a Responsible Executive, will have regard to:

(a) whether the person has been adjudged bankrupt;

(b) any criminal record of the Responsible Executive;

(c) any charges brought against the Responsible Executive by NZX or the Board as a result of a breach of these Rules and/or the NZX Business Rules, Regulations and Code of Practice in existence prior to these Rules coming into force;

(d) any relationship or association that the Responsible Executive may have had with any person, company, firm, organisation or partnership found guilty by NZX or the Board of breaching these Rules and/or the NZX Business Rules, Regulations and Code of Practice in existence prior to these Rules coming into force;

(e) any disciplinary action brought against that Responsible Executive by any government and/or regulatory authority; and/or

(f) any adverse comments about the Responsible Executive made in any report by any government authority, Recognised Securities Exchange or NZX.

3.4.4. NZX, at its complete discretion, may decline an application made pursuant to Rule 3.4.1 from a Market Participant for approval of a person as that Market Participant's Responsible Executive.

3.4.5. Each Responsible Executive is responsible for ensuring that the Market Participant complies on an ongoing basis with all applicable Rules, any directions issued from time to time by NZX and that the Market Participant observes Good Broking Practice.

## 3.5. COMPANIES

3.5.1. Whenever a new Director of a Market Participant, which is a company, is appointed, the Market Participant must deliver to NZX an undertaking, in the form provided in Appendix 4, signed by that Director. Market Participants must notify NZX in writing of (and provide the executed undertaking in the form provided in Appendix 4) a new Director as soon as practicable but no later than 5 Business Days after such appointment being made.

3.5.2. Whenever a Market Participant is required to file an annual return, financial statements, or a notice of a change in its share capital or its constitution with the Registrar of Companies, it shall, at the same time, send a copy of such return or notice to NZX.

3.5.3. Where a Director of a Market Participant, which is a company, resigns, the Market Participant must notify NZX in writing of such resignation as soon as practicable but no later than 5 Business Days after such resignation.

## 3.6. PARTNERSHIPS

3.6.1. Whenever a new partner of a Market Participant, which is a partnership, is appointed, the Market Participant must deliver to NZX an undertaking, in the form provided in Appendix 4, signed by that partner. Market Participants must notify NZX in writing of a new partner (and provide an executed undertaking in the form provided in Appendix 4) as soon as practicable but no later than 5 Business Days from such appointment being made.

3.6.2. Where a partner of a Market Participant, which is a partnership, resigns, the Market Participant must notify NZX in writing of such resignation as soon as practicable but no later than 5 Business Days after such resignation.

## 3.7. CONSTITUTIONS AND OTHER CONSTITUENT DOCUMENTS

Any constitution, partnership deed or other type of constituent document of a Market Participant must, as a minimum, contain provisions that:

(a) state that the Market Participant is bound by the Rules applicable to the class or classes of Market Participant that that participant is designated as;

(b) state that Directors/partners may only delegate their powers, other than internal operational delegations, as Directors/partners of that Market Participant relevant to its Broking Business if NZX consents to that delegation;

(c) state that the Market Participant will provide and/or grant access to NZX (on request and at the discretion of NZX) to any documentation, evidence, technology and/or Employees (including without limitation the Compliance Manager, Compliance Officer and Surveillance Officer) of that Market Participant to enable NZX to determine whether the Market Participant is complying with all applicable Rules and directions

issued from time to time by NZX and the observance of Good Broking Practice applicable to the class or classes of the Market Participant's designation; and

(d) include any other provision that may be required by NZX, at its complete discretion, as applicable to the class or classes of Market Participant in respect of which that Market Participant is designated.

## 3.8. NAME AND CONTROL OF BROKING OFFICES

3.8.1. A Market Participant must not operate any Broking Office under a name that is different from that of the Market Participant.

3.8.2. Each Market Participant who has more than one Broking Office shall designate one such Broking Office as its Principal Broking Office.

3.8.3. A Market Participant must have in place appropriate management and supervision arrangements to ensure that each Broking Office conducts its Broking Business in accordance with these Rules and Good Broking Practice.

3.8.4. Without limiting Rule 3.8.3, each Principal Broking Office shall be under the direct full time oversight of a Managing Principal or a Responsible Executive, as applicable. In relation to other Broking Offices:

(a) a Market Participant must appoint, and must at all times have appointed, an Employee (or Employees, as relevant) who is appropriately qualified and experienced to have oversight of the Broking Office or, subject always to Rule 3.8.3, a number of such Broking Offices, taking account of the nature of the Broking Business conducted at that Broking Office or Broking Offices; and

(b) a Market Participant must notify NZX of any Employee appointed under Rule 3.8.4(a) in relation to each Broking Office, and any Employee appointed to replace such an Employee, within one Business Day of that appointment or replacement being made.

## 3.9. COMPLIANCE WITH NZX RULES

Each Market Participant must ensure compliance with all applicable Rules, any directions given from time to time by NZX and at all times observe Good Broking Practice.

## 3.10. MANAGEMENT ARRANGEMENTS

3.10.1. Each Market Participant must establish appropriate Management structures for its business.

3.10.2. Each Market Participant must keep a record of, and provide NZX with a copy of, its Management structures, including a record of the names of the senior Management team, when that team was appointed and of any changes to that Management team.

3.10.3. Each Market Participant must provide NZX notice in writing of changes to the Market Participant's Management arrangements as soon as practicable but, in any event, no later than 5 Business Days after any changes being made to the Market Participant's Management structures.

## 3.11. COMPLIANCE MANAGERS

3.11.1. Each Market Participant shall have a Compliance Manager who shall be accountable to the Managing Principal or Responsible Executive (as the case may be) for:

(a) overseeing the effective control of the Market Participant's Broking Business;

(b) ensuring that the obligations of the Market Participant as set out in these Rules, and any directions given from time to time by NZX, are met and that the Market Participant is observing Good Broking Practice; and

(c) reporting all breaches and suspected breaches of these Rules, and any directions given from time to time by NZX, and any failure by that Market Participant to observe Good Broking Practice, to the Market Participant's Managing Principal or Responsible Executive (whichever is applicable).

3.11.2. Each Market Participant must provide NZX with notice in writing of the name of the Compliance Manager, and any other position held by such Compliance Manager, including advice of the appointment, resignation or change of a Compliance Manager within one Business Day of that change being made.

3.11.3. Compliance Managers must not undertake any operational activity, including submitting/entering, recording, processing or receiving Orders and/or accounting entries relating to Securities transactions, within or for the Market Participant's Broking Business.

3.11.4. Each Compliance Manager must be adequately experienced and qualified to perform the responsibilities outlined in Rule 3.11.1.

3.11.5. Each Compliance Manager must submit to NZX an undertaking, in the form provided in Appendix 5. This undertaking must be signed by or approved by the Compliance Manager and the Managing Principal or Responsible Executive (whichever is applicable) of the Market Participant.

3.11.6. Except where all a Market Participant's Broking Offices are outside New Zealand, if a Market Participant's Compliance Manager is resident outside of New Zealand, a Market Participant must:

(a) nominate a Surveillance Officer based in New Zealand to perform the responsibilities outlined in Rule 3.11.1; and

(b) notify NZX in writing of:

(i) the name and contact details of the Surveillance Officer; and

(ii) the position that Surveillance Officer holds in the Market Participant's Broking Business; and ensure that a written undertaking in the form provided in Appendix 6 is submitted to NZX.

## 3.12. GROUPING PROVISION

3.12.1. A reference to a Market Participant in these Rules extends to and includes:

(a) all Subsidiaries of the Market Participant;

(b) for the purposes of Sections 19 and 20 of these Rules, all Related Companies of the Market Participant which guarantee or otherwise assume or may assume liability for the obligations of the Market Participant or any of its Subsidiaries for the purpose of enabling that Market Participant to meet its regulatory capital obligations under these Rules; and/or

(c) any Related Company of a Market Participant that NZX declares to be included by notice in writing to the Market Participant (for the purpose of all the Rules or only such Rules as are specified by NZX in the notice), where NZX believes that it is necessary to ensure that the object of any applicable Rules or any direction given from time to time by NZX, is not frustrated or avoided by reason of the separate legal personality of the members of the Group of which the Market Participant forms part.

3.12.2. Each Market Participant must provide to NZX in writing details of all entities to which Rule 3.12.1(a) and Rule 3.12.1(b) applies and of any changes to any of those entities no later than 5 Business Days after the Rule begins or ceases to apply to that entity.

3.12.3. Each Market Participant must provide to NZX within 5 Business Days of being requested to do so, all details in respect of any Related Company of the Market Participant that NZX believes are necessary to enable it to make a determination pursuant to Rule 3.12.1(c).

## 3.13. EMPLOYEE SUPERVISION

Each Market Participant must:

(a) ensure that its Employees are adequately supervised by suitably experienced and qualified persons as appointed by the Managing Principal or the Responsible Executive (whichever is applicable);

(b) provide its Employees with:

(i) written compliance and procedure manuals, setting out the Market Participant's procedures, and controls over those procedures, in all areas of its operations;

(ii) a detailed description of their duties, cross-referenced where appropriate with the compliance and procedures manuals referred to in Rule 3.13(b)(i); and

(iii) a copy of these Rules, any Guidance Notes, Practice Notes and any directions given from time to time by NZX;

(c) ensure that its Employees comply fully with all applicable Rules, any directions given from time to time by NZX, and at all times observe Good Broking Practice; and

(d) ensure that its Employees comply with the continuing professional development requirements prescribed from time to time by NZX.

## 3.14. EMPLOYEE TRAINING

Each Employee of a Market Participant must:

(a) be trained as appropriate to their duties and responsibilities to both the Market Participant and to that Market Participant's clients (if applicable). Such training must

cover the relevant parts of these Rules as amended from time to time, Guidance Notes, Practice Notes, and any directions given from time to time by NZX;

(b) have ongoing training to ensure that they are kept up-to-date with changes in securities law, security exchange and market rules, practices and technology; and

(c) undergo such accreditation and/or receive such training from time to time as NZX may require.

## 3.15. NZX TRAINER

3.15.1. Applications for designation as an NZX Trainer shall be made in writing and shall provide all the information and supporting documentation required by the form provided in Appendix 14 and shall be submitted to NZX for consideration by NZX.

3.15.2. NZX will use all reasonable endeavours to ensure that a decision on an application for designation as an NZX Trainer is made and communicated as soon as reasonably practicable after receiving a completed written application and all supporting documentation from an applicant.

3.15.3. When an NZX Trainer at a Market Participant resigns, the Market Participant must notify NZX in writing of such resignation in the form provided in Appendix 15 within 5 Business Days of that resignation.

## 3.16. CONTRACTUAL BASIS OF RULES

3.16.1. Upon NZX designating a company, firm, organisation or partnership as a Market Participant, these Rules shall form a binding contract between that Market Participant and NZX.

## 3.17. RESIGNATION AS A MARKET PARTICIPANT

3.17.1. If a Market Participant resolves to resign as a Market Participant, that Market Participant must:

(a) give not less than 20 Business Days written notice to NZX of its intention to resign and indicate the date upon which it proposes the resignation (subject to Rule 3.17.3) will take effect;

(b) undertake to NZX that it has, or will prior to the Resignation Date, take all proper steps to ensure the orderly wind down of its Broking Business(es); AND

(c) comply with any reasonable request by NZX to ensure the orderly wind down of its Broking Businesses

3.17.2. The resignation of a Market Participant does not affect any accrued rights that NZX and/or any other Market Participant may have against the resigning Market Participant, and/or any obligation the resigning Market Participant may owe either to NZX or any other Market Participant.

3.17.3. The resignation shall not take effect until the date (the Resignation Date) determined by NZX upon acceptance of the notice, which may be later than the date nominated by the

Market Participant, to enable NZX to be satisfied that Rule 3.17.1(b) and Rule 3.17.1(c) are met.

## 3.18. TRANSFER AND ASSIGNMENT OF RIGHTS

Each Market Participant must, nor attempt to, dispose of, transfer, lease, assign or encumber any rights under these Rules, except:

(a) as permitted under any of these Rules; or

(b) with the prior written approval of NZX.

## 3.19. APPROVED ORGANISATIONS

3.19.1. NZX may, at its complete discretion, confer the status of an Approved Organisation upon any company, firm, organisation or partnership in accordance with Rule 3.19.3. This designation may be conferred subject to such terms and conditions as NZX at its complete discretion may from time to time determine.

3.19.2. NZX may at any time and from time to time review any company's, firm's, organisation's or partnership's designation as an Approved Organisation under this Rule 3.19, and may at its complete discretion and upon giving notice to the Approved Organisation, revoke that designation at any time or impose conditions on the continued retention of the designation.

3.19.3. For the purpose of these Rules NZX may from time to time designate an Approved Organisation as a:

(a) NZX Trading and Advising Firm;

(b) Trading Participant;

(c) Principal Book Only Dealer;

(d) Bank only Participant;

(e) NZX Advising Firm;

(f) NZX Sponsor; or

(g) Distribution and Underwriting Sponsor.

Any such designation may be given subject to such terms and conditions as NZX may from time to time determine at its complete discretion.

## 3.20. DESIGNATION AS AN ADDITIONAL CLASS OF MARKET PARTICIPANT(S)

3.20.1. A Market Participant may make an application to NZX for designation as an additional class of Market Participant (the Applicant). Application for designation as an additional class of Market Participant under this Rule 3.20 shall be made in writing and shall provide all information and supporting documentation required by the form provided in Appendix 1 relevant to that new class of Market Participant. For the avoidance of doubt information

provided to NZX by the Applicant in prior applications need not be submitted again, provided that information remains true and accurate.

3.20.2. Any existing Market Participant wishing to be designated as a class of Market Participant additional to its current class of designation shall first be required to satisfy NZX that:

(a) any other company, firm, organisation, partnership or person with whom the Market Participant is associated in the venture is able to meet the capital and equity requirements set out in these Rules;

(b) the criteria of Rule 3.1.3(b) and Rule 3.1.3(d) are satisfied,

(c) where appropriate, the Managing Principal or Responsible Executive of that Market Participant (whichever is applicable) has fully met all its obligations and complies with Rule 3.1.3(e); and

(d) such other matters as NZX may, from time to time, generally or specifically require in relation to the relevant Market Participant class have been or will be, complied with or provided for.

## 3.21. PROPOSED BROKING OFFICE OR ASSOCIATION WITH ANOTHER MARKET PARTICIPANT

A Market Participant wishing to:

(a) open further Broking Offices, in addition to its Principal Broking Office and/or Broking Offices open at the time the Market Participant was designated; or

(b) join in partnership or become formally associated with another Market Participant,

shall give NZX at least 15 Business Days' prior notice in writing of its intention to do so. In the case of a Broking Office, the notice shall state the full address of the Broking Office and the full name of the Employee appointed under Rule 3.8.4(a) to have control and oversight of the Broking Office.

## 3.22. OVERSEAS BROKING OFFICES

3.22.1. Except as provided in Rule 3.22.2, where a Market Participant has a Broking Office situated outside New Zealand, the provisions of these Rules relating to operating Broking Offices shall apply to that overseas Broking Office, except in so far as they conflict with any applicable statutory or regulatory requirements that apply in the jurisdiction in which that Broking Office is situated, in which case these Rules will not apply to the extent of such conflict; and

3.22.2. Notwithstanding Rule 3.22.1, Section 20 of these Rules shall apply to that overseas Broking Office, except that NZX may appoint an individual or firm resident outside New Zealand who, in NZX's opinion has suitable qualifications and experience, as its agent and may delegate to that person any or all of its powers in relation to that Broking Office.

## 3.23. TRANSITIONAL PROVISIONS

3.23.1. Subject to Rule 1.4, amendments to these Rules shall come into force at a date announced by NZX. NZX may, at its complete discretion, announce that specific rules will come into force prior to, or subsequent to, the other amendments to these Rules coming into force.

3.23.2. For the avoidance of doubt, NZX retains all of the powers conferred upon it under any rules in force prior to these Rules in relation to any conduct by a Market Participant and/or Adviser during the currency of those previous rules notwithstanding any subsequent amendment to, or revocation of, those previous rules.

3.23.3. Any amendment to, or revocation of, these Rules or to previous rules does not affect any accrued rights which NZX may have against a Market Participant or Adviser and/or any obligation a Market Participant and/or Adviser may owe to NZX or any Market Participant or any Adviser.

## 3.24. INFORMATION BARRIERS

An application submitted pursuant to Rule 3.1.1 or Rule 3.20 for designation as a Market Participant must contain, if applicable, an outline of that Market Participant's practices and procedures to control the transfer of Material Information between the different business activities of that Market Participant.

## 3.25. CERTIFICATE OF RECOGNITION

A certification of recognition of a participant's designation as a Market Participant will be issued by NZX. Such certificates shall remain the property of NZX and on demand by NZX, in writing, shall be returned to NZX by the Market Participant to whom the certificate was issued.

## 3.26. INSURANCE

3.26.1. Each Market Participant must take out and maintain, at all times, insurance of a kind and for an amount that the Market Participant reasonably determines to be appropriate having regard to the Broking Business and operations carried out by that Market Participant and the risks associated with that Market Participant's Broking Business(es), including those risks associated with the Employees of the Market Participant.

3.26.2. As a minimum, a Market Participant must take out the following insurances:

(a) professional indemnity insurance; and

(b) Director's and officers' liability insurance (when application to the legal structure of the Market Participant).

3.26.3. Each Market Participant, in so far as it is able, must notify NZX in writing of:

(a) the insurance company providing the insurance cover;

(b) the type of cover provided by that Market Participant's insurance company;

(c) the amount of cover which that Market Participant has pursuant to Rule 3.26.1 and any limitations on that cover;

(d) the date on which the insurance cover became effective;

(e) the date the insurance cover will expire; and

(f) any material changes that are made to the amount of cover that that Market Participant has insurance for. Notification of such material changes must be sent to NZX together with the Market Participant's monthly return.

3.26.4. Each Market Participant must notify NZX as soon as that Market Participant makes any material claim on any insurance policy that Market Participant has in relation to Directors and officers or professional indemnity cover, or any other policy that is relevant to the Broking Business of that Market Participant. Any notification pursuant to this Rule 3.26.4 must outline the reason why the material claim by that Market Participant has been made.

## 3.27. RECORD KEEPING

3.27.1. Except where prescribed elsewhere in these Rules and/or in any direction given by NZX, all records and/or documents kept by each Market Participant on any aspect of that Market Participant's Broking Business, whether or not those records or documents are kept and maintained in a register as required by these Rules, must be kept by that Market Participant for a minimum of 7 years.

3.27.2. Each Market Participant must make all registers, records and information kept in accordance with these Rules, available to NZX immediately upon receipt of a request from NZX for access to those registers, records and information.

3.27.3. Each Market Participant must:

(a) notify NZX if any registers, records or other information kept in accordance with these Rules are kept outside New Zealand; and

(b) comply with any request by NZX requiring any records or copies of records relating to its business as a Market Participant to be located in New Zealand.

## 3.28. EMERGENCY CONTACT DETAILS

3.28.1. Each Market Participant must notify NZX of the afterhours/emergency contact details for that Market Participant to enable NZX to contact that Market Participant in the event of an emergency.

3.28.2. Each Market Participant must update NZX in writing of any change to the afterhours/emergency contact details for that Market Participant within 1 Business Day of that change being made.

## 3.29. CHANGES IN SOFTWARE, NAME AND/OR LOCATION

Each Market Participant must notify NZX of a change to the:

(a) accredited client accounting software vendor (if applicable) used by that Market Participant. Each Market Participant must provide NZX with 20 Business Days' notice in writing prior to that change coming into effect if the change will in any way impact the Trading System and/or the Clearing House System and/or Depository System and/or Legal Title Transfer System, or 10 Business Days' notice in writing if there is no impact to the Trading System and/or the Clearing House System and/or the Depository System and/or Legal Title Transfer System;

(b) name of the Market Participant not less than 10 Business Days before the name change is intended to be effected; and/or

(c) location of any of the Market Participant's Broking Offices not less than 10 Business Days prior to the intended location change.

## 3.30. EMPLOYEE CONTRACTS

Each Market Participant must not formulate or make its Employees enter into an employment contract that would result in a breach of these Rules.

## 3.31. [DELETED]

# 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.

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.

4.1.3. Nothing in Rule 4.1.1 or Rule 4.1.2 prohibits NZX from appointing an Approved Organisation as a Trading Participant pursuant to Rule 3.19.

## 4.2. REQUIREMENT TO HAVE DESIGNATED DEALERS

4.2.1. Each Trading Participant must have Dealers accredited and approved by NZX to access and use the Trading System directly.

## 4.3. APPLICATIONS FOR DEALERS

4.3.1. Applications for designation of an Employee of a Trading Participant as a 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 7 to these Rules and shall be submitted to NZX for consideration by NZX. The application shall include an undertaking signed by the Dealer in the form provided in Appendix 7 and an undertaking to NZX from the Trading Participant that employs the candidate in the form provided in Appendix 7.

4.3.2. Each Trading Participant that has an Employee applying for designation as a Dealer is responsible for ensuring that the Employee has the appropriate skills and experience to act as a Dealer as set out in Rule 4.4.2.

## 4.4. DESIGNATION OF DEALERS

4.4.1. NZX may at its complete discretion:

(a) designate a candidate as a Dealer;

(b) decline to designate a candidate as a Dealer; and/or

(c) revoke any Dealer's designation at any time.

4.4.2. NZX may at its complete discretion designate as a Dealer a candidate who has applied for designation as a Dealer under Rule 4.3 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 (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, 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, including Direct Market Access.

4.4.3. Each person who is a designated Dealer on behalf of a Trading Participant shall have his or her name entered into a Dealers' register maintained by NZX.

4.4.4. NZX may at any time and from time to time require current or prospective Dealers to undergo accreditation and/or training, from an NZX Trainer or otherwise, to ensure that each 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.

4.4.5. Upon approving the designation of a candidate as a Dealer in accordance with this Rule 4.4, these Rules shall form a binding contract between that Dealer and NZX.

## 4.5. TRADING PARTICIPANT'S OBLIGATIONS

4.5.1. Only Dealers may use the trading functionality available in the Trading System, including entering, withdrawing or amending Orders, Bids, Offers and/or Trades.

4.5.2. Each Trading Participant who uses the Direct Market Access facilities provided by NZX must ensure that those facilities are operated only by its Dealers.

4.5.3. Notwithstanding Rules 4.5.1 and 4.5.2, DMA Authorised Persons who have been authorised by a Trading Participant to access the Trading System by Direct Client Order

Processing are not required to be Dealers to submit, withdraw or amend their Orders into the Trading System via the order entry systems of that Trading Participant.

4.5.4. A Trading Participant is responsible for ensuring that any DMA Authorised Person granted authority by that Trading Participant to submit, withdraw or amend their Orders into the Trading System via DCOP has been made aware of the matters referred to in Rule 10.9.1(b) and (c).

4.5.5. 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 or as a result of the Trading Participant allowing access to its trading systems via DCOP. 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 4.5.

## 4.6. NOTIFICATION OF CHANGES TO DEALERS

4.6.1. A Trading Participant must:

(a) ensure that NZX has at all times an up-to-date list of all Dealers employed by, or contracted to, that Trading Participant;

(b) immediately notify and provide an amended list to NZX whenever a Dealer:

(i) commences employment or contractual relations with; or

(ii) ceases to be employed by or contracted to;

(iii) that Trading Participant; and

(c) Notify NZX in writing of any changes internally to the person(s) holding the position of 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.

4.6.2. When a Dealer for a Trading Participant resigns, the Trading Participant must immediately notify NZX in writing of such resignation in the form provided in Appendix 8.

# Section 5: Client Advising Participants

## 5.1. APPLICABLE CLIENT ADVISING PARTICIPANTS

5.1.1. For the purpose of these Rules, all:

(a) NZX Advising Firms;

(b) NZX Trading and Advising Firms; and

(c) Bank Only Participants;

Shall be deemed to be Client Advising Participants and must comply with this Section 5.

5.1.2. Nothing in Rule 5.1.1 prohibits NZX from appointing an Approved Organisation as a Client Advising Participant pursuant to Rule 3.19.

## 5.2. REQUIREMENT TO BE AN NZX ADVISER TO ADVISE CLIENTS

Each Client Advising Participant must ensure that all persons who provide advice to clients on transactions relating to NZX Quoted Products (except those Quoted on the NZX Derivatives Market for which separate designation is required) on behalf of that Client Advising Participant or on dealing in any market operated or provided by NZX on behalf of clients of that Client Advising Participant are designated NZX Advisers. For the avoidance of doubt this Rule does not apply to the extent that a person provides only Investment Banking Services or Research Services or services in relation to Execution Only Orders.

## 5.3. NZDX ADVISERS

5.3.1. Notwithstanding Rule 5.2, a person designated as an NZDX Adviser may provide advice to clients on transactions in relation to Financial Instruments or any other instrument Quoted on the NZDX only provided that such a person deals in the NZDX only and does not provide advice or deal in respect of any other market operated or provided by NZX.

## 5.4. DESIGNATED AS AN NZX ADVISER

5.4.1. Applications by a natural person for designation as an NZX Adviser (candidate) shall be made in writing, shall provide all the information and supporting documentation required by the form provided in Appendix 9, and shall be submitted to NZX for consideration. The application shall include an undertaking signed by the candidate in the form provided in Appendix 9 and an undertaking from the Market Participant that employs or otherwise contracts the candidate in the form provided in Appendix 9 signed by or approved by the Managing Principal or the Responsible Executive of that Client Advising Participant (whichever is applicable).

5.4.2. NZX may at its complete discretion designate a candidate as an NZX Adviser if the candidate:

(a) provides the written application and supporting documentation referred to in Rule 5.4.1;

(b) supplies evidence satisfactory to NZX that the candidate:

(i) has met the education requirements for an NZX Adviser specified in the applicable Guidance Note;

(ii) has met the employment and/or experience requirements for an NZX Adviser specified in the applicable Guidance Note;

(iii) has provided to NZX in writing and, if required by NZX, by way of an undertaking, such other information as NZX may request;

(c) does not have a history of bankruptcy, dishonesty or fraudulent activities; and

(d) is registered as a Financial Service Provider and licensed as an Authorised Financial Adviser if required by law and holds any other licence, registration, designation or status legally required to provide advice to clients and deal in any market operated or provided by NZX on behalf of clients.

5.4.3. Upon NZX designating a candidate as an NZX Adviser in accordance with Rule 5.4.2, these Rules shall form a binding contract between the designated NZX Adviser and NZX.

## 5.5. DESIGNATED AS AN NZDX ADVISER

5.5.1. Applications by a natural person for designation as an NZDX Adviser (candidate) shall be made in writing and shall provide all the information and supporting documentation required by the form provided in Appendix 10 and shall be submitted to NZX for consideration. The application shall include an undertaking signed by the candidate in the form provided in Appendix 10 and an undertaking from the Market Participant that employs or otherwise contracts the candidate in the form provided in Appendix 10 signed by or approved by the Managing Principal or the Responsible Executive of that Client Advising Participant (whichever is applicable).

5.5.2. NZX may at its complete discretion designate a candidate as an NZDX Adviser if the candidate:

(a) provides the written application referred to in Rule 5.5.1;

(b) supplies evidence satisfactory to NZX that the candidate:

(i) has met the education requirements for an NZDX Adviser specified in the applicable Guidance Note;

(ii) has met the employment and/or experience requirements for an NZDX Adviser specified in the applicable Guidance Note;

(c) does not have a history of bankruptcy, dishonesty or fraudulent activities; and

(d) is registered as a Financial Service Provider and licensed as an Authorised Financial Adviser if required by law and holds any other licence, registration, designation or status legally required to provide advice to clients on Securities Quoted on NZDX and deal in NZDX on behalf of clients.

5.5.3. Upon NZX designating a candidate as an NZDX Adviser in accordance with Rule 5.5.2, these Rules shall form a binding contract between the designated NZDX Adviser and NZX.

5.5.4. NZX may, at its complete discretion, require as a condition of designation as an NZDX Adviser that the applicant undergo the accreditation and training required to be designated as an NZX Adviser.

## 5.6. CONTINUING REQUIREMENTS FOR ADVISERS

5.6.1. In addition to the requirements set out in Rule 8.1, every Adviser must at all times comply with such continuing professional development requirements as may be prescribed from time to time by NZX.

5.6.2. Each Adviser must undertake such ongoing training as required from time to time by NZX from an NZX Trainer or otherwise and must be accredited by the NZX Trainer at such intervals as determined by NZX.

## 5.7. NOTIFICATION OF CHANGES TO ADVISERS

5.7.1. Each Client Advising Participant shall:

(a) ensure that NZX has, at all times, an up-to-date list of Advisers employed by, or contracted to, that Client Advising Participant; and

(b) immediately notify and provide an amended list to NZX whenever an Adviser:

(i) commences employment or contractual relations with; or

(ii) ceases to be employed by or contracted to, that Client Advising Participant.

5.7.2. The notification made pursuant to Rule 5.7.1(b)(ii) must also contain the resigning Adviser's contact details (if able to be obtained) for the 6 month period after that Adviser ceases employment with that Client Advising Participant.

## 5.8. PAYMENT OF FEES

5.8.1. Each Adviser shall pay such fees, levies and other charges incurred by or on behalf of that Adviser as shall from time to time be fixed by NZX.

5.8.2. If a Client Advising Participant's Adviser fails to comply with his or her obligations pursuant to Rule 5.8.1 the Client Advising Participant who employs or contracts that Adviser will be responsible for meeting that Adviser's obligations pursuant to Rule 5.8.1.

## 5.9. ADVICE IN AREAS OF DESIGNATION ONLY

5.9.1. An Adviser of a Client Advising Participant must only provide advice to the clients of that Client Advising Participant in Financial Instruments or other products for which that Adviser is individually designated by NZX.

5.9.2. For the avoidance of doubt this does not preclude an Adviser from providing advice to a client where that Adviser is competent to do so in respect of Financial Instruments, other

products or markets not operated or provided by NZX.

## 5.10. REVOCATION AND RE-DESIGNATION OF AN ADVISER'S DESIGNATION

5.10.1. An Adviser may have his or her designation as an Adviser revoked immediately by NZX (which may be without further notice to the person), if:

(a) that person has not been employed or contracted as an Adviser by a Client Advising Participant Full Time for a total of six months, unless granted leave of absence by NZX. Such leave of absence must be applied for in writing to NZX prior to the commencement of the six month period;

(b) that person made a false or misleading declaration to NZX when applying for designation as an Adviser or in the course of performing that person's obligations as an Adviser;

(c) that person is found guilty of any breach of the provisions of the Securities Act 1978, FMC Act, Securities Market Act 1988, the AML Legislation, an offence under the Companies Act 1993 or other companies, anti-money laundering or securities legislation or crime involving dishonesty (as defined in section 2 of the Crimes Act 1961); and/or

(d) that person fails to pay any fees, levies or other charges set by NZX which are due and payable as a condition of designation as an NZX Adviser.

5.10.2. Any Adviser that has had his or her designation as an Adviser revoked by NZX under Rule 5.10.1 may:

(a) apply in writing to NZX for the reasons for the revocation and NZX shall, upon such a request, provide those reasons to the Adviser; and/or

(b) apply in writing to NZX for that decision to be reversed stating in full, the reasons supporting the reversal. NZX will reasonably consider such a written request but is not obliged to reverse the decision. In the event that NZX does not reverse the decision, the Adviser may apply in writing for NZX to refer the matter to NZ Markets Disciplinary Tribunal and NZX shall refer any such decision to NZ Markets Disciplinary Tribunal.

5.10.3. Revocation of a person's designation as an Adviser means that the person concerned is no longer an Adviser, and in particular that person shall no longer be entitled to:

(a) hold himself or herself out to the public as an Adviser;

(b) have access to any services provided to him or her by NZX by virtue of his/her designation as an Adviser; and

(c) otherwise operate as an Adviser, except to honour pre-existing third party obligations.

5.10.4. Revocation does not affect any accrued rights which NZX or any other Market Participant or Adviser may have against the Adviser and/or any obligation the Adviser may owe either to NZX or any Market Participant or Adviser.

5.10.5. Any Adviser that has his or her designation as an Adviser revoked may subsequently apply for re-designation as an Adviser under Rule 5.4 or Rule 5.5 (as appropriate).

## 5.11. TRADING AGREEMENTS

5.11.1. An NZX Advising Firm who is not a Trading Participant must enter into and maintain a written Trading Agreement with a Trading Participant setting out the terms and conditions governing their relationship

5.11.2. Each NZX Advising Firm entering into a Trading Agreement with a Trading Participant must include in that Trading Agreement:

(a) terms that require the Trading Participant to have clearing and settlement arrangements that comply with these Rules in place for Trades executed by the Trading Participant for the NZX Advising Firm; AND

(b) details in relation to the clearing and settlement of Trades for that NZX Advising Firm which must, at a minimum, include the matters in Rule 15.8.1(b). And for the purposes of this paragraph, Rule 15.8.1(b) shall be read as if the NZX Advising Firm is a client of the Trading Participant.

# Section 6: Clearing and Settlement Arrangements

## 6.1. APPROPRIATE CLEARING AND SETTLEMENT ARRANGEMENTS

6.1.1. **General Obligations:** A Trading Participant must satisfy NZX that it has in place and will maintain adequate arrangements for the clearing and settlement of all Trades entered into by the Trading Participant.

6.1.2. A Trading Participant that is not a Clearing Participant must:

(a) have third party clearing arrangement with at least one Clearing Participant;

(b) be party to a C&S Agreement with each Clearing Participant with whom that Trading Participant has third party clearing arrangements; and

(c) ensure that every third party clearing arrangement that it has with any Clearing Participant complies with Rule 6.2.1.

## 6.2. THIRD PARTY CLEARING ARRANGEMENTS

6.2.1. **Description of arrangement**

A third party clearing arrangement between a Trading Participant and a Clearing Participant will comply with this Rule 6.2.1 if:

(a) pursuant to the arrangement the Clearing Participant has the obligation to clear and settle (or arrange clearing and settlement of) all the Trading Participant's Trades allocated to it for clearing and settlement;

(b) NZX has no objection to that Clearing Participant clearing Trades of the Trading Participant;

(c) the Clearing Participant's ability to clear and settle transactions on the Clearing House has not been suspended or restricted in any material way; and

(d) the arrangement complies with this Rule 6.2 other than this Rule 6.2.1.

6.2.2. **Nature of Clearing and Settlement Obligations:** Each Trading Participant that is party to a Trade acknowledges and agrees that:

(a) the Clearing and Settlement Terms of that Trade will be novated in accordance with the Trading Participant's C&S Agreement with the Relevant Clearing Participant (unless the Trading Participant is also a Clearing Participant) and the C&S Rules and, as a result, the Clearing and Settlement Terms owing to it or by it in respect of that Trade will be replaced by the Clearing and Settlement Obligations of the Relevant Clearing Participant in respect of that Trade and which will be performed by the Relevant Clearing Participant as principal obligations of the Relevant Clearing Participant; and

(b) if and to the extent that any Trade is executed by the Trading Participant on behalf of any other person (including a client), the Trading Participant will ensure that it has, at all times, the full and exclusive rights, power and authority to act in all of its activities

in relation to the Relevant Clearing Participant to the exclusion of that other person, including full authority to bind that person to the Trading Participant's C&S Agreement (if any) and to the C&S Rules and authority to pay, transfer or otherwise apply Client Assets for the purpose of Settlement of Trade and to authorise holding of any Client Assets of that person in the Depository in accordance with the Depository Rules.

6.2.3. **Identification of Clearing Participant**

If a Trading Participant has third party clearing arrangements with more than one Clearing Participant for the settlement of its Trades, or is a Clearing Participant and has third party clearing arrangements with another Clearing Participant or other Clearing Participants for the settlement of its Trades, then when entering an Order into the Trading System, the Trading Participant must identify the Clearing Participant that will be responsible for the settlement of the Trade that may result from that Order being matched in the Trading System.

## 6.3. C&S AGREEMENTS

6.3.1. **Written agreement required**

(a) A Trading Participant who is not a Clearing Participant must enter into and maintain at all times a separate written agreement with each of its Clearing Participants setting out the terms and conditions on which each Clearing Participant will clear and settle Trades executed by that Trading Participant. Each C&S Agreement must comply with the requirements of the C&S Rules;

(b) The Trading Participant must promptly give NZX a copy of each C&S Agreement to which it is a party.

6.3.2. **Obligation to notify NZX of amendments:** A Trading Participant must notify NZX in writing of any amendments to any of its C&S Agreements at least 10 Business Days before the amendment becomes effective.

6.3.3. **NZX requirements concerning amendments:** NZX may give reasonable directions to a Trading Participant requiring it to make (or refrain from making) amendments to the terms of any of its C&S Agreements and that Trading Participant must comply with those directions within the time specified by NZX.

6.3.4. **Trading Participant bound by minimum terms:** In relation to a Clearing Participant clearing and settling Trades for a Trading Participant, that Trading Participant is bound by each term which the C&S Rules require to be included in a C&S Agreement, whether or not that term is actually incorporated in a C&S Agreement between the Trading Participant and the Clearing Participant.

6.3.5. A C&S Agreement may include such other terms and conditions that are not inconsistent with the C&S Rules or these Rules. If any such inconsistency exists, the C&S Rules and these Rules will prevail.

## 6.4. SETTLEMENT OF TRANSACTIONS ON CLEARING HOUSE

6.4.1. A Trading Participant must ensure that every Trade (other than a Crossing) to which that Trading Participant is a party in Securities Quoted on the NZSX or NZDX that are Approved Product is settled on the Clearing House in accordance with the terms for settlement of that Trade determined under Rule 10.20. BPOT are not Trades and are not to be settled on the Clearing House.

6.4.2. Upon execution of a Trade required to be settled on the Clearing House under Rule 6.4.1, the Clearing and Settlement Terms of that Trade will be novated in accordance with the C&S Rules and:

(a) The Clearing and Settlement Terms of the Buyer will become the Clearing and Settlement Obligations of the Buyer's Relevant Clearing Participant;

(b) The Clearing and Settlement Terms of the seller will become the Clearing and Settlement Obligations of the Seller's Relevant Clearing Participant.

## 6.5. SUSPENSIONS OF CLEARING ARRANGEMENTS

6.5.1. If, in NZX's opinion, a Clearing Participant's ability to clear and settle transactions on the Clearing House is terminated, suspended or restricted in any material way, and:

(a) that Clearing Participant is a Trading Participant who has no third party clearing arrangement with any other Clearing Participant; or

(b) a Trading Participant has a third party clearing arrangement with that Clearing Participant and no other Clearing Participant,

then NZX may in its sole discretion, suspend or restrict the access to the Trading System or delete any Orders in the Trading System of a Trading Participant to which either paragraph (a) or (b) of this Rule applies, until NZX is satisfied that arrangements are in place that comply with these Rules for the clearing and settling of the Trading Participant's Trades on the Clearing House.

6.5.2. If a Trading Participant is not a Clearing Participant and any arrangement it has with a Clearing Participant for the clearing and settlement of its Trades is terminated or suspended for any reason, then, unless the Trading Participant has other arrangements that comply with these Rules for the clearing and settlement of its Trades on the Clearing House:

(a) NZX may, in its sole discretion, suspend or restrict the Trading Participant's access to the Trading System or delete any of the Trading Participant's Orders in the Trading System until NZX is satisfied that the Trading Participant has in place arrangements that comply with these Rules for the clearing and settlement of it its Trades on the Clearing House;

(b) except where the Trading Participant has given NZX more than one Business Day's prior notice of the suspension or termination of the arrangement under Rule 6.5.3, the termination or suspension of the arrangement with the Clearing Participant (including the termination or suspension of the C&S Agreement will not be effective until NZX has exercised its powers under Rule 6.5.2(a).

6.5.3. A Trading Participant must notify NZX immediately if it becomes aware that any arrangement it has with a Clearing Participant for the clearing and settlement of its Trades on the Clearing House has been or will be suspended or terminated for any reason and must inform NZX of the circumstances and date of termination or suspension.

## 6.6. BUY IN BY CHO

6.6.1. Where CHO exercises its powers under Rule 7.5.1 of the C&S Rules to buy in Securities ("**Buy-In**"), NZX shall make such arrangements as are necessary or desirable for the purpose of facilitating Buy-In by CHO under that Rule, including by making arrangements for the entry and matching of Orders in the Trading System in accordance with the terms of the Buy-In as determined by CHO in accordance with the C&S Rules. Notwithstanding any other provision in these Rules, the provisions in the C&S Rules relating to Buy-In and any procedures made under the C&S Rules relating to Buy-In shall apply to any Trade effected in the Trading System as a result of a Buy-In.

# Section 7: Primary Market Participants

## 7.1. APPLICABLE MARKET PARTICIPANTS

7.1.1. For the purpose of these Rules all:

(a) NZX Firms;

(b) Bank Only Participants;

(c) NZX Sponsors; and

(d) Distribution and Underwriting Sponsors,

shall be deemed to be Primary Market Participants, and must comply with this Section 7.

7.1.2. Nothing in Rule 7.1.1 prohibits NZX from designating an Approved Organisation as a Primary Market Participant.

## 7.2. AUTHORITY TO ACT

7.2.1. Subject to Rule 7.3 and Rule 7.4, each Primary Market Participant shall have authority to act as advisers to, be associated with, or distribute and underwrite (as applicable) any Application for listing or quotation or initial public offering or subsequent offer of Securities where a PDS or other disclosure or offer document soliciting applications for Securities or capable of promoting inquiries for Securities is issued or used, provided that a Distribution and Underwriting Sponsor cannot bring an issue of Securities to a market operated or provided by NZX without being designated as an NZX Sponsor.

## 7.3. OBLIGATIONS OF A PRIMARY MARKET PARTICIPANT

7.3.1. Each Primary Market Participant acting in a capacity referred to in Rule 7.2.1:

(a) accepts responsibility to NZX and acknowledges that it does not have any conflicting duties of interest in relation to the relevant Issuer and where applicable its offer of Securities; and

(b) will comply with these Rules in its role as Primary Market Participant.

7.3.2. Each Primary Market Participant acting in a capacity referred to in Rule 7.2.1:

(a) will comply with these Rules applicable to it in that role;

(b) must, in the case of an application for listing or quotation of Securities on a market operated or provided by NZX, be satisfied that the relevant Issuer and the Securities which are to be listed or Quoted are appropriate to be admitted to a market operated or provided by NZX;

(c) will ensure that its personnel involved in bringing the issue and/or the distribution of the issue are suitably expert and experienced to meet their responsibilities to the relevant Issuer, at law and under these Rules; and

(d) will confirm to NZX in writing if it ceases to act in that capacity.

## 7.4. OBLIGATIONS TO ISSUER INCLUDING UNDERWRITING

7.4.1. An NZX Firm, Bank Only Participant and Distribution and Underwriting Sponsor must ensure that it has adequate internal controls established to manage and distribute the issue of new Securities and to meet its obligations as agreed to with the Issuer of the Securities, including any underwriting obligations.

## 7.5. NZX SPONSORS AND DISTRIBUTION AND UNDERWRITING SPONSORS

7.5.1. Each NZX Sponsor and Distribution and Underwriting Sponsor (not being an NZX Firm) must advise NZX as soon as practicable, and in any event within 5 Business Days of a change being made, of any changes in the personnel (identified in that NZX Sponsor's or Distribution and Underwriting Sponsor's (as applicable) application made under Rule 3.1) that results in that NZX Sponsor or Distribution and Underwriting Sponsor (as applicable) no longer having personnel with the experience in those transactional areas.

7.5.2. For the avoidance of doubt, an NZX Sponsor (not being an NZX Firm) must not act to distribute and/or underwrite or partake in the provision of any such services in relation to any offer of Securities. An NZX Sponsor (not being an NZX Firm) must establish a relationship with an NZX Firm, Bank Only Participant or a Distribution and Underwriting Sponsor to distribute and/or underwrite an issue (or seek to become designated as an NZX Firm, Bank Only Participant or Distribution and Underwriting Sponsor).

# Section 8: General Obligations of all Market Participants and Advisers

## 8.1. CONDUCT OF MARKET PARTICIPANTS AND ADVISERS

8.1.1. Each Market Participant and each Adviser must at all times:

(a) observe proper ethical standards and act with honesty, integrity, fairness, due skill and care, diligence and efficiency and within that person's competence;

(b) refrain from any action, conduct, matter or thing which is, or is reasonably likely to be:

(i) detrimental to the wellbeing or proper conduct of NZX, any of its markets and/or any Market Participant or Adviser;

(ii) a discredit or bring generally into disrepute NZX, any Market Participant and/or any Adviser; or

(iii) detrimental to the wellbeing, or contrary to the best interests of, any client or person who has similar rights to the relevant Securities as that client (e.g. joint account holders);

(c) comply fully with applicable Rules, any directions given from time to time by NZX and at all times observe Good Broking Practice;

(d) deal with NZX in an open and co-operative manner and, not limiting its obligations under Rule 21.7, keep NZX promptly informed of anything that a reasonable person may reasonably be expected to disclose to NZX as a Registered Securities Exchange. In the event that a Market Participant or Adviser is in doubt about whether or not a matter may involve a significant breach or likely breach for the purposes of Rule 21.7 the Market Participant or Adviser, as the case may be, may inform NZX of the matter under this Rule 8.1.1(d); and

(e) comply with and, if applicable, procure that each of its Directors and Employees complies with all laws and regulations applicable to it and maintain in full effect all consents and registrations which may be necessary for the Market Participant and its Advisers to enable the Market Participant to carry on its business as a Market Participant or to enable the performance of their obligations under the Rules.

8.1.2. For the avoidance of doubt, Rule 8.1.1 does not prohibit a Market Participant or an Adviser from taking any proper action to inform NZX or any appropriate regulatory authority of a potential, suspected or actual breach of these Rules or any piece of legislation by another Market Participant, Adviser or client.

## 8.2. SUPPLY OF INFORMATION TO NZX

8.2.1. NZX may, at any time and at its complete discretion, request in writing any information from a Market Participant or Adviser to enable NZX to determine whether the Market Participant or Adviser is complying with all applicable Rules, directions given from time to time by NZX,

the observance of Good Broking Practice, and/or to ensure compliance by NZX with any obligations it has under a Reciprocal Arrangement.

8.2.2. Pursuant to Rule 8.2.1 and subject to Rule 8.3, Market Participants and Advisers are required to supply information requested by NZX, in the media specified by NZX, within the time specified by NZX in its written request for that information provided that such time frame is reasonable, having regard to the information requested.

8.2.3. For the avoidance of doubt, NZX may request that information is provided electronically in excel or word, by e-mail, facsimile or post.

## 8.3. CONFIDENTIALITY OF INFORMATION

8.3.1. NZX shall take all reasonable measures to protect the information provided to NZX pursuant to Rule 8.2 from any unauthorised use or disclosure. Nothing in this Rule limits Rule 20.15.2.

8.3.2. Upon receipt of a request for information from NZX pursuant to Rule 8.2.1 a Market Participant or Adviser may appeal in writing to NZX for that information not to be disclosed to any specific person(s). NZX will reasonably consider such request but is not obliged to accept such request if NZX considers that access to that information by the persons whom the Market Participant or Adviser has requested that that information not be disclosed is necessary for NZX to fulfil its role as regulator of the markets provided by NZX including, but not limited to, fulfilling any obligations it has under a Reciprocal Arrangement or at law.

8.3.3. NZX will advise the relevant Market Participant or Adviser, who has provided information pursuant to Rule 8.2, when the requested information has been received by NZX.

## 8.4. GOOD BROKING PRACTICE

8.4.1. Each Market Participant or Adviser must observe Good Broking Practice.

## 8.5. DESCRIPTION OF MARKET PARTICIPANT'S CONDUCT

8.5.1. Each Market Participant who is in any way associated with any person(s) whose functions or purposes include providing any services in New Zealand of any sort falling within the role, object or functions of NZX, shall, clearly identify to all other persons with whom that Market Participant may be dealing, and all other persons who may become aware of that Market Participant's conduct, the distinction between conduct undertaken by that Market Participant as a Market Participant, and conduct undertaken in the course of, or by virtue of, that Market Participant's association with that other person.

## 8.6. SERVICES PROVIDED BY NZX

8.6.1. In relation to disseminating information or providing access to NZX facilities (including, but not limited to the Trading System) (the Services), each Market Participant or Adviser acknowledges that the Services:

(a) are provided to the Market Participant or Adviser on the basis of the costs and fees set out in NZX's Market Participant fee schedule as amended from time to time by NZX;

(b) may incorporate or rely upon intellectual property which is owned by, or licensed to, NZX;

(c) may be subject to additional terms and conditions to be agreed between that Market Participant or that Adviser and NZX including, but not limited to, Service Level Agreements; and

(d) may incorporate information produced for the confidential use of Market Participants or Advisers only, without it being specifically delineated but in circumstances that require each Market Participant or Adviser to respect absolutely that confidentiality.

8.6.2. If NZX is satisfied that a Market Participant or Adviser is misusing any NZX Services, including for the purpose of promoting or conducting business in the course of its association with any person, group or association other than NZX, NZX may at any time and from time to time at the cost of that Market Participant or Adviser restrict or suspend that Market Participant's or Adviser's access to the Services.

## 8.7. BENEFICIAL OWNERSHIP OF MARKET PARTICIPANT

8.7.1. With the exception of Market Participants who are also listed Issuers, each Market Participant that is a company or, in the case of a Market Participant that is a partnership, any of whose partners is a company, must:

(a) in the case of a Market Participant that is a company provide NZX with a schedule of its shareholders, and in the case of a Market Participant that is a partnership, provide NZX with a schedule of the shareholders of each company that is a partner; and

(b) identify the Beneficial Owners of the shares provided in the schedule under Rule 8.7.1(a) and the number of shares held by each Beneficial Owner.

8.7.2. Each Managing Principal or Responsible Executive of a Market Participant (as applicable) shall maintain an up-to-date and accurate register containing the information required by Rule 8.7.1.

8.7.3. Where there is a change in the legal or Beneficial Ownership of any shares in either a Market Participant that is a company or in the company partners of a Market Participant that is a partnership, each Managing Principal or Responsible Executive of that Market Participant (as applicable) shall as soon as practicable, and in any event within 5 Business Days of the change being made, notify NZX in writing of the change, such notice to give full details of the changes and confirm the identity of the Beneficial Owner of such shares. The register referred to in Rule 8.7.2, must also be updated as soon as possible and in any case within 5 Business Days of the change being made.

8.7.4. For the avoidance of doubt, this Rule 8.7 does not apply to Market Participants who are also listed Issuers.

## 8.8. ORDERLY MARKET

8.8.1. Each Market Participant, Adviser and Dealer must ensure their conduct promotes and helps maintain an orderly market. For the purposes of this Rule, each Market Participant, Adviser and Dealer must ensure that their actions comply with:

(a) the obligations of Market Participants, Advisers and Dealers (whichever is applicable) as set out in these Rules; and

(b) any directions given from time to time by NZX and at all times observe Good Broking Practice.

## 8.9. DEALING PRIOR TO APPROVAL OF LISTING AND QUOTATION

Where a prospectus or investment statement or PDS for an initial public offer or a subsequent public offer states that an application has been made under the Listing Rules to list an Issuer, or to quote that Issuer's Securities on a market provided by NZX, no Market Participant or Adviser shall deal in the secondary market in the Securities concerned, either Acting as Principal or on behalf of a client, until the Issuer has been listed by NZX, or the Securities are Quoted on a market provided by NZX.

## 8.10. MARKET PARTICIPANT AND ADVISER FEES

8.10.1. Each Market Participant and Adviser shall pay to NZX:

(a) such annual contribution; and

(b) such additional levy,

in each case, in manner and on such terms as are from time to time fixed by NZX.

8.10.2. In setting any amount payable by any class of Market Participant or Adviser, NZX may differentiate between classes of Market Participant and each Market Participant or Adviser, at its complete discretion. No person shall be entitled to a refund of any contributions or levies paid under this Rule 8.10.

## 8.11. DISPUTES BETWEEN MARKET PARTICIPANTS

8.11.1. Disputes between Market Participants may be referred in writing for determination to NZX at the option of the parties in dispute who shall nominate a person to act as arbitrator in respect of that dispute.

8.11.2. All disputes referred to NZX under Rule 8.11.1 must be kept confidential between the disputing parties and NZX until such time as the parties agree otherwise.

8.11.3. Any determination made by the arbitrator appointed under Rule 8.11.1 shall be final and binding on the Market Participants in dispute.

8.11.4. An arbitrator appointed under Rule 8.11.1:

(a) may prepare and circulate to each Market Participant or to any selection of Market Participants as the arbitrator thinks fit, a statement of its findings on any dispute; and

(b) may make such order as it considers fit regarding the payment of costs of the hearing of any dispute.

8.11.5. Any action in respect of a matter referred to NZX under this Rule 8.11 shall be commenced only to enforce the decision given under these Rules and then only after the Market Participant the complaint has been laid against has, after 10 Business Days' prior notice in

writing, refused or neglected to carry out such decision. In any such action, no Market Participant shall dispute the correctness of such decision or award, or the fact that it was given in accordance with these Rules.

## 8.12. BUSINESS CONTINUITY PLAN AND DISASTER RECOVERY ARRANGEMENTS

8.12.1. Each Market Participant must establish and at all times maintain an adequate business continuity plan and disaster recovery arrangements designed to ensure timely recovery and continuation of that Market Participant's Broking Business following any short, medium and long term disruption of such Broking Business.

8.12.2. Each Market Participant must identify and consider major threats that may result in short, medium, and long term disruptions of its Broking Business when developing the arrangements required by Rule 8.12.1, and the possible impacts of those threats. This includes, but is not limited to, threats that may arise as a result of the Market Participant's dependency on critical third-party providers.

8.12.3. As a minimum, a Market Participant's business continuity plan must address the following matters:

(a) the management framework for implementing that Market Participant's business continuity plan, including defining the roles and responsibilities of the Market Participant's board and senior management (as relevant) in relation to the design, implementation, functioning, and review of the plan, and must provide that the plan is subject to the oversight of the Compliance Manager, Responsible Executive or Managing Principal;

(b) the services or functions to be maintained by the business continuity plan;

(c) the processes, procedures, and resource requirements to enable the services and functions identified at 8.12.3(b) above to be performed, including people, systems and other assets and arrangements for how these resources will be obtained during a disruption;

(d) the recovery priorities for that Market Participant's services or functions affected by a disruption;

(e) communication arrangements in relation to a disruption and how details of a disruption will be communicated to internal and external parties;

(f) processes for determining the integrity of any information relevant to the Participant's Broking Business affected by a disruption; and

(g) processes for undertaking periodic testing of the adequacy and effectiveness of the business continuity plan.

8.12.4. Each Market Participant must review the contents of its business continuity plan at least annually, and in any case as soon as reasonably practicable if there is a material change in the Market Participant's business location, structure, or operations.

8.12.5. Each Market Participant must notify NZX as soon as reasonably practicable if any event occurs that affects its Broking Business and causes the Market Participant to activate its business continuity plan or disaster recovery arrangements. NZX may, at its discretion,

request additional information from that Market Participant in relation to the steps taken to remediate the disruption.

## 8.13. NZX MAY REQUIRE INFORMATION

8.13.1 Where a Market Participant is unable to access systems provided by NZX, NZX may require that Market Participant to provide information to it to enable NZX to determine whether reconnecting that Market Participant to the relevant NZX systems will compromise the integrity of any NZX market. NZX retains complete discretion as to whether to reconnect a Market Participant to any of NZX's systems.

## 8.14. PAYMENT OF FEES

8.14.1. Each Market Participant must pay such fees, levies and other charges incurred by or on behalf of that Market Participant as shall from time to time be fixed by NZX.

# Section 9: Client Advising

## 9.1. DUTY OF CARE

9.1.1. Each Client Advising Participant and its Advisers and any Employees:

(a) must at all times maintain the standards of objectivity and professionalism that are expected;

(b) must at all times place the interests of its clients before its own interests and in the case of Employees, those of his or her employer, or the person to whom he or she is contracted;

(c) shall respect and ensure the confidentiality of client information and ensure its use is limited to the purposes for which it was provided;

(d) shall not place Client Assets at unreasonable risk from that Client Advising Participant's own business activities; and

(e) shall take all steps necessary to properly protect Client Assets and ensure that these are separately identified from that Client Advising Participant's own assets.

## 9.2. REQUIRED CLIENT INFORMATION

9.2.1. Subject to Rule 9.7, Rule 9.8 and Rule 9.12, sufficient information must be:

(a) requested and obtained from each client wishing to purchase or sell NZX Quoted Products;

(b) recorded; and

(c) reconfirmed from time to time,

by each Client Advising Participant in order to ensure that Trades and other transactions for or on behalf of that client can be completed in accordance with these Rules and Good Broking Practice. As a minimum requirement, each Client Advising Participant must ensure that, except as provided by Rule 9.8 and Rule 9.12, and except in relation to Institutional Clients, it enters into a client agreement (to be signed by the signatory for that Client Advising Participant and the client (or an authorised representative of that client)) which, as a minimum, must include terms of business with that client in accordance with Rule 9.11. The requirements of Rules 9.2 to 9.9 are additional to the requirements of the AML Legislation.

## 9.3. NATURAL PERSONS

9.3.1. Subject to Rule 9.7, Rule 9.8 and Rule 9.12, as a minimum, each Client Advising Participant must, unless the client is an Institutional Client, obtain copies of (where indicated) or record the following information before transacting any business with any natural person:

**Must Request and Record**

(a) full legal name and title;

(b) residential address;

(c) mailing address (if different to the residential address);

(d) registration name and address of the client (if different from the information provided pursuant to Rule 9.3.1(a), Rule 9.3.1(b) and Rule 9.3.1(c));

(e) telephone and contact details (including day time contact number and/or mobile telephone number if applicable);

(f) email address (if available);

(g) CSN (if a client does not have a CSN, the Client Advising Participant must obtain a CSN for that client except where a CSN is not relevant to the types of transactions the Client Advising Participant reasonably expects to be undertaking for or on behalf of the client);

(h) where relevant to the services to be provided and/or for the purposes of applying for a CSN, the client's IRD number (if available).

**Must Obtain:**

(i) a copy of the client's bank account details (if any) by means of verified bank encoded deposit slip, bank statement or other notice of confirmation issued by the relevant bank verifying the account holder and account number as written confirmation of the bank account (and its number) selected by the client for payment of monies owing to the client, where the client has selected payment to a bank account;

(j) a copy of the written direction granting authority for a person(s) to transact business on behalf of the client. This may be evidenced by:

(i) the nomination of the person as an authorised person on the client's account opening documentation;

(ii) a power of attorney; or

(iii) nomination of that person, in writing from the client, at any time.

In each case, the Client Advising Participant must ensure that the following information is recorded in respect of that person:

(iv) full legal name;

(v) address;

(vi) relationship to the client; and

(vii) contact telephone number.

## 9.4. NON-NATURAL PERSONS (THAT ARE NOT TRUSTS)

9.4.1. Subject to Rule 9.7, Rule 9.8 and Rule 9.12, each Client Advising Participant must, unless the client is an Institutional Client, obtain copies, where indicated, or record the following information before transacting any business with or on behalf of a client that is not a natural person or a trust:

**Must Request and Record:**

(a) full legal name of the client, whether that client is a company or a partnership or otherwise incorporated outside of New Zealand;

(b) registered address;

(c) mailing address (if different to the Registered address);

(d) registration name and address (if different from the information obtained pursuant to Rule 9.4.1(a), Rule 9.4.1(b) and Rule 9.4.1(c);

(e) email address (if available);

(f) contact telephone numbers;

(g) CSN (if the client does not have a CSN, the Client Advising Participant must obtain a CSN for that client except where a CSN is not relevant to the types of transactions the Client Advising Participant reasonably expects to be undertaking for or on behalf of the client);

(h) a copy of that client's bank account details (if any) by means of verified bank encoded deposit slip, bank statement or other notice of confirmation issued by the relevant bank verifying the account holder and account number as written confirmation of the bank account (and its number) selected by the client for payment of monies owing to the client, where the client has selected payment to a bank account;

(i) where relevant to the services to be provided and/or for the purposes of applying for a CSN, the client's IRD number (if available).

**Must obtain if the client is a company, or otherwise incorporated:**

(j) the full legal name of officers or persons authorised to act on behalf of the client;

**Must obtain if the client if a partnership:**

(k) confirmation in writing of the partners or persons authorised to act on behalf f the partnership; and

(l) full legal name(s) of the partners.

## 9.5. TRUSTS

9.5.1. Subject to Rule 9.7, Rule 9.8 and Rule 9.12 as a minimum, each Client Advising Participant must, unless the client is an Institutional Client, obtain copies, where indicated, or record

the following information before transacting any business with or on behalf of a client who is a trust:

**Must Request and Record:**

(a) full legal name(s) of all Trustee(s);

(b) full legal name of person/s authorised to act on behalf of the trust;

(c) mailing address of the trust and Trustees;

(d) contact telephone numbers of the trust and Trustees; and

(e) CSN (if the trust does not have a CSN, the Client Advising Participant must obtain a CSN for that client, except where a CSN is not relevant to the types of transactions the Client Advising Participant reasonably expects to be undertaking for or on behalf of the client);

**Must Obtain:**

(f) confirmation in writing of the persons authorised to act on behalf of the trust.

For the avoidance of doubt, if a client is a trust, a client agreement, which, as a minimum, includes terms of business with that client in accordance with Rule 9.11, must be entered into between the trust and the Client Advising Participant and be executed by all of the trustees for the trust.

(g) a copy of the trust's nominated bank account details (if any) evidenced by means of verified bank encoded deposit slip, bank statement or other notice of confirmation issued by the relevant bank verifying the account holder and account number as written confirmation of the bank account (and its number) selected by the client for payment of monies owing to the client, where the client has selected payment to a bank account; and

(h) where relevant to the services to be provided and/or for the purpose of applying for a CSN, the client's IRD number (if available).

## 9.6. INTERMEDIARIES

9.6.1. Each Client Advising Participant must obtain copies, where indicated, or record the following information before transacting any business with or on behalf of a client that is an Intermediary:

**Must Request and Record:**

(a) full legal name of the Intermediary;

(b) if the Intermediary is a natural person, relevant details as required under Rule 9.3;

(c) if the Intermediary is not a natural person or a trust, relevant details as required under Rule 9.4;

(d) if the Intermediary is a trust, relevant details as required under Rule 9.5; and

(e) details of those persons authorised to transact business on behalf of the Intermediary including name, position, contact telephone number and written authority.

**Must Obtain:**

(f) a copy of the Intermediary's nominated bank account details evidenced by means of verified bank encoded deposit slip, bank statement or other notice of confirmation issued by the relevant bank verifying the Intermediary's bank account number, as written confirmation of the account holder and bank account (and its number) selected by the Intermediary for payment of monies owing to the Intermediary, where the Intermediary has selected payment to a bank account.

For the avoidance of doubt, if a Client Advising Participant has a relationship with an Intermediary under which the Client Advising Participant deals directly with the underlying client, that Client Advising Participant must treat that underlying client as a direct client of the Client Advising Participant and the Rules shall apply to that underlying client as if that client were a direct client of the Client Advising Participant.

## 9.7. [DELETED]

## 9.8. WINDING UP ESTATES

9.8.1. Subject to Rule 9.8.6, if a Client Advising Participant receives instructions from the trustee or executor of an estate of a deceased person, or from the solicitor on behalf of that estate, to sell any Securities held by the deceased person, as part of winding up the deceased person's estate, the Client Advising Participant may, subject to complying with Rule 9.8.2 and Rule 9.8.3, complete that transaction without first obtaining the required client information pursuant to Rule 9.2.

9.8.2. Before transacting a Trade on behalf of a deceased person's estate, a Client Advising Participant must obtain a copy of probate, if probate has been applied for that deceased person, or where probate is not legally required to be obtained, other documentation including a death certificate, to establish the legal standing of the estate of that deceased person and of the person instructing the Client Advising Participant on behalf of that estate.

9.8.3. Each Client Advising Participant must obtain and record on behalf of a deceased person's estate, as a minimum, the following information:

(a) the name of that deceased person;

(b) the date the transaction was entered into and completed; and

(c) the name of the trustee or executor for the estate, or solicitor for the estate, requesting the same of that deceased person's Securities.

9.8.4. For the avoidance of doubt, the quantity of Securities requested to be sold by the deceased person's trustee or solicitor on behalf of that deceased person is not restricted, other than to the amount of Securities held by that deceased person's estate.

9.8.5. All monies received from the sale of a deceased person's Securities (minus any brokerage or commission) must be paid directly into the estate of that deceased person or to the trust account of the solicitor for the estate of that deceased person. Where the relevant person(s) direct in writing that the payment should be made to a third party (such as a

beneficiary), and provide details in relation to that third party, including a copy of that third party's bank account details or settlement arrangements or other notice of confirmation issued by the relevant bank verifying the account holder and bank account number, that direction may be followed.

## 9.9. HOLD MAIL ACCOUNTS

9.9.1. All instructions received from a client in relation to a Hold Mail Account (e.g. as a result of overseas travel) must be in writing and approved by a Client Advising Participant's Compliance Manager.

9.9.2. Each Client Advising Participant who operates a Hold Mail Account for a client must maintain a hold mail register which must include as a minimum the following information:

(a) Name and address of that client;

(b) The date the Hold Mail Account for that client was established;

(c) a copy of the written authorisation granting authority to that Client Advising Participant to hold that client's mail;

(d) an outline of why the Hold Mail Account has been stablished;

(e) the period for which the Hold Mail Account applies;

(f) copies of all contract notes for that client or the ability to retrieve all contract notes for that client, if held electronically; and

(g) any other relevant information.

9.9.3. For all Hold Mail Accounts, a copy of each contract note must be provided or made available (in hard copy or electronically) to each of:

(a) the Client Advising Participant's NZX Adviser responsible for the Hold Mail Account; and

(b) the Client Advising Participant's Compliance Manager.

## 9.10. CLIENT AGREEMENT

9.10.1. Subject to Rule 9.11, Each Client Advising Participant must enter into a signed written agreement with each of its clients (unless a client is an Institutional Client) which must, contain the following:

(a) the Client Advising Participant's terms of business;

(b) details of the means by which the client's instructions will be accepted by the Client Advising Participant;

(c) Risk Warnings in relation to the classes of NZX Quoted Products in respect of which the Client Advising Participant provides advice and/or executes Orders, particularly in relation to instructions on Short Selling of Securities or dealings in Derivatives Contracts or warrants or any other Security as advised from time to time by NZX;

(d) details of the Client Advising Participant's arrangements, if any, with a Trading Participant to facilitate Trades for that client, including whether the Client Advising Participant offers access to NZX Dark;

(e) details in relation to the clearing and settlement of Trades for that client which must, at a minimum, include the matters in Rule 15.8.1(b); and

(f) if any Client Funds Account or Custody Account maintained by the Client Advising Participant is a Depository Account, the matters in Rule 18.15.

9.10.2. Each Client Advising Participant must keep a record of each client agreement entered into between the Client Advising Participant and its clients.

9.10.3. For the avoidance of doubt, Client Advising Participants must enter into a client agreement with all new clients and with any existing clients (other than Institutional Clients) if a client agreement is not already in place at the time that new or existing client wishes to purchase or sell any Financial Instrument.

9.10.4. An agreement between a Client Advising Participant and a client may include any terms and conditions that are not inconsistent with these Rules. If any such inconsistency exists, the C&S Rules and these Rules will prevail.

9.10.5. Any agreement between a Client Advising Participant and a client relating to the execution of the client's Trades on the Trading System must include the matters referred to in Rule 15.8.1(b).

## 9.11. NO TRADING ON BEHALF OF A CLIENT WITHOUT A SIGNED CLIENT AGREEMENT

9.11.1. Except as provided for in Rule 9.8 and Rule 9.12, each Client Advising Participant must not Trade on behalf of a client (other than an Institutional Client) without first obtaining a signed copy of a client agreement entered into between that Client Advising Participant and that client.

## 9.12. ONE OFF SALES

9.12.1. Subject to Rule 9.12.5, a Client Advising Participant is not required to obtain the information required pursuant to Rule 9.11 if a request from a person(s) is a request for a One Off Sale of all of that person(s) holdings in a given Security or that person(s) entire holdings in Securities Quoted on a market operated or provided by NZX or another Recognised Securities Exchange, on the condition that:

(a) the registration name and address for the Securities of the person(s) is obtained;

(b) a copy of that person(s) bank account details or settlement arrangements or other notice of confirmation issued by the relevant bank verifying the account holder and bank account number is obtained; and

(c) all money received from the sale of the Securities pursuant to Rule 9.12.1 (minus any brokerage or commission) is paid into the bank account of the registered holder of the Securities sold pursuant to this Rule or by cheque made payable to the registered holder(s) of the Securities sold, crossed as non-transferable and mailed to the

registered holders address, unless the relevant person(s) direct in writing that the payment should be made to a third party, and provide details in relation to that third party under Rule 9.12.1(b), in which case that direction may be followed.

9.12.2. For the avoidance of doubt, a Client Advising Participant must complete the requirements of Rule 9.2, Rule 9.10 and Rule 9.11 if any additional Trading (whether the request is for the sale or purchase of Securities) is requested by a person for whom the Client Advising Participant has performed a One Off Sale in accordance with Rule 9.12.1.

9.12.3. Each Client Advising Participant must maintain a record (including maintaining copies of the information required to complete the One Off Sale) of all persons for whom a One Off Sale of Securities has been performed to ensure that the objectives of Rule 9.12.1 are complied with.

9.12.4. Each Client Advising Participant accepting a request for a One Off Sale of Securities in accordance with this Rule 9.12 must have the necessary controls and procedures in place to facilitate One Off Sale requests.

9.12.5. For the avoidance of doubt, this Rule 9.12 does not replace or diminish a Client Advising Participants' statutory obligations under the AML Legislation.

9.12.6. [Deleted]

# Section 10: Trading – General Obligation when Trading on the Markets Provided by NZX

## 10.1. GENERAL

10.1.1. Each Trading Participant, NZX Advising Firm, Dealer and Adviser must conduct and report Trading and dealing in all Securities on the markets provided by NZX in accordance with Good Broking Practice.

10.1.2. Where a Security holder who has sold Securities is given the right to apply for new Securities offered prior to the settlement of that sale, a Trading Participant or an NZX Advising Firm acting for that client must take such lawful action as may be required by Good Broking Practice to protect the rights of the buyers in respect of the Securities so offered.

10.1.3. Each Trading Participant, NZX Advising Firm and Adviser must take such action as may be required by Good Broking Practice to protect the rights of clients, whether purchasing or selling Securities, in respect of entitlements to dividends, interest, or capital distributions and in regards to settlement.

10.1.4. The rights and obligations of purchasing and selling clients with regards to calls made on Securities which are being sold shall be as recognised by Good Broking Practice.

10.1.5. Each Trading Participant must ensure that all Orders entered or submitted into the Trading System by that Trading Participant are entered or submitted with the trading flags and data required by Procedures. This Rule extends to all Orders entered or submitted into the Trading System by a Trading Participant's Dealers and by DMA Authorised Persons authorised by that Trading Participant to enter or submit Orders.[4]

## 10.2. MARKET MANIPULATION

10.2.1. Every Trading Participant, NZX Advising Firm, Dealer, Adviser and any Employee who provides services in relation to Execution Only Orders, is prohibited from placing an Order for, or dealing in, any Securities.

(a) either when Acting as Principal or placing that Order has the effect, or in the opinion of NZX is likely to have the effect, of creating a false or misleading appearance:

(i) of active trading in any Securities;

(ii) with respect to the market for, or the price/yield or, any securities; or

(iii) the Trading Participant, NZX Advising Firm, Dealer, Adviser or Employee who provides services in relation to Execution Only Orders, intends to create the effect of any of the circumstances in Rule 10.2.1(a)(i) or (ii); and

(b) on behalf of a client or any other person where that Trading Participant, NZX Advising Firm, Dealer, Adviser or Employee who provides services in relation to Execution Only Orders, intends to create, or is aware that that client or other person

[4] Procedure 2.1

intends to create, or that Trading Participant, NZX Advising Firm, Dealer, Adviser or Employee who provides services in relation to Execution Only Orders, should reasonably suspect that the client or other person intends to create the effect of any of the circumstances in 10.2.1 (a)(i) or (ii).

10.2.2. When accepting an Order each Trading Participant, NZX Advising Firm, Dealer, Adviser and any Employee who provides services in relation to Execution Only Orders, must consider the following:

(a) whether that Order, or the execution of that Order, is consistent with recent trading in that Security, taking into account current market conditions;

(b) whether that Order, or the execution of that Order, will materially affect the market for, or price/yield of, any Security;

(c) whether that Order is received during Trading Hours or after the market has closed, and whether instructions about when that Order is to be entered have been received from the client;

(d) whether the client who has entered/submitted that Order, or any other person who the Trading Participant, NZX Advising Firm, Dealer, Adviser or Employee who provides services in relation to Execution Only Orders, knows to be a Related Party of that client, may have a beneficial interest in creating a false or misleading market in, or the price/yield of, any Security;

(e) whether there are any additional unusual requests in relation to that Order, including but not limited to requests in relation to settlement and delivery;

(f) whether that Order appears to be one in a series of requested Orders and whether that series of Orders has any of the effects outlined in this Rule 10.2.2; and

(g) whether there is a clear legitimate commercial reason for that Order being placed, which is unrelated to the intention to create a false or misleading market in respect of the market for, or price/yield of, any Securities.

10.2.3. For the avoidance of doubt, the obligations imposed on each Trading Participant, NZX Advising Firm, Dealer, Adviser and Employee who provides services in relation to Execution Only Orders, in relation to the requirement not to create a false or misleading market for, or price/yield of, any Securities also applies in respect of Orders the subject of Direct Market Access.

## 10.3. ACTING AS PRINCIPAL

10.3.1. Each Trading Participant or NZX Advising Firm that, when Acting as Principal, enters into a sale or purchase of Securities with a person who is not another Trading Participant or NZX Advising Firm or a member of another Recognised Securities Exchange shall:

(a) state legibly in the contract note; or

(b) where a contract note is not required:

(i) notify the client prior to each transaction and retain a written record of the notification; or

(ii) state legibly in any other confirmation of the transaction provided to the client,

that it is Acting as Principal in the transaction.

## 10.4. ACTING AS AGENT

10.4.1. A Trading Participant or NZX Advising Firm that acts as agent for the Buyer and the Seller in a transaction and charges both parties to the transaction shall disclose in legible print on the contract note to each party that it may be acting for, and earning income from, both parties.

## 10.5. PRESCRIBED PERSON TRADING

10.5.1. This Rule 10.5 applies to Orders for any:

(a) NZX Quoted Product, wherever traded;

(b) Derivatives Contract relating to any NZX Quoted Product, wherever traded; or

(c) Securities which are, following allotment, intended to be Quoted on a market operated or provided by NZX,

but does not apply to Orders to buy or sell any Security or Derivatives Contract:

(d) via a KiwiSaver scheme or complying superannuation fund (as defined in the FMC Act);

(e) for a Discretionary Account where there is no engagement in relation to the Order with the Prescribed Person; or

(f) to buy or sell Fund Securities in an Index-tracking Fund that has been designated by NZX for the purposes of these Rules.

10.5.2. A Trading Participant or NZX Advising Firm must ensure that its Employee obtains its written authority before an Order to which this Rule 10.5 applies is placed for the account of that Employee whether with that Trading Participant or NZX Advising Firm, or not.

10.5.3. A Trading Participant or NZX Advising Firm must ensure that it takes reasonable steps to ensure that its Prescribed Person who is not its Employee, obtains its written authority, before an Order to which this Rule 10.5 applies is placed for the account of that person whether with that Trading Participant or NZX Advising Firm, or not.

10.5.4. The written authority required under Rules 10.5.2 and 10.5.3 must be provided by:

(a) the Compliance Manager of the Trading Participant or NZX Advising Firm;

(b) the Managing Principal or Responsible Executive (whichever is applicable) of the Trading Participant or NZX Advising Firm;

(c) the delegate of the Compliance Manager, or the Managing Principal or Responsible Executive (as applicable), authorised for the purpose of authorising Prescribed Person trading; or

(d) an automated system that meets the requirements of the Procedures.[5]

Written authority provided under this Rule must be for each individual Order and must be obtained prior to the Order being placed or effected. The application for written authority must be made in writing by the Prescribed Person.

10.5.5. Each Trading Participant or NZX Advising Firm must:

(a) ensure that its Employees are aware of their obligations, and the obligations of the Trading Participant or NZX Advising Firm, pursuant to Rule 10.5;

(b) take reasonable steps to inform its Prescribed Persons who are not its Employees of the requirements of this Rule 10.5;

(c) obtain from its Employees an annual written undertaking that they have at all times complied with their obligations, under Rule 10.5; and

(d) perform a daily reconciliation check on the approval(s) sought under Rule 10.5.2 and 10.5.3 and the trading on account of its Prescribed Persons to ensure compliance with Rule 10.5.2 and 10.5.3.

10.5.6. Subject to Rule 10.5.7, Prescribed Persons of a Trading Participant or NZX Advising Firm must not participate in, or request an allocation of, Securities in any initial public offer, subsequent public offer, or non-public offer (such as a book build) by an Issuer if the Trading Participant or NZX Advising Firm is engaged by that Issuer in a role which gives the Trading Participant or NZX Advising Firm an influence over allocation of Securities under the offer, whether as a lead manager, joint lead manager, manager, underwriter or otherwise. Notwithstanding this Rule, Prescribed Persons of a Trading Participant or NZX Advising Firm may participate in:

(a) any public pool of any new offer of Securities by an Issuer; and/or

(b) any new offer of Securities if the Prescribed Person has a pre-existing right in the new offer of Securities.

10.5.7. A Trading Participant or NZX Advising Firm engaged in a role referred to in Rule 10.5.6 may offer an identified percentage of Securities as part of the relevant initial public offer, subsequent public offer or non-public offer to Prescribed Persons of that Trading Participant or NZX Advising Firm if the Managing Principal or Responsible Executive (whichever is appropriate) and the Compliance Manager has certified to NZX in writing prior to the offer to Prescribed Persons being made:

(a) the number of Securities available to the Trading Participant or NZX Advising Firm;

(b) the number of Securities being offered to clients and Prescribed Persons by the Trading Participant or NZX Advising Firm;

(c) that the Trading Participant or NZX Advising Firm has used its best endeavours to satisfy client orders/applications for that offer;

[5] Procedure 5.1

(d) that, in the event of further subscription by clients, Prescribed Persons will stand aside or have their allocation of Securities scaled; and

(e) that all Prescribed Person allocations will be pre-approved as prescribed by Rule 10.5.2 and 10.5.3.

10.5.8. A Trading Participant and NZX Advising Firm must keep a record of the applications made to it for written authority under Rule 10.5.2 and 10.5.3 (whether approval has been granted or not), and details of allotments of Securities to Prescribed Persons under Rule 10.5.6 or 10.5.7. As a minimum, this must contain:

(a) all of the information required by Rule 15.12 for Orders;

(b) the date and time of the approval; and

(c) the period of time the approval is granted for.

10.5.9. Dealers must not:

(a) enter Orders on behalf of:

(i) their own account, or any associated person (as defined in the Listing Rules); or

(ii) Discretionary Accounts for which they have authority;

(b) book or allocate Trades in a pool account of the relevant Trading Participant for which they are a Dealer;

(c) book or allocate Trades to persons who are Prescribed Persons by reason of their relationship with the Dealer; and

(d) have any responsibility for that activity unless the pool account is the house account of that Trading Participant.

10.5.10. Each Trading Participant and NZX Advising Firm must have established policies and procedures in relation to trading (including Trading) by Prescribed Persons, which must be consistent with the Participant's obligations under the Rules, and each Trading Participant and NZX Advising Firm's Employees must be advised of those policies and procedures.

10.5.11. Each Trading Participant and NZX Advising Firm is responsible for establishing and maintaining up-to-date internal procedures to monitor Trading by its Prescribed Persons, which must be consistent with the Participant's obligations under the Rules. These procedures must be established to ensure that breaches of that Trading Participant or NZX Advising Firm's Trading policies are discovered promptly and, in any case, within one Business Day of any breach. As part of any inspection, NZX may request to see the internal procedures and/or policies established by a Trading Participant and NZX Advising Firm as well as all Prescribed Person Trading records pursuant to this Rule 10.5.11.

10.5.12. Each Prescribed Person of a Trading Participant or NZX Advising Firm is required to hold all Securities subject to the Order authority requirements of Rule 10.5.2 and 10.5.3 except

Derivatives Contracts, purchased or allotted for a minimum period of 5 Business Days (the "**Holding Period**") from and including the date of purchase or allotment.

10.5.13. If, because of special personal circumstances, a Prescribed Person of a Trading Participant or NZX Advising Firm needs to sell Securities subject to Rule 10.5.1 during the Holding Period then an application must be made in writing to the appropriate person referred to in Rule 10.5.4 and written authority must be obtained prior to placing an Order. In this Rule special personal circumstances do not include changes in market prices or other market events. Each Trading Participant or NZX Advising Firm must retain a record of any such requests which must, as a minimum, include:

(a) a copy of the dated written request, including a description of the special personal circumstances;

(b) whether the request was granted; and

(c) details of any conditions imposed on the Prescribed Person making the request.

10.5.14. Each Trading Participant and NZX Advising Firm must not permit its Prescribed Person to place Orders that are subject to the requirements of Rule 10.5.2 or 10.5.3 through another Trading Participant or NZX Advising Firm unless it:

(a) arranges for the executing Trading Participant or NZX Advising Firm to send a duplicate contract note to it as required by Rule 10.5.15 within the timeframe outlined in Rule 15.16;

(b) maintains a register of its Prescribed Persons permitted to hold accounts with another Trading Participant or NZX Advising Firm; and

(c) has arrangements in place to ensure its written authority (that meets the requirements of Rule 10.5.4) is obtained, before Orders to which Rule 10.5.2 or 10.5.3 applies are placed.

10.5.15. Each Trading Participant who executes an Order for the account of a Prescribed Person of another Trading Participant or NZX Advising Firm, must:

(a) prior to executing the Order ensure that its Client Agreement with the Prescribed Person enables it to meet its obligations under Rule 10.5.15(b); and

(b) provide a contract note to that other Trading Participant or NZX Advising Firm within the timeframe outlined in Rule 15.16.

## 10.6. OBLIGATIONS OF ALL TRADING PARTICIPANTS

10.6.1. Each Trading Participant must ensure the conduct of an orderly market. In particular each Trading Participant must:

(a) keep and maintain records of the time and date of receipt of each Order as part of the accounting records required by these Rules;

(b) keep and maintain records of the date and time of each decision for the Trading Participant to Trade Acting as Principal, including the name of the natural person who made the decision, in accordance with Rule 15.12.3;

(c) be solely responsible for the accuracy of Orders entered/submitted into the Trading System in accordance with the procedures for use of the Trading System established from time to time by NZX to ensure the efficiency and integrity of the markets provided by NZX;

(d) maintain and enforce at all times appropriate security procedures designed to prevent unauthorised entry into the Trading System; and

(e) answer, and provide evidence (written evidence if requested) in support of any request by NZX in respect of that Trading Participant's compliance with these Rules, and/or any direction issued from time to time by NZX or compliance with Good Broking Practice. If requested, that Trading Participant must provide NZX with independent verification (by an organisation or person approved by NZX) of that Trading Participant's compliance with these Rules and/or any directions issued from time to time by NZX or compliance with Good Broking Practice.

## 10.7. ACCESS TO TRADING SYSTEM RESTRICTED TO DEALERS AND DMA AUTHORISED PERSONS

10.7.1. Each Trading Participant is responsible for the security and control of access to the Trading System and must ensure that only its Dealers or a DMA Authorised Person authorised by that Trading Participant enters/submits Orders into the Trading System, and that each Dealer or DMA Authorised Person has an active unique identification code and password to access the Trading System.

10.7.2. Each Trading Participant must ensure that its Dealers who access or enter/submit Orders into the Trading System, including through a third party access system or DMA, are separately identifiable in the Trading System by the use of a unique identifier which attaches to all Orders entered/submitted into the Trading System by the relevant Dealer. Each Trading Participant must be able to trace the Order flow of each of their Dealers and provide this information to NZX on request.

10.7.3. Each Trading Participant must at all times ensure that it has and maintains the necessary organisational and technical resources to ensure compliance with these Rules, any directions issued from time to time by NZX and at all times observes Good Broking Practice.

## 10.8. DIRECT MARKET ACCESS

10.8.1. Each Trading Participant that provides Direct Market Access to its DMA Authorised Persons must at all times ensure that:

(a) it, and any DMA Authorised Person and any Dealer, complies with all applicable Rules, any directions issued from time to time by NZX and at all times observes Good Broking Practice, including ensuring that the appropriate filters, screens and security measures are established and maintained by that Trading Participant;

(b) its use and access, and the use and access by each DMA Authorised Person and Dealer, to Direct Market Access does not interfere with:

(i) the efficiency and integrity of the markets operated or provided by NZX; or

(ii) the proper functioning of the Trading System; and

(c) any Orders entered/submitted into the Trading Participant's order entry system by DMA Authorised Persons which do not pass directly through the filters referred to in Rule 10.8.1(a) are rejected outright or referred to a Dealer for review and decision before being allowed to pass into the Trading System.

10.8.2. Each Trading Participant acknowledges that it is responsible and liable for Orders entered/submitted into the Trading System via DCOP.

10.8.3. Subject to these Rules, a Trading Participant may request NZX to allow it to provide DMA Authorised Persons with Direct Market Access to a market provided by NZX by completing the application in the form provided in Appendix 12 and providing any additional information that NZX requests. The completed application shall be submitted to NZX for consideration by NZX. A separate application is required for each new DMA system through which a Trading Participant proposes to offer DMA.

10.8.4. NZX shall have complete discretion to reject or approve (with or without conditions) a Trading Participant to allow it to provide DMA Authorised Persons with Direct Market Access or approve a new system for DMA. Where a Trading Participant'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.

10.8.5. NZX may require a Trading Participant designated to provide Direct Market Access to meet any additional requirements and/or conditions at any time where NZX considers it appropriate or necessary to do so to ensure an orderly and fair market.

## 10.9. DIRECT CLIENT ORDER PROCESSING

10.9.1. Each Trading Participant that provides DCOP must have procedures in place (and must comply with those procedures):

(a) for authorising DMA Authorised Persons to submit Orders into that Trading Participant's order entry system;

(b) to ensure that each DMA Authorised Person is made aware of:

(i) the appropriate use of the order entry system of that Trading Participant; and

(ii) the Rules in relation to Trading, and any directions issued from time to time by NZX on Trading or DCOP and the requirements of Good Broking Practice and any applicable Guidance Note; and

(c) for taking reasonable steps to ensure that each DMA Authorised Client makes any individuals who will place Orders via DCOP on its behalf aware of the matters in Rule 10.9.1(b); and

(d) for recording any written security arrangements (and details of any non-written security arrangements) between the Trading Participant and the DMA Authorised Person regarding access by the DMA Authorised Person to the computer or other devices connected to the Trading Participant's order entry systems, the location of that computer or other devices, and the method of dealing with, and identifying, such computers or other devices.

10.9.2. Each Trading Participant must ensure that it has a written agreement with each DMA Authorised Client setting out the terms of that client's access to the Trading System via DCOP. The agreement must provide that, subject to any applicable data protection and privacy laws, the client must, on request by NZX to the Trading Participant, provide the following information to the Trading Participant in relation to any Order placed via DCOP:

(a) if the client placed the Order for the account of a third party for whom it is acting:

(i) if the third party's Order was placed with the client using an automated system offered by the client, the identity of the third party and confirmation of the client's authority to act for the third party; and

(ii) otherwise, the identity of the individual acting for the client (if any) who placed the Order with the Trading Participant on behalf of that third party; and

(b) if the client placed the Order for its own account, the identity of the individual who placed the Order.

The agreement may provide that the client may elect to provide the requested information directly to NZX, and must provide that NZX is authorised to use the information for any investigative or regulatory purpose.

## 10.10. DMA AUTHORISED PERSON REGISTER

10.10.1. Each Trading Participant must keep a register of all of its DMA Authorised Persons including recording, as a minimum requirement, the following information:

(a) for a DMA Authorised Client, the name, address, contact details including the client's unique identifier as per Rule 15.5 and (where available) telephone, facsimile and e-mail details, of the client; and

(b) for a DMA Authorised Employee, the Employee's name and system identifier.

10.10.2. If NZX for any reason considers that:

(a) a Trading Participant, or a Designated Market Maker who is a client of that Trading Participant, has breached any of the applicable Rules, and/or directions issued from time to time by NZX or failed to observe Good Broking Practice; or

(b) the efficiency and integrity of any of the markets provided by NZX, or the functioning of the Trading System, are at risk (to be determined by NZX at its complete discretion),

NZX may direct that Trading Participant immediately:

(c) stop using and/or providing Direct Market Access until NZX is satisfied of that Trading Participant's compliance with all applicable Rules and/or directions issued from time to time by NZX and/or Good Broking Practice; and

(d) suspend, limit or prohibit:

(i) any one or more of that Trading Participant's DMA Authorised Persons' participation in DCOP;

(ii) all of that Trading Participant's DCOP; or

(iii) that Trading Participant's Direct Market Access.

10.10.3. If a Trading Participant does not comply with any direction given by NZX either to all or specific Trading Participants, or that Trading Participant does not comply in the time NZX considers necessary for the efficiency and integrity of any market provided by NZX, or for the proper functioning of the Trading System, NZX may withdraw Trading Permission for all Direct Market Access offered by, or associated with, that Trading Participant.

10.10.4. Any direction given by NZX in relation to this Rule 10.10 will remain in force until such time as that direction by NZX is complied with, or the efficiency and integrity of any market provided by NZX and the Trading System are, in the opinion of NZX at its complete discretion, no longer at risk.

10.10.5. If NZX uses its discretion to withdraw Trading Permission from any DMA Authorised Person and/or Trading Participant under these Rules, NZX will immediately notify the affected Trading Participant of the withdrawal. Subsequent to the withdrawal of Trading Permission, NZX will reasonably consider any written submission received by NZX on behalf of that Trading Participant outlining reasons why Trading Permission should not have been withdrawn.

10.10.6. A decision by NZX in relation to a submission under Rule 10.10.5 will be made by NZX as soon as possible and, in any case, within two Business Days of the receipt of the written submission by NZX.

## 10.11. SHORT SELLING

10.11.1. No Trading Participant or NZX Advising Firm may Short Sell Securities except as permitted by these Rules.

10.11.2. Except as otherwise provided in this Rule 10.11, these Rules shall apply to Short Sales as if they were Conventional Sales.

10.11.3. Each Trading Participant and NZX Advising Firm is prohibited from entering into a Short Sale contract, either on its own behalf or knowingly for a client, unless such a Short Sale is undertaken in compliance with Good Broking Practice.

10.11.4. NZX shall have power to restrict, prohibit or otherwise limit Short Selling in all or any Securities for such period and for such reasons as it may, in its complete discretion, determine.

10.11.5. Where a Trading Participant is not a Clearing Participant, that Trading Participant must notify its Clearing Participant if any sale of Equity Securities is a Short Sale.

10.11.6. A Short Sale of Securities (other than an Arbitrage transaction) may be made during the Adjust Session.

10.11.7. Where a Trading Participant receives an Order to buy or sell Securities after the close of business or during an Enquiry Session, a Short Sale may be made in those Securities at a price/yield which is agreed between the Seller and the Buyer.

## 10.12. [DELETED]

## 10.13. TRADING OPERATIONS FOR THE MARKETS PROVIDED BY NZX AND BPOT

10.13.1. Orders will only be accepted:

(a) by NZX Central ~~shall accept Orders only~~ during an Anonymous Call Auction Session, Pre-Opening Session, a Trading Halt, ~~during~~ the Pre-Close and a Normal Trading Session, ~~.~~

(b) by NZX Dark ~~shall accept NZX Dark Orders only~~ during a Normal Trading Session, ~~.~~ Or subject to Rule 10.13.1(c) during a Trading Halt, where the Order is a NZX Dark Order, and

(c) by NZX Dark during an Anonymous Call Session, Pre-Opening Session, Trading Halt or Pre-Close, where the Order is a NZX Dark Sweep Order, however the NZX Dark Sweep Order will instantly be routed to NZX Central in accordance with Rule 10.13.7.

10.13.2. If a Dealer or DMA Authorised Person is unable to enter Bids or Offers into the Trading System during an Anonymous Call Auction Session, Pre-Opening Session, a Trading Halt, the Pre-Close or a Normal Trading Session due to a fault in that Trading Participant's order entry system or some other reason not attributable to NZX the following procedures shall apply:

(a) the Dealer or DMA Authorised Person shall notify NZX as soon as practicable; and

(b) the Dealer or DMA Authorised Person may Trade using another Trading Participant's facilities or the facilities provided by NZX as if they were its own provided that that Trading Participant has an arrangement in place to do so.

10.13.3. Each Order entered/submitted into the Trading System ~~, unless it is a market Order,~~ must specify the Security, price/yield and quantity of the Security to be bought or sold.

10.13.4. All Orders entered/submitted into:

(a) NZX Central shall be accepted as firm and shall be matched by the Trading System in the order of price/yield and then time priority;

(b) NZX Dark shall be accepted as firm and, subject to Rule 10.13.6, shall be matched by the Trading System in the order of time priority,

other than certain Orders for which Cancel-Passive SMP has been enabled in accordance with the settings contained in the SMP Practice Note, in which case those Orders will be removed from NZX Central, and will be ineligible for matching in NZX Dark if a Trade resulting in no change in Beneficial Ownership would otherwise occur, for Session States where Cancel-Passive SMP is effective. Where the Trading System matches Orders for which BPOT has been enabled (in accordance with the SMP Practice Note), a BPOT rather than a Trade will occur, for Session States in which BPOT is effective.

10.13.5. An NZX Dark Order must be entered with a price limit.

10.13.6. NZX Dark Orders will always be matched at a price that is the Mid-Point, but will only be matched in NZX Dark if:

(a) the NZX Dark Order is placed with a price limit and that price is at the Mid-Point, or better than the Mid-Point (because it is a higher Bid or lower Offer than the Mid-Point);

(b) the Securities to which the Order relates are currently Trading during a Normal Trading Session in NZX Central (and are not in Trading Halt);

(c) all relevant conditions on both NZX Dark Orders (Bid and Offer) including any applicable Minimum Executable Quantity are met; and

(d) the match will occur at a price that is within any applicable Price Movement Limits; and

an NZX Dark Order will not execute, if a Mid-Point is unavailable (because there are no Bids or Offers in NZX Central, or the Mid-Point is outside the current Price Movement Limits in respect of the relevant Securities). An NZX Dark Order will not execute if BPOT or Cancel-Passive are effective in respect of the NZX Dark Order.

10.13.7. A Trading Participant may enter an NZX Dark Sweep Order into NZX Dark, in which case the Order will be accepted as firm, and will be prioritised and matched in NZX Dark in accordance with Rule 10.13.4(b) and 10.13.6 (if possible), and any unmatched portion of the Order will then be instantly routed to NZX Central, where the Order will be prioritised in accordance with Rule 10.13.4(a).

10.13.8. NZX Dark Orders may be withdrawn from NZX Dark at any time, other than:

(a) during the Enquiry Session, and

(b) an NZX Dark Sweep Order which may not be withdrawn while it remains in NZX Dark during a Normal Trading Session.

10.13.9. Each accepted Order must have a unique order number, which must be retained by a Trading Participant and which must be easily identifiable with the contract note number (or, if a contract note is not required to be made available under Rule 15.16, with the relevant client) and the NZX Trade number as allocated to that Order. For the avoidance of doubt

the unique Order number allocated to each Order pursuant to this Rule 10.13.9 is not required to be stated in a client's contract note.

10.13.10. A Dealer or DMA Authorised Person may only withdraw an accepted Order prior to it being matched by the Trading System.

10.13.11. An accepted Order that has not been matched by the Trading System may be reduced (but not increased) in quantity by the Dealer or DMA Authorised Person without losing its priority as determined pursuant to Rule 10.13.4.

10.13.12. All Orders may be matched partially or completely.

10.13.13. A Trading Participant must have appropriate systems and controls in place relating to the prevention of Orders being entered into the Trading System by a Dealer or DMA Authorised Person that result in Trades where there is no resulting change in Beneficial Ownership.

10.13.14. A Trading Participant must not use BPOT for a client unless the client is an Approved BPOT Client.

10.13.15. A Trading Participant who wishes a client to be approved by NZX as an Approved BPOT Client must:

(a) seek NZX's approval for the relevant Institutional Client to be an Approved BPOT Client, by providing NZX with the following information, in the form and manner specified by NZX from time to time:

(i) the name of the Institutional Client for whom it is seeking Approved BPOT Client status; and

(ii) the jurisdiction in which the relevant Institutional Client is domiciled, along with a confirmation that the jurisdiction is a Recognised BPOT Jurisdiction.

10.13.16. NZX shall have complete discretion as to whether to accept a Trading Participant's application for an Institutional Client to be an Approved BPOT Client. NZX shall notify a Trading Participant of its decision whether or not to approve an Institutional Client within 3 ~~b~~Business ~~d~~Days of NZX being provided the information specified in Rule 10.13.15(a).

10.13.17. A Trading Participant must maintain a register of all of its Approved BPOT Clients.

10.13.18. A Trading Participant who wishes to enable BPOT must ensure that it discloses to the client for whom BPOT is to be enabled:

(a) that BPOT are not novated, or centrally cleared and settled through the Clearing House;

(b) that the Trading Participant has discretion as to whether the BPOT is settled; and

(c) any other post transaction arrangements that apply to BPOT,

and must keep a record of that disclosure being made.

10.13.19. A Trading Participant who wishes to use BPOT for itself when Acting as Principal must ensure that it has arrangements in place to ensure that the Trading Participant's Employees who are entering Orders that may result in a BPOT have no prior knowledge that the resulting transaction may result in no change in Beneficial Ownership.

10.13.20. A Trading Participant must ensure its use and access, and the use and access by each Approved BPOT Client, to BPOT does not interfere with:

(a) the efficiency and integrity of the markets operated or provided by NZX; or

(b) the proper functioning of the Trading System.

10.13.21. If NZX for any reason considers that:

(a) a Trading Participant has breached any of the applicable Rules, and/or directions issued from time to time by NZX or failed to observe Good Broking Practice; or

(b) the efficiency and integrity of any of the markets provided by NZX, or the functioning of the Trading System, are at risk (to be determined by NZX at its complete discretion),

NZX may:

(c) revoke the Trading Participant's Institutional Client's status as an Approved BPOT Client, and/or

(d) direct that Trading Participant immediately:

(i) stop using and/or providing BPOT until NZX is satisfied of that Trading Participant's compliance with all applicable Rules and/or directions issued from time to time by NZX and/or Good Broking Practice; or

(ii) suspend, limit or prohibit any one or more of that Trading Participant's Approved BPOT Client's use of BPOT.

10.13.22. If NZX uses its discretion to revoke an Institutional Client's status as an Approved BPOT Client, or to suspend, limit or prohibit the Trading Participant's Approved BPOT Client's use of BPOT, or to suspend, limit or prohibit the Trading Participant's use of BPOT while Acting as Principal, NZX will immediately notify the relevant Trading Participant of the revocation.

## 10.14. ERRORS AND TRADE AND CROSSING CANCELLATION

10.14.1. If a Trading Participant considers that an Error has occurred in respect of a Trade and wishes to have or retain the right to request to have that Trade cancelled or amended under this Rule 10.14, the Trading Participant must notify NZX of the Error by the time and

in the manner set out in Procedures and request that the Trade be cancelled or amended in accordance with this Rule 10.14.[6]

10.14.2. If a Trading Participant becomes aware that an Error has occurred in respect of a Trade and the Error may have a Market Impact, then the Trading Participant must notify NZX of the Error immediately.

10.14.3. A Trade may not be amended or cancelled as a consequence of the occurrence of an Error in respect of that Trade except under this Rule 10.14.

10.14.4. Upon receipt of a request for cancellation or amendment of a Trade under Rule 10.14.1 NZX will:

(a) use its reasonable endeavours to either confirm or query the request within the time set out in Procedures; and[7]

(b) if required, use reasonable endeavours to contact the counterparty Trading Participant to the Trade within the time set out in Procedures to ascertain whether the counterparty Trading Participant agrees to the cancellation or amendment to the Trade.[8]

10.14.5. Upon becoming aware of an Error in respect of a Trade, NZX may do any or all of the following if permitted by Rule 10.14.6:

(a) direct or permit a Trading Participant to cancel or amend a Crossing or Off-Market Trade in respect of which an Error has occurred;

(b) cancel or amend a Trade in respect of which an Error has occurred;

(c) notify any Trading Participant or Trading Participants generally that an Error has occurred and giving details of the Error and its impact;

(d) notify any Trading participant or Trading Participants of any action that NZX proposes to take as result of an Error;

(e) direct any Trading Participant to cancel or amend any Off-Market Trade or Crossing that is affected by any Trade or Crossing to be cancelled under this Rule;

(f) cancel any Trade or Order that is affected by any Trade to be cancelled or amended under this Rule; or

(g) impose a ~~t~~Trading ~~h~~Halt in Securities subject of the Trade for such period as NZX considers necessary as a result of the Error.

10.14.6. NZX may exercise any or all of its powers under Rule 10.14.5 in respect of an Error if:

(a) in NZX's opinion the Error may have a Market Impact; or

[6] Procedure 1.1

[7] Procedure 1.2

[8] Procedure 1.3

(b) NZX is satisfied that;

(i) the parties to the Trade have agreed to the exercise by NZX of its powers under the Rule; and

(ii) the integrity or certainty of any NZX market will not be compromised as a result of NZX exercising its powers under that Rule; or

(c) NZX is satisfied that the exercise of its powers is necessary or desirable to ensure the integrity or certainty of any NZX market, the Clearing House and/or the Settlement System.

10.14.7. Any decision made or action taken by NZX in respect to the exercise of its powers under Rule 10.14.5 is final and is binding on all Trading Participants.

10.14.8. No Trade may be cancelled except in accordance with this Rule 10.14. Unless NZX exercises its powers under Rule 10.14.5, nothing in this Rule 10.14 affects the entry, amendment or withdrawal of a Bid or Offer in the Trading System prior to its matching in the Trading System.

10.14.9. Order priority in the market for any Security affected by a cancellation of a Trade will not be re-established following that cancellation.

10.14.10. Each Trading Participant must keep a record of all Errors and cancellations of that Trading Participant's Trades resulting from Errors in accordance with Procedures.[9]

10.14.11. NZX may, from time to time, review a Trading Participant's Error record and may refer Trading Participants or NZX Advising Firms and the Employees of a Trading Participant or NZX Advising Firm to the NZ Markets Disciplinary Tribunal in respect of Errors. A Trading Participant or an Employee of a Trading Participant who frequently commits Errors shall be liable to have its or their Trading Permission suspended.

10.14.12. NZX must notify CHO immediately of the cancellation under this Rule 10.14 of any Trade that is subject to clearing and settlement on the Clearing House.

[9] Procedure 1.4

## 10.15. CANCELLATION FEE

10.15.1. Each Trading Participant will be charged a fee in respect of the cancellation of Trades as a result of Errors.

## 10.16. DISPUTES IN RELATION TO BUYS AND SELLS

10.16.1. Any dispute in relation to Trades matched in the Trading System between Trading Participants must be promptly referred to and investigated by NZX, whose decision shall be final and binding on those Trading Participants.

10.16.2. NZX shall use its best endeavours to reach a decision on any dispute referred to pursuant to Rule 10.16.1 promptly on the day (where possible) on which that dispute is referred to it.

## 10.17. TAKEOVER OFFERS

10.17.1. Each Trading Participant or NZX Advising Firm may use the Special Order Facility (as prescribed and provided by NZX) to post a takeover offer.

10.17.2. The takeover offer will be conducted in accordance with the requirements of the Special Order Facility provided in accordance with Rule 13.8 as appropriate.

## 10.18. TRADING HALTS AND SUSPENSIONS OF TRADING

10.18.1. 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.

10.18.2. A Trading ~~h~~Halt or suspension may be called during a Normal Trading Session for any Security Quoted on a market provided by NZX.

10.18.3. During a Trading ~~h~~Halt or suspension Market Participants may not:

(a) Trade or undertake Crossings; or

(b) report Crossings,

in the Security the subject of a Trading ~~h~~Halt or suspension.

10.18.4. If there is a Trading ~~h~~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.

10.18.5. 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.

## 10.19. CONTRACTS

10.19.1. Including a transaction in a Trading Participant's confirmed Trade report shall be prima facie evidence that the transaction has taken place and of the terms of the terms of that Trade or BPOT.

10.19.2. Refusal by NZX or Directors of any Issuer to register a transfer shall not invalidate a contract between Trading Participants.

10.19.3. A Trading Participant may sell the Securities the subject of a contract for which NZX or Directors of any Issuer refuse to register the transfer and account to its client for the loss or profit (including any reasonable brokerage) attributable to that sale.

## 10.20. SETTLEMENT OBLIGATIONS

10.20.1. The parties to a Trade (other than a Crossing) in Securities Quoted on the NZSX or NZDX that are Approved Product and legal title to which can be transferred through the Legal Title Transfer System are deemed to have contracted to settle that Trade on the second Business Day after the day on which the Trade was executed on or reported via the Trading System, except that the parties to an Off Market Trade may agree to settle that Off-Market Trade on the first or second Business Day after the day on which the Off-Market Trade was reported via the Trading System.

10.20.2. The parties to a Trade (other than a Crossing) in Securities Quoted on the NZSX or NZDX that are not Approved Product or are Approved Product and legal title to which cannot be transferred through the Legal Title Transfer System are deemed to have contracted to settle that Trade on or before the fifteenth Business Day after the Trade was executed or reported via the Trading System or such other date determined by NZX in respect of a particular class of Security prior to its first quotation.

10.20.3. NZX may determine after consultation with CHO and by notice to the market, that a different settlement period shall apply in respect of any Trade, and if NZX so determines, then the parties to a Trade are deemed to have contracted to settle that Trade on the Business Day determined in a notice given by NZX under this Rule.

# Section 11: Trading – Additional Requirements for Trading on the NZSX

## 11.1. TRADING SESSIONS FOR THE NZSX

11.1.1. In general, the operation of NZX Central during a Trading Day of the NZSX Market comprises different sessions, including but not limited to:

(a) a Pre-Opening Session;

(b) an Opening Order Match;

(c) a Normal Trading Session;

(d) a Pre-Close Session;

(e) an NZSX Close;

(f) an Adjust Session; and

(g) an Enquiry Session.

NZX Dark for the NZSX Market, only operates during a Normal Trading Session.~~, although NZX Dark Orders may be withdrawn at any time, other than during the Enquiry Session.~~

The different sessions and scheduled times for each session during a Trading Day will be as notified from time to time by NZX.

## 11.2. NZSX PRE-OPENING SESSION

11.2.1. The Pre-Opening Session will be a period of 1 hour and 30 minutes, or for such other period as determined from time to time by NZX.

11.2.2. During a Pre-Opening Session:

(a) Dealers and DMA Authorised Persons may enter, withdraw or amend Orders in NZX Central;

(b) Dealers and DMA Authorised Persons may withdraw NZX Dark Orders in NZX Dark;

(c) Dealers and DMA Authorised Persons may enter NZX Dark Sweep Orders, however the Order will instantly be routed to NZX Central in accordance with Rule 10.13.7;

~~(c)~~(d) no Orders shall be matched by the Trading System; and

~~(d)~~(e) Trading Participants may enter into Off-Market Trades at a price negotiated between the parties until (but not after) the time that is 15 minutes before the end of the Pre-Opening Session.

## 11.3. NZSX OPENING ORDER MATCH

11.3.1. The Opening Order Match is the instantaneous matching of Orders in NZX Central by the Trading System prior to the commencement of the Normal Trading Session.

11.3.1. During the Opening Order Match:

(a) Orders in NZX Central shall be matched by the Trading System in priority by price and time of entry;

(b) where Orders in the NZX Central in the Pre-Opening Session result in overlapping prices at the commencement of the Opening Order Match period, at the commencement of the Opening Order Match the Trading System will match the Orders and establish prices according to procedures determined from time to time by NZX; and

(c) BPOT that has been enabled in accordance with the SMP Practice Note will be effective.

## 11.4. NORMAL TRADING SESSION

11.4.1. The Normal Trading Session shall be the Trading period between the close of the NZSX Opening Order Match until the commencement of the Pre-Close Session.

11.4.2. During a Normal Trading Session:

(a) Dealers and DMA Authorised Persons may enter, withdraw or amend Orders (other than NZX Dark Sweep Orders which cannot be withdrawn or amended while they are with NZX Dark); and

(b) Orders in NZX Central shall be matched by the Trading System in priority by price and time of entry, in accordance with Rule 10.13.4(a) other than certain Orders for which Cancel-Passive SMP has been enabled in accordance with the SMP Practice Note, which will be removed from the Trading System; and

(c) Subject to Rule 10.13.6, Orders in NZX Dark shall be matched by the Trading System in priority by time of entry in accordance with Rule 10.13.4(b), other than certain Orders for which Cancel-Passive SMP has been enabled in accordance with the settings in the SMP Practice Note, which will be ineligible from matching in NZX Dark if a Trade resulting in no change in Beneficial Ownership would otherwise occur; and

(d) BPOT that has been enabled in accordance with the SMP Practise Note will be effective.

## 11.5. PRE-CLOSE SESSION

11.5.1. The Pre-Close Session is the period of 15 minutes, or such other period as determined from time to time by NZX, in NZX Central, following the close of the Normal Trading Session and prior to the commencement of the NZSX Close.

11.5.2. During a Pre-Close Session:

(a) Dealers and DMA Authorised Persons may enter, withdraw or amend Orders in NZX Central;

(b) Dealers and DMA Authorised Persons may withdraw NZX Dark Orders in NZX Dark;

(c) Dealers and DMA Authorised Persons may enter NZX Dark Sweep Orders, however the Order will instantly be routed to NZX Central in accordance with Rule 10.13.7;

~~(c)~~(d) no Orders shall be matched by the Trading System; and

~~(d)~~(e) Trading Participants may not enter into Off-Market Trades.

## 11.6. NZSX CLOSE

11.6.1. The NZSX Close is the instantaneous matching of Orders in NZX Central by the Trading System prior to the commencement of the Adjust Session.

11.6.2. During the NZSX Close:

(a) Orders in NZX Central shall be matched by the Trading System in priority by price and time of entry;

(b) where Orders in the NZX Central in the Pre-Close Session result in overlapping prices at the commencement of the NZSX Close period, at the commencement of the NZSX Close the Trading System will match the Orders in NZX Central and establish prices according to procedures determined from time to time by NZX; and

(c) BPOT that has been enabled in accordance with the SMP Practice Note will be effective.

## 11.7. ADJUST SESSION

11.7.1. After the NZSX Close, NZX Central for the NZSX shall be placed into an Adjust Session for a period of 30 minutes, or such other period as determined from time to time by NZX, until the commencement of the Enquiry Session.

11.7.2. During the Adjust Session:

(a) the quantity and the price of each existing Order may be adjusted in NZX Central (but not NZX Dark) on the condition that the adjustment does not improve a Dealer's and/or DMA Authorised Person's position in the market in respect of that Order being amended;

(b) Orders may be withdrawn from the Trading System but new Orders may not be entered into the Trading System; and

(c) no Orders shall be matched by the Trading System.

## 11.8. ENQUIRY SESSION

11.8.1. NZX Central for the NZSX will be placed into an Enquiry Session at the expiration of the Adjust Session until the commencement of the Pre-Opening Session on the next Trading Day, or at any other time determined by NZX from time to time in its complete discretion.

11.8.2. During an Enquiry Session for the NZSX, Bids and/or Offers cannot be entered, amended, withdrawn or matched in the Trading System.

11.8.3. Where a Trading Participant receives an Order to buy or sell Securities Quoted on the NZSX during the Enquiry Session, that Trading Participant and another Trading Participant may, subject to compliance with Rule 11.8.4, effect that purchase or sale at a price that is mutually acceptable to both parties.

11.8.4. A transaction made in accordance with Rule 11.8.3 must be reported as a sale through the Trading System not later than 15 minutes prior to the commencement of the Normal Trading Session on the next Trading Day.

## 11.9. MINIMUM BIDS (TICK SIZE/PRICE STEPS)

11.9.1. Minimum price changes for a Security Quoted on the NZSX may be specified by NZX from time to time.

## 11.10. VOLUME WEIGHTED AVERAGE PRICE (VWAP)

11.10.1. Subject to Rule 11.10.2 each Trading Participant may report Trades in Securities Quoted on the NZSX effected at VWAP using a special condition code as prescribed by NZX.

11.10.2. Subject to Rule 13.1.1(d)(ii) each Trading Participant must report VWAP Trades once the Order is complete and the VWAP price is known.

11.10.3. For the purpose of this Rule 11.10, the VWAP of a Security Quoted on the NZSX the subject of a Trade shall be as determined by that Trading Participant reporting the Trade as and when required.

## 11.11. NON-DISCLOSURE OF QUANTITY OF SECURITIES QUOTED ON THE NZSX

11.11.1. Each Trading Participant when entering/submitting an Order into the Trading System must specify both the price and quantity of Securities Quoted on the NZSX the subject of that Order.

11.11.2. Subject to Rule 11.11.3, a Trading Participant may elect not to disclose the total quantity of Securities Quoted on the NZSX the subject of an Order entered/submitted by that Trading Participant into NZX Central when the value of Securities Quoted on the NZSX the subject of that Order exceeds $100,000 (or any such amount as prescribed from time to time by NZX and advised to the market).

11.11.3. Notwithstanding Rule 11.11.2, NZX may from time to time prescribe a Trading Day or a period or periods of time on a Trading Day on which Trading Participants may not elect not to disclose the quantity of the Securities Quoted on the NZSX the subject of an Order as permitted by Rule 11.11.2.

## 11.12. [DELETED]

# Section 12: [Deleted]

# Section 13: Obligations when Trading in Securities Quoted on the NZSX

## 13.1. CROSSING AND REPORTING

13.1.1. For all Securities Quoted on the NZSX:

(a) all Crossings must be reported through the Trading System in accordance with the requirements of the Trading System;

(b) all Off-Market Trades effected after the close of a Normal Trading Session shall be reported by that Trading Participant effecting the Off Market Trade:

(i) during the Adjust Session if the Off-Market Trade was effected during the Adjust Session; or

(ii) during the next Anonymous Call Auction Session or the Pre-Opening Session, if the Off-Market Trade was effected during the Enquiry Session, depending on the trading sessions on the markets operated or provided by NZX from time to time, and in all cases no later than 15 minutes prior to the commencement of the Normal Trading Session on the next Trading Day;

(c) except as otherwise provided in Rule 13.1.1(d), all Crossings and negotiated deals under Rule 13.1.1(f) executed during a Normal Trading Session must be within the current quotations for that Security;

(d) Crossings that may be executed outside the current quotations during the Normal Trading Session include:

(i) Crossings executed at VWAP as provided for in Section 10 or 11 provided the Crossing is recorded with a special trade code/source as determined by NZX;

(ii) Special Crossings and Special Portfolio Crossings as defined in Rule 13.4;

(e) All Crossings or negotiated deals under Rule 13.1.1(f) executed during a Normal Trading Session must be reported immediately through the Trading System on the same Trading Day, providing details of price and quantity involved;

(f) the Seller is responsible for reporting off-market transactions between two Trading Participants through the Trading System. Such Trades should be reported in the Trading System as two-sided negotiated deals;

(g) any Crossing outside the current quotations that is not permitted under Rule 13.1 will be subject to an administrative charge, which shall be determined by NZX from time to time and/or may be referred to the NZ Markets Disciplinary Tribunal;

(h) any Crossing or Trade reported outside of the timeframes stated in these Rules will be subject to an administrative charge, which shall be determined by NZX from time to time and/or may be referred to the NZ Markets Disciplinary Tribunal; and

(i) any Crossing executed as an Off-Market Trade for less than $50,000 in value that is not a Trade with Price Improvement will be subject to an administrative charge, which shall be determined by NZX from time to time and/or may be referred to the NZ Markets Disciplinary Tribunal.

13.1.2. Each Trading Participant or NZX Advising Firm subject to an administrative charge under these Rules 13.1.1(g), Rule 13.1.1(h) or Rule 13.1.1(i) may apply in writing to NZX for that decision to be reversed stating in full, the reasons supporting the requested reversal. NZX will reasonably consider such a written request but is not obliged to reverse the decision. In the event that NZX does not to reverse the decision, the Trading Participant or NZX Advising Firm may apply in writing for NZX to refer the matter to the NZ Markets Disciplinary Tribunal and NZX shall refer any such decision to the NZ Markets Disciplinary Tribunal.

## 13.2. MINIMUM CROSSING SIZE

13.2.1. For all Securities Quoted on the NZSX, a Crossing cannot be executed as an Off-Market Trade unless:

(a) the transaction is at least $50,000 in value, unless it is a Trade with Price Improvement; and

(b) at least one side of the Crossing relates toa single party.

## 13.3. NON SALE OF SECURITIES QUOTED ON THE NZSX THE SUBJECT OF CROSSING

13.3.1. Where a Trading Participant or NZX Advising Firm wishes to cross Securities on the NZSX on a Trading Day where there have been no Trades in that security, that Crossing shall take place at a Crossing price which is not below the priority Bid price and not above the priority Offer price for those Securities Quoted on the NZSX.

## 13.4. SPECIAL CROSSINGS AND SPECIAL PORTFOLIO CROSSINGS

13.4.1. A Crossing in Securities Quoted on the NZSX effected by a Trading Participant where:

(a) the consideration for the transaction is the lesser of $1,000,000 or 5% of the Market Capitalisation of the Issuer of those Securities Quoted on the NZSX or such other amount as prescribed by NZX;

(b) those Securities Quoted on the NZSX to be brought or sold are:

(i) of a single Issuer; or

(ii) of the same class and are fully paid up; and

(c) those Securities Quoted on the NZSX are:

(i) brought or sold by that Trading Participant Acting as Principal or as agent on behalf of one or more clients of that Trading Participant or in both capacities; or

(ii) bought or sold by that Trading Participant Acting as Principal or as agent on behalf of one client of that Trading Participant. For the avoidance of doubt, that client may be a funds manager on behalf of more than one client account,

shall, under this Rule 13.4.1 be considered a Special Crossing.

13.4.2. A Crossing in Securities Quoted on the NZSX may be effected by a Trading Participant where:

(a) the portfolio comprises a number of purchases and/or sales of different Securities Quoted on the NZSX pursuant to a single agreement for an agreed price;

(b) that Trading Participant:

(i) acts as agent for both the Buyer and Seller of the portfolio; or

(ii) Acting as Principal, buys from or sells to the client, the portfolio;

(c) there are at least 5 purchases and/or sales of different Securities Quoted on the NZSX greater than $150,000 each, or such other amount as determined from time to time by NZX, although additional purchases and/or sales of less than $150,000 (or the amount determined by NZX) may be included; and

(d) the total consideration for all purchases and/or sales making up the portfolio is not less than $2,500,000 or such other amount determined by NZX; and

shall, under this Rule 13.4.2 be considered a Special Portfolio Crossing.

13.4.3. For the avoidance of doubt the price at which a Special Crossing or Special Portfolio Crossing shall be negotiated on account of the Trading Participant's client or, if that Trading Participant is Acting as Principal, shall be at a price to be agreed between the parties.

## 13.5. CROSSING AFTER THE CLOSE OF THE NORMAL TRADING SESSION

13.5.1. The price at which a Crossing may be made during an Adjust Session or an Enquiry Session shall be negotiated on account of that Trading Participant's client or if the Trading Participant is Acting as Principal, shall be at a price agreed between the parties.

## 13.6. TRADING AFTER THE CLOSE OF A NORMAL TRADING SESSION

13.6.1. If a Trading Participant receives an Order to buy or sell Securities Quoted on the NZSX after the close of a Normal Trading Session on a Trading Day or during the Enquiry Session that Trading Participant may enter into a transaction for the sale or purchase of those Securities Quoted on the NZSX at a price to be determined between the parties.

13.6.2. A Trading Participant must report a Trade pursuant to Rule 13.6.1 no later than 15 minutes prior to the opening of the Normal Trading Session on the following Trading Day.

## 13.7. TRADING PRIORITIES ON THE TRADING SYSTEM

13.7.1. Except as otherwise determined by NZX from time to time, every Bid or Offer price for Securities Quoted on the NZSX entered into NZX Central will be placed in priority

according to the highest priced Bid and the lowest priced Offer. An earlier entered Offer price has priority over an Offer at the same price entered at a later time.

13.7.2. Except as otherwise determined by NZX from time to time, every Bid or Offer price for Securities Quoted on the NZSX entered into NZX Dark will be placed in priority according to time. An earlier entered Offer has priority over an Offer at the same or a better price entered at a later time.

## 13.8. STANDS IN THE MARKET

13.8.1. Subject to Rule 13.8.1(a) or Rule 13.8.1(b), each Trading Participant that receives an instruction to acquire more than 10% of the issued capital of an Issuer in any class of Equity Security including options or any other class of security convertible into an Equity Security shall Bid in the market to purchase from other Trading Participants at least 20% of the total number of each class of Security sought. For the avoidance of doubt, the requirements of this Rule 13.8.1 shall apply to Crossings. This Rule 13.8.1 shall not apply where the Equity Securities to be acquired pursuant to the instruction are to be acquired only:

(a) in single parcels of 5% or more of the relevant class of Equity Security from one or more substantial product holders (as defined in section 6 of the FMC Act) of the Equity Security; or

(b) in individual transactions from one or more Sellers of the relevant class of Equity Security for a consideration of $3,000,000 or more per transaction.

13.8.2. If the Special Order Facility is required and NZX is satisfied with the way the process of acceptance within the 20% recognises Retail Clients, that Trading Participant announcing the stand in the market may also Offer Equity Securities on behalf of Retail Clients to the Bid in the Special Order Facility.

13.8.3. NZX shall appoint a stand manager to ensure compliance with all applicable Rules.

13.8.4. The procedure for bidding in the market shall as follows:

(a) notice of the Bid, including all relevant details, must be given to NZX on a strictly confidential basis.

(b) the notice must be kept confidential to the bidder and NZX until the process for handling acceptances (if the Special Order Facility is used) is agreed with NZX after which time the stand is placed in the market, and the market is informed.

(c) NZX will disseminate full details of the Bid as a market announcement.

(d) for stands in the market announced after the opening of a Normal Trading Session where the Special Order Facility is not used to facilitate acceptance processing, trading in the Issuer's Equity Securities and any related Equity Securities shall be placed in a Pre-Opening Session for 15 minutes from the time the market announcement is made.

(e) for stands in the market where the Special Order Facility is being used to facilitate acceptance processing, the market will be given, in the form of an announcement by NZX to the market, one hour's notice from the time the market is informed before the stand in the market may commence in the market established for that Equity

Security. For the avoidance of doubt, failure by the Trading Participant to provide more than one hour's notice to NZX to allow it to make an announcement to the market that the Special Order Facility is being used to facilitate acceptance processing will result in a delay to the stand in the market commencing. The stand in the market will not commence until such time as the market has been provided with one hour's notice of the intention of the Trading Participant to use the Special Order Facility.

(f) if any post matching processing by NZX is required for a stand in the market, one Business Day's notice must be given to NZX of what is proposed under Rule 13.8.4(g)(v) to (vii). For the avoidance of doubt, failure to give one Business Day's notice of the requirement for any post matching process will delay the use of that process until one Business Day's notice is given to NZX by that Trading Participant.

(g) each Trading Participant announcing a stand in the market shall advise NZX of the following details:

(i) name of the Issuer whose Equity Securities are the subject of that stand in the market;

(ii) class of Equity Security;

(iii) number of Equity Securities (or percentage of issued capital) proposed to be purchased;

(iv) price of the Bid to which that stand in the market relates;

(v) period for which that stand in the market will remain open;

(vi) details of the acceptance process if the Special Order Facility is used to Trade pursuant to the Bid to which that stand in the market relates; and

(vii) details of price escalation or other condition of the Bid to which that stand in the market relates.

(h) the agreement of NZX is required to the method of processing acceptances to be adopted and the form of advice to be given to the market for any use of the Special Order Facility.

(i) the name of the client making the Bid need not be disclosed, but that Trading Participant must make that client fully aware of its obligations under Subpart 5 of Part 5 of the FMC Act to provide substantial product holder notices immediately when that obligation arises.

(j) where:

(i) the bidder is an Issuer, it must be made fully aware of its obligations under Appendix 3 (if applicable) and Rule 3.1 of the Listing Rules; and

(ii) the stand relates to a code company (as defined in the Takeovers Code which is annexed to the Takeovers Regulation 2000), the bidder must be made aware of its obligations under the Takeovers Code (if any).

(k) if NZX provides its consent to the use of the Special Order Facility in respect of a stand in the market and after receipt of a notice pursuant to Rule 13.8.4, NZX will establish a separate market for the Security in the Trading System. The opening time for that separate market for the Equity Security the subject of the stand in the market will be at the discretion of NZX. NZX will notify the market of the time the separate market for the stand in the market will open and whether there will be a Pre-Opening Session or an Anonymous Call Auction (whichever is appropriate for the market provided by NZX from time to time) for that Equity Security.

(l) only that Trading Participant announcing the stand in the market may place a Bid in the separate market established for the Equity Security where the Special Order Facility is used.

(m) the Bid to which the stand in the market relates must be maintained until the instruction is completed or until that Trading Participant announcing the stand notifies NZX in writing that the Bid is withdrawn.

(n) a notice provided under Rule 13.8.4 must include details of the level of acceptances of the Bid to which that stand in the market relates.

(o) when notice pursuant to Rule 13.8.4 of a Bid has been given, Bids specific to the Equity Securities to which that stand in the market relates at other prices may be made by any person in compliance with all applicable Rules, including the original bidder, in the usual trading code for that Equity Security.

(p) variations to a stand in the market and other Bids which are stands in the market must be notified in writing to NZX immediately and must follow the procedures of this Rule 13.8.4.

(q) only valid acceptances may be submitted to any Bid in the Special Order Facility. NZX will cancel any invalid Orders in post-matching processing.

(r) the Special Order Facility may also be used for processing any significant Order to buy or sell Equity Securities on-market. Procedures for announcing and processing such an Order shall be as described in this Rule 13.8.4.

(s) in addition to the requirements of this Rule 13.8.4, Trading Participants must comply with any directions issued from time to time by NZX for processing a stand in the market and at all times observe Good Broking Practice.

(t) each Trading Participant should ensure that it is familiar with the Rules, any directions given from time to time by NZX and Good Broking Practice on processing a stand in the market before participating in a stand in the market or any alternative use of the Special Order Facility.

(u) each Trading Participant must ensure that it complies at all times with, and that each of its clients is fully aware of, their obligations (if any) under the Takeovers Code.

## 13.9. REPORTING REQUIREMENTS FOR ESCALATION CLAUSES OR OTHER BENEFITS IN MARKET BIDS

13.9.1. Full details of escalation clauses being offered in on-market or off-market Bids must be provided in writing to NZX for release to the market. Those details must include the parties to whom the escalation is offered.

13.9.2. Where escalation clauses or other benefits are offered selectively in on-market or off-market Bids, that fact and details of the nature of the escalation or other benefit offered must be provided in writing immediately to NZX.

13.9.3. If a general escalation is paid to every Seller after sales of those Equity Securities at a lower price are reported, the buying Dealer or DMA Authorised Person or Adviser shall advise NZX of the higher price paid to those Sellers, including any transaction for which he or she is also the selling Dealer, DMA Authorised Person, or Adviser.

13.9.4. Where any transaction involves an escalation clause or any agreement to pay a fee or other consideration in addition to the reported sale price for specific Equity Securities, the buying Dealer, DMA Authorised Person, or Adviser shall provide in writing details of such escalation clause or agreement to NZX.

## 13.10. EX PERIODS FOR TRADING BEFORE RECORD DATE IN RESPECT OF CORPORATE ACTION

13.10.1. Where in accordance with the Listing Rules , the Issuer of a Security notifies NZX of a Record Date in relation to any corporate action (each, an "Entitlement"), such as:

(a) an entitlement to dividends, interest or capital returns; or

(b) bonus issues, rights issues, priorities and other entitlements,

NZX will quote the Security on an "ex" basis on the Business Day (referred to as the "ex date") which is one Business Day before the Record Date, unless NZX determines a different date as the ex date and notifies that date to Trading Participants. For the avoidance of doubt, the security will be quoted "ex" on the "ex date" during the period to and including the Record Date. For example, if the Record Date is 5.00 p.m. on a Friday, then the relevant Security will be quoted "ex" from 8.00 a.m. on the Thursday preceding the Record Date until 5.00 p.m. on the Record Date.

13.10.2. Any Trading Participant who enters into a Trade as Buyer during the period beginning on the "ex date" ending at 5.00 pm on the Record Date will not be entitled to the Entitlement unless otherwise agreed.

# Section 14: Trading – Specific Requirements for Trading on the NZDX

## 14.1. TRADING SESSIONS FOR NZDX

14.1.1. In general the operation of NZX Central during a Trading Day for the NZDX comprises different sessions, including but not limited to:

(a) a Pre-Opening Session;

(b) an Opening Order Match;

(c) a Normal Trading Session;

(d) a Pre-Close Session;

(e) an NZDX Close;

(f) an Adjust Session; and

(g) an Enquiry Session.

NZX Dark is not available for the NZDX.

The different sessions and scheduled times for each session during a Trading Day will be as notified from time to time by NZX.

## 14.2. NZDX PRE-OPENING SESSION

14.2.1. During a Pre-Opening Session:

(a) Dealers and DMA Authorised Persons may enter, withdraw or amend Orders in NZX Central;

(b) no Orders in NZX Central shall be matched by the Trading System; and

(c) Trading Participants may enter into Off-Market Trades at a price negotiated between the parties until the end of the Pre-Opening Session or such other time as determined from time to time by NZX.

## 14.3. NZDX OPENING ORDER MATCH

14.3.1. The Opening Order Match period is the instantaneous match of Orders in NZX Central by the Trading System prior to the commencement of the Normal Trading Session.

14.3.2. During the Opening Order Match:

(a) Orders shall be matched in NZX Central in priority by yield or by price (where quotation by price is permitted as determined from time to time by NZX) and time of entry;

(b) where Orders in the Pre-Opening Session result in overlapping yields or prices (where quotation by price is permitted as determined from time to time by NZX), at the commencement of the Opening Order Match period, at the commencement of the Opening Order Match period the Trading System will match Orders in NZX Central and establish yield/prices according to procedures determined from time to time by NZX; and

(c) BPOT that has been enabled in accordance with the SMP Practice Note will be effective.

## 14.4. NORMAL TRADING SESSION

14.4.1. During a Normal Trading Session:

(a) Dealers and DMA Authorised Persons may enter, withdraw or amend Orders; and

(b) Orders in NZX Central shall be matched by the Trading System in priority by price and time of entry, other than certain Orders for which Cancel-Passive SMP has been enabled in accordance with the SMP Practice Note which will be removed from the Trading System; and

(c) BPOT that has been enabled in accordance with the SMP Practice Note will be effective.

## 14.5. PRE-CLOSE SESSION

14.5.1. The Pre-Close Session is the period of 15 minutes, or such other period as determined from time to time by NZX, following the close of the Normal Trading Session and prior to commencement of the NZDX Close.

14.5.2. During a Pre-Close Session:

(a) Dealers and DMA Authorised Persons may enter, withdraw or amend Orders in NZX Central;

(b) no Orders shall be matched by the Trading System in NZX Central; and

(c) Trading Participants may not enter into Off-Market Trades.

## 14.6. NZDX CLOSE

14.6.1. The NZDX Close is the instantaneous matching of Orders in NZX Central by the Trading System prior to the commencement of the Adjust Session.

14.6.2. During the NZDX Close:

(a) Orders in NZX Central shall be matched by the Trading System in priority by price and time of entry;

(b) where Orders in the Pre-Close Session result in overlapping prices at the commencement of the NZDX Close period, at the commencement of the NZDX Close the Trading System will match the Orders in NZX Central and establish prices according to procedures determined from time to time by NZX; and

(c) BPOT that has been enabled in accordance with the SMP Practice Note will be effective.

## 14.7. ADJUST SESSION

14.7.1. After the NZDX Close, NZDX shall at the close of the Normal Trading Session be placed into an Adjust Session for a period of 30 minutes, or such other period as determined from time to time by NZX, until the commencement of the Enquiry Session.

14.7.2. During the Adjust Session:

(a) the quantity and the price of each existing Order may be adjusted on the condition that that adjustment does not improve a Dealer's and/or a DMA Authorised Person's position in the market in respect of that Order being amended;

(b) Orders may be withdrawn from the NZX Central by the Trading System but new Orders may not be entered into the NZX Central; and

(c) no Orders shall be matched by the Trading System.

## 14.8. ENQUIRY SESSION

14.8.1. NZDX will be placed into an Enquiry Session at the expiration of the Adjust Session until the commencement of the Pre-Opening Session on the next Trading Day, or at any other time determined from time to time by NZX in its complete discretion.

14.8.2. During an Enquiry Session for the NZDX, Bids and/or Offers cannot be entered, amended or withdrawn in NZX Central.

14.8.3. Where a Trading Participant receives an Order to buy or sell Securities Quoted on the NZDX during the Enquiry Session, that Trading Participant and another Trading Participant may, subject to compliance with Rule 14.8.4 effect that sale or purchase at a yield or at a price (where quotation by price is permitted as determined from time to time by NZX) that is mutually acceptable to both parties.

14.8.4. A Transaction made in accordance with Rule 14.8.3 must be reported as a sale through the Trading System no later than the end of the Pre-Opening Session on the next Trading Day.

## 14.9. NON-DISCLOSURE OF QUANTITY OF SECURITIES QUOTED ON THE NZDX

14.9.1. Each Trading Participant when entering/submitting an Order into the Trading System must specify both the yield and/or price (where quotation by price is permitted as determined from time to time by NZX) and quantity of the Securities Quoted on the NZDX the subject of that Order.

14.9.2. Subject to Rule 14.9.3, a Trading Participant may elect not to disclose the total quantity of Securities Quoted on the NZDX the subject of an Order entered/submitted by that Trading Participant into NZX Central when the value of Securities Quoted on the NZDX the subject

of that Order exceeds $100,000 (or any such amount as prescribed from time to time by NZX and advised to the market).

14.9.3. Notwithstanding Rule 14.9.2, NZX may from time to time prescribe a Trading Day on which Trading Participants are prohibited from not disclosing the quantity of Securities Quoted on the NZDX the subject of an Order as permitted by this Rule 14.9.

## 14.10. MINIMUM ORDER VALUE FOR SECURITIES QUOTED ON THE NZDX

14.10.1. Unless expressly specified elsewhere in these Rules, Orders in Securities Quoted on the NZDX must be not less than the minimum registrable value for that Security Quoted on the NZDX as determined by the Issuer or Listing Rules. For the avoidance of doubt, this Rule 14.10.1 does not preclude:

(a) the addition of small parcels of Securities to an existing portfolio where the resulting holding is greater than or equal to the minimum holding required; or

(b) small sales of part of a holding where the residual holding, after completion of the sale, still exceeds or is equal to the minimum holding required; or

(c) the sale of a total existing holding that is smaller than the required minimum holding.

14.10.2. Unless otherwise determined from time to time by NZX, the minimum yield changes for a Security Quoted on the NZDX shall be to three decimal places in increments of 0.005 (being half a basis point).

## 14.11. SPECIAL CROSSINGS IN SECURITIES QUOTED ON THE NZDX

A Crossing in Securities Quoted on the NZDX effected by a Trading Participant where:

(a) the consideration for the transaction is not less than $250,000 or such other amount as prescribed by NZX;

(b) those Securities Quoted on the NZDX to be bought or sold are:

(i) of a single Issuer; or

(ii) of the same class and are fully paid up; and

(c) Those Securities Quoted on the NZDX are:

(i) Bought or sold by that Trading Participant Acting as Principal or as agent on behalf of one or more clients of that Trading Participant or in both capacities; or

(ii) bought or sold by that Trading Participant Acting as Principal or as agent on behalf of one client of that Trading Participant. For the avoidance of doubt, that client may be a funds manager on behalf of more than one client account,

shall, under this Rule 14.11, be considered a Special Crossing.

## 14.12. CROSSING AFTER THE CLOSE OF THE NORMAL TRADING SESSION

14.12.1. This Rule 14.12 applies to all Crossings in Securities Quoted on the NZDX executed after the close of the Normal Trading Session except Special Crossings.

14.12.2. After the close of the Normal Trading Session and until the commencement of the Normal Trading Session on the next Trading Day, Dealers and DMA Authorised Persons may Cross an Order with an opposite Order to sell or buy Securities Quoted on the NZDX.

14.12.3. Each Trading Participant must report a Crossing transacted after the close of the Normal Trading Session on a Trading Day during the Adjust Session or prior to opening of the Normal Trading Session on the following Trading Day.

## 14.13. CROSSING AND REPORTING FOR NZDX

14.13.1. For all Securities Quoted on the NZDX:

(a) all Crossings must be reported by a Trading Participant through the Trading System in accordance with the requirements of the Trading System;

(b) all Off-Market Trades in Securities must be reported as Traded (i.e. excluding any reasonable brokerage or commission). Off-Market Trades in Securities Quoted on the NZDX may be conducted outside the quotes prevailing in NZX Central at the time of the Trade;

(c) all Off-Market Trades effected after the close of the Normal Trading Session shall be reported by that Trading Participant effecting the Off-Market Trade during the Adjust Session or during the next Pre-Opening Session on the next Trading Day;

(d) sales of Securities must be reported through the Trading System on the same Trading Day or, if conducted after trading hours, in accordance with the requirements set out in these Rules;

(e) the Seller is responsible for reporting off market transactions between two Trading Participants through the Trading System. Such Trades should be reported in the Trading System as two-sided Negotiated Deals;

(f) all Trades shall be reported in the Trading System on a gross basis excluding any reasonable brokerage or fees incurred; and

(g) any Crossing or Trade reported outside of the timeframes stated in these Rules will be subject to an administrative charge, which shall be determined by NZX from time to time and/or may be referred to NZ Markets Disciplinary Tribunal.

14.13.2. Each Trading Participant or NZX Advising Firm subject to an administrative charge under Rule 14.13.1(g) may apply in writing to NZX for that decision to be reversed stating in full, the reasons supporting the requested reversal. NZX will reasonably consider such a written request but is not obliged to reverse the decision. In the event that NZX does not to reverse the decision, the Trading Participant or NZX Advising Firm may apply in writing for NZX to refer the matter to NZ Markets Disciplinary Tribunal and NZX shall refer any such decision to NZ Markets Disciplinary Tribunal.

# Section 15: General Trading Obligations when Trading on the Markets Provided by the NZX

## 15.1. RELATIONSHIP WITH SECTIONS 9, 10, 11, 13 AND 14

15.1.1. Section 15 of these Rules should be read in conjunction with the obligations set out in Sections 9, 10, 11, 13 and 14 of these Rules.

## 15.2. ALLOCATION POLICY

15.2.1. A Client Advising Participant who transfers Trades into a pool account prior to the allocation of the Securities the subject of those Trades to clients must include in its terms of business, and/or client agreements, details of the policy it adopts in allocating Securities to client Orders (Allocation Policy).

15.2.2. If requested by a client, Client Advising Participants must give that client a written statement of all the individual prices/yields associated with that client's Order which have been averaged under the Client Advising Participant's Allocation Policy.

## 15.3. RISK WARNINGS

15.3.1. A Client Advising Participant must provide its client with Risk Warnings each time that client requests to Trade in any Security and/or Financial Instrument that has different risks associated with it than those Securities and/or Financial Instrument for which that client has already been provided with Risk Warnings either, in that client's client agreement or under this Rule 15.3.

## 15.4. BRINGING ORDERS TO MARKET

15.4.1. Subject to Rule 15.4.2, Rule 15.4.3 and Rule 15.4.5, a Client Advising Participant must submit any Order~~, which is at market or at a fixed price limit,~~ straight to market via the Trading System. For the avoidance of doubt pursuant to this Rule 15.4.1 a Client Advising Participant must not~~, for any market or fixed price limited Order~~:

(a) accumulate or bundle Orders coming to market;

(b) delay executing client Orders; or

(c) delay Orders to facilitate Crossings.

15.4.2. A Client Advising Participant may, upon obtaining instructions from its client to do so (which may be by means of an e-mail, facsimile, letter from that client, a written transcript by the Adviser for that Client Advising Participant of that client's instructions received by telephone or the inclusion of standing instructions in the client agreement in prominent lettering), execute an Order for a client at that Client Advising Participant's discretion:

If standing instructions are obtained via client agreement, the client agreement must allow that client to override the standing instructions detailed in the client agreement at the time the Order is placed.

For the avoidance of doubt, in the absence of standing instructions obtained through the client agreement, the client instructions obtained pursuant to Rule 15.4.2 must be obtained for each Order and may authorise a Client Advising Participant who has obtained a client's instruction to:

(a) accumulate or bundle Orders coming to market;

(b) delay executing client Orders; or

(c) delay Orders to facilitate Crossings.

15.4.3. Notwithstanding anything in Rule 15.4.1 and Rule 15.4.2 a Client Advising Participant may, in relation to Securities quoted on a market operated by NZX:

(a) accumulate or bundle Orders coming to market;

(b) delay executing client Orders; or

(c) delay Orders to facilitate Crossings,

in order to participate in the sell down of:

(d) a substantial security holder's holding in a listed Issuer; or

(e) more than NZ$5 million in value of Securities of an Issuer.

15.4.4. Notwithstanding anything in Rule 15.4.1, Rule 15.4.2 and Rule 15.4.3, a Client Advising Participant must not transact and/or report Trades on behalf of its clients in order to avoid the obligations in these Rules, any direction issued from time to time by NZX or contrary to Good Broking Practice.

15.4.5. Notwithstanding anything in Rule 15.4.1, Rule 15.4.2 and Rule 15.4.3 a Client Advising Participant may as a matter of policy in the case of Institutional Clients:

(a) accumulate or bundle Orders coming to market;

(b) delay executing client Orders; and/or

(c) delay Orders to facilitate Crossings,

Provided that this policy has been advised to the Institutional Client in writing and the Client Advising Participant has not received notification from the Institutional Client disagreeing with such policy or specific instructions concerning the treatment of that Institutional Clients Orders.

## 15.5. COMMON SHAREHOLDER NUMBER OR UNIQUE IDENTIFIER

15.5.1. With the exception of transactions to be effected in accordance with Rule 9.8 or Rule 9.12 and unless notified otherwise by NZX:

(a) all Retail Client Orders and Off-Market Trades reported via the Trading System must be entered/submitted into the Trading System with a CSN;

(b) all Wholesale Client Orders and Off-Market Trades reported via the Trading System must be entered/submitted into the Trading System with a CSN where one exists, or with a unique identifier for that Wholesale Client as a client reference;

(c) Identification numbers issued by a Securities Registry will not be acceptable in place of a CSN; and

(d) each Trading Participant must provide to NZX no later than 10 Business Days after the end of each calendar quarter an updated list of the unique identifiers (not being CSNs) used to identify its Wholesale Clients and the SMP Keys used for its Approved BPOT Clients.

## 15.6. SUSPECTED INSIDER TRADING

15.6.1. Each Client Advising Participant must have policies and procedures in place for referring all instances of suspected insider trading by a client to that Client Advising Participant's Compliance Manager.

15.6.2. Each Compliance Manager of a Client Advising Participant must maintain a written record of all referrals of suspected insider trading referred to him or her pursuant to Rule 15.6.1.

15.6.3. Each Compliance Manager of a Client Advising Participant must have policies and procedures in place for the Compliance Manager to investigate all instances of suspected insider trading by a client and report these to NZX.

## 15.7. CLIENT COMPLAINTS

15.7.1. All written client complaints received by a Client Advising Participant, and/or its Employees, in relation to the conduct or actions of that Client Advising Participant and/or its Employees in respect of dealings with that client must be:

(a) reported to the Client Advising Participant's Compliance Manager; and

(b) recorded by the Client Advising Participant's Compliance Manager or their delegate in a central register.

15.7.2. The central register containing client complaints must be filed in date order and include, as a minimum, the following details:

(a) the name of the client making a complaint;

(b) the date the complaint was received;

(c) a copy of that written complaint;

(d) details of the action taken by the Client Advising Participant to resolve the complaint or details of why no action was taken by the Client Advising Participant; and

(e) the date the complaint was remedied (if remedied).

15.7.3. Each Client Advising Participant's Compliance Manager is responsible for:

(a) monitoring the Client Advising Participant's central register of client complaints; and

(b) ensuring that complaints received from clients about that Client Advising Participant and/or its Employees are investigated and resolved.

## 15.8. CLIENT CLEARING AND SETTLEMENT DISCLOSURE

15.8.1. Prior to accepting an order from a client, a Client Advising Participant must:

(a) ensure that the client and the Client Advising Participant have entered into an agreement as required by Rule 9.11;

(b) ensure that the following information has been provided to the client:

(i) that the Relevant Clearing Participant carries out the clearing and settlement of Trades executed for that client in accordance with the C&S Rules and the Depository Rules;

(ii) that under the C&S Rules, the Clearing and Settlement Terms of each Trade executed for that client will be novated in accordance with the C&S Rules and the Relevant Clearing Participant will become principal in the resulting Relevant Settlement Transaction and take on all of the Clearing and Settlement Terms for that Relevant Settlement Transaction and the client agrees to this novation pursuant to, and on the terms and conditions provided for under the C&S Rules to the full extent required by law;

(iii) the client's rights and obligations in relation to the clearing and settlement of a Relevant Settlement Transaction will be limited to any rights against, and any obligations to, the Client Advising Participant (or the Trading Participant party to a Trading Agreement with the Client Advising Participant) and the client will not have any rights against, or obligations to, the Relevant Clearing Participant (except where the Trading Participant is the Relevant Clearing Participant) or CHO in relation to the clearing and settlement of the Relevant Settlement Transaction;

(iv) the liability of CHO, CDO, the Depository Nominee, New Zealand Clearing and Depository Corporation Limited and NZX to any Person (including the client) is limited or excluded by, and is subject to, the provisions of Section 8 of the C&S Rules and Section 9 of the Depository Rules;

(v) that the client grants to the Client Advising Participant (or the Trading Participant party to a Trading Agreement with the Client Advising Participant) at all times, full and exclusive rights, power and authority to bind the client under the C&S Rules and to authorise the application of the client's Client Assets in accordance with Rule 18.10;

(vi) that the client may not assert against CDO or the Depository Nominee or any person acting on behalf of CDO or the Depository Nominee (or both of them), any proprietary, equitable, contingent, future or partial interest in any funds or securities held in a Settlement Account or a Depository Account; and

(vii) the name, telephone number and main business address of the Relevant Clearing Participant (s) which settles Trades on behalf of that Trading Participant.

(viii) disclose to a client for whom the Client Advising Participant (or the Trading Participant party to a Trading Agreement with the Client Advising Participant) wishes to make BPOT available, any post-trade settlement arrangements that apply to BPOT, including that BPOT are not cleared and settled through the Clearing House.

(c) retain a copy of the disclosure statement made to the relevant client under this Rule and record the date the disclosure statement was made to that client.

## 15.9. INABILITY OF CLIENT TO MEET OBLIGATIONS

15.9.1. If a Client Advising Participant becomes aware that a client has died, or has otherwise become incapable of receiving and paying for or delivering or transferring Securities which that client has ordered to be bought or sold, that Client Advising Participant shall advise the Trading Participant immediately in writing and if, after reasonable enquiry, the Client Advising Participant has no knowledge of anyone legally authorised to complete such purchases or sales on the client's behalf, the Trading Participant for the Client Advising Participant is entitled, with the approval of NZX, to resell or repurchase, or cause to be resold or repurchased (as the case may be) any outstanding Securities and the client (or their estate) shall be liable for any deficiency, and be entitled to any surplus, which may result.

15.9.2. If a Trading Participant's client fails or refuses to complete a Trade or contract for the sale or purchase of Securities on demand (which demand need not be in writing), a Trading Participant may resell or repurchase, as the case may be, the Securities the subject of the contract or contracts at that client's risk and expense, which expenses shall include brokerage and any other relevant charges.

15.9.3. Unless specified otherwise in the client agreement if as a result of a resale or repurchase pursuant to Rule 15.9.2 there is a:

(a) deficiency in the settlement price, that deficiency shall constitute a debt owing by the client to that Trading Participant; and

(b) surplus, the surplus belongs to the client and a Trading Participant must account to that client accordingly, subject in each case, to any right of set-off which may exist.

## 15.10. CONFLICT MANAGEMENT PROCEDURES

15.10.1. Each Client Advising Participant must have adequate arrangements for the management of conflicts of interest that may arise in relation to the Client Advising Participant's business. Without limiting the generality of this obligation, each Client Advising Participant must have written conflict management procedures in place to identify and manage any conflicts of interest which may arise between the Client Advising Participant, its Employees, Independent Directors, Prescribed Persons, and/or any client of the Client Advising Participant. These procedures must provide that conflicts of interest between the Client Advising Participant, its Employees, Independent Directors, Prescribed Persons, and/or any client of the Client Advising Participant are, where legally permitted, disclosed to any

person to whom the Client Advising Participant provides investment advice and/or investment recommendations in a way that ensures the person is treated fairly. NZX may request to see the written conflict management procedures of a Client Advising Participant and evidence of compliance with these requirements, including, but not limited to, the analysis of whether a conflict exists and the nature of disclosures made where a conflict does exist.

15.10.2. The conflict management procedures referred to in Rule 15.10.1 must outline, without limitation:

(a) a process for Employees to disclose conflicts of interest to the Client Advising Participant;

(b) the method for disclosing and recording disclosure of conflicts to clients of that Client Advising Participant;

(c) the procedure the Client Advising Participant will follow in the event an Employee fails to disclose their conflicts of interest to the Market Participant or a client;

(d) the setting of an appropriate threshold for that Client Advising Participant to maintain registers of its Employees' Security holdings; and

(e) a process for managing conflicts of interest which may arise out of Acting as Principal in Trades or acting in Trades on behalf of any Prescribed Person, person which controls the Client Advising Participant or person which is controlled by the Client Advising Participant.

15.10.3. Where a Client Advising Participant:

(a) provides investment advice and/or investment recommendations to any person, that Client Advising Participant shall not advise or deal in relation to a transaction for that person unless it has disclosed any conflict of interest between the Client Advising Participant, its Employees and/or Prescribed Persons to that person as required by its written conflict management procedures referred to in Rule 15.10.1; and

(b) issues any communications relating to Securities (for example, including, but not limited to research reports), the Client Advising Participant must disclose any conflict of interest between the Client Advising Participant, its Employees and/or Prescribed Persons with respect to those Securities as required by its written conflict management procedures referred to in Rule 15.10.1.

15.10.4. Each Client Advising Participant must:

(a) ensure that its investment advising Employees, Dealers and other Employees who may authorise Trades are aware of the Client Advising Participant's written conflict management procedures referred to in Rule 15.10.1; and

(b) obtain from its investment advising Employees, Dealers and other Employees who may authorise Trades an annual written undertaking that those persons will, and do, comply with those written conflict management procedures as referred to under Rule 15.10.1.

## 15.11. CLIENT COMMUNICATION RECORDING

15.11.1. In addition to Rules 15.11.3 to 15.11.13, a Trading Participant must record Relevant Employee Communications using an appropriate recording system. Such records must include the records derived by voice recording of telephone conversations and records of electronic communication, as relevant. This record must be retained for 6 months, unless it is an Order record. Where any issue arises in relation to that client Order during that 6 month period, the record must be kept for as long as the issue in relation to that client Order remains active and unresolved.

15.11.2. Where Relevant Employee Communications cannot be recorded or are impracticable to record directly, such as face to face conversations, encrypted messaging or those that are undertaken on a mobile phone, a contemporaneous record must be made of the contents and time of the instructions or discussion relating to the Relevant Employee Communication, even if no Order eventuates. This must be in a retrievable form which can include written, video or audio form. This record must be retained for 6 months, unless it is an Order record. Where any issue arises in relation to that client Order during that 6 month period, the record must be kept for as long as the issue in relation to that client Order remains active and unresolved. This Rule 15.11.2 may not be used as a basis to avoid compliance with the mandatory recording requirement in Rule 15.11.1.

15.11.3. Each Client Advising Participant must establish policies and procedures regarding recording its client's instructions where voice recording is used, which must include policies and procedures regarding voice recording and behaviour in respect of the use of electronic communication and personal devices where there may be discussions regarding and taking client orders. The Compliance Manager of a Client Advising Participant is responsible for ensuring that such policies and procedures are put in place and are, to the best of the Compliance Manager's ability, adhered to by that Client Advising Participant's Employees.

15.11.4. A Client Advising Participant's Employees:

(a) must be advised that their deliberate avoidance of policies and procedures established pursuant to Rule 15.11.3 would represent a serious breach of the Client Advising Participant's operating procedures; and

(b) must not have the ability to de-activate the voice recording system attached to their telephones.

15.11.5. An Employee of a Client Advising Participant may have access to read only voice recordings that are non-editable.

15.11.6. No Employee of a Client Advising Participant may have access to editable voice recordings except with the approval of, and in the presence of, the Compliance Manager or an authorised delegate of the Compliance Manager.

15.11.7. If a Client Advising Participant uses a voice recording technology, the recording equipment and stored recordings must be located in a secure area where access is limited to:

(a) the Compliance Manager;

(b) a delegate authorised in each instance by the Client Advising Participant's Compliance Manager; and

(c) those technical personnel set out in the Client Advising Participant's policies established pursuant to Rule 15.11.3, provided that none of the above are persons whose conversations are recorded.

15.11.8. The Client Advising Participant's Compliance Manager, or his or her delegate, must be present during any review of editable voice recordings.

15.11.9. The editing of voice recordings is prohibited in all circumstances.

15.11.10. Copies of voice recordings may only be made by the Compliance Manager or suitably trained and authorised staff on behalf of the Compliance Manager.

15.11.11. All non-mandatory voice recordings of Orders must be labelled and sorted accordingly and be retained by a Client Advising Participant for a period of 10 Business Days from the time of the client Order being submitted with the Client Advising Participant on the condition that if any issue arises in relation to that client Order during that 10 Business Day period the voice-recording must be kept for as long as the issue in relation to that client Order remains active and unresolved.

15.11.12. Where the Client Advising Participant wishes to rely on the voice recordings as all or part of the records required pursuant to Rule 15.12.2 or Rule 15.12.3, those voice-recordings must be retained for two years.

15.11.13. Where voice recording is used, the Client Advising Participant must include in its Client Agreement or terms of business an acknowledgement by the Client that the Participant may record telephone conversations between the Client and the Participant. Noting that in the event of a dispute or anticipated dispute between the Client and the Participant, the Client has the right to listen to any recording of those conversations.

## 15.12. ORDER RECORDS

15.12.1. Each Client Advising Participant must maintain an appropriate audit trail for all Orders. This should include Order/deal tickets, written Order confirmations, copies of electronic instructions such as e-mail and the electronic Order record on the Client Advising Participant's in-house order entry system. In each case this audit trail is to include the information in Rule 15.12.2 or, in the case of Orders where the Client Advising Participant is Acting as Principal, 15.12.3.

15.12.2. The instruction details, in conjunction with the system recording client information pursuant to Rule 15.11, to be recorded shall include:

(a) the identity of the Employee or DMA system receiving the Order;

(b) the date and time the Order is received;

(c) the name of the client to which the Order relates;

(d) the name of the natural person providing instruction if different from the account holder;

(e) if the Order relates to a Discretionary Account, the fact that it relates to a Discretionary Account and the name of the Adviser, having authority on the Discretionary Account, who authorised the Order;

(f) the CSN for the client stipulated at paragraph (c), if that client is a Retail Client and NZX requires a CSN for the Order;

(g) a description of the Security ordered and the number of Securities to be bought or sold;

(h) whether it is a buy a sell instruction;

(i) the price/yield or price/yield related instructions;

(j) whether the Order is ~~at market,~~ at a fixed price limit or whether it is Best Execution;

(k) the time limit on the Order (if any);

(l) instructions for settlement; and

(m) any other relevant instructions.

15.12.3. In relation to all Orders or other decisions to Trade where a Client Advising Participant is Acting as Principal, the details to be recorded shall include:

(a) the date and time the Order is received or decision to Trade is made;

(b) the name of the natural person providing instructions;

(c) a description of the Security ordered and the number of Securities to be bought or sold;

(d) whether it is a buy or sell instruction; and

(e) the price/yield limit or price/yield related instructions.

15.12.4. All Orders taken by telephone must be read back to the client giving such Order as a confirmation procedure, unless voice recording technology is used.

15.12.5. Records of Orders must be uniquely numbered and retained for two years, whether or not the relevant Order was executed.

## 15.13. AUTHORISATION CODES

15.13.1. Subject to Rule 15.13.4, each client Authorisation Code held by each Client Advising Participant pursuant to the Rule 15.13 must be encrypted.

15.13.2. A client Authorisation Code held by a Client Advising Participant may only be stored by a Client Advising Participant on the condition that that Client Advising Participant enters into a written agreement with that client which authorises that Client Advising Participant to retain the client's encrypted Authorisation Code. The written agreement between that client and that Client Advising Participant pursuant to this Rule must:

(a) detail the storage and use of that client's Authorisation Code by the Client Advising Participant;

(b) contain a client risk warning in relation to the possible consequences of unauthorised access to that client's Authorisation Code and the consequence of authorised access;

(c) contain an acknowledgment that that Client Advising Participant will have unlimited access to the Securities held by the client if that client's Authorisation Code is retained by the Client Advising Participant; and

(d) contain an undertaking by that Client Advising Participant that that Client Advising Participant will at all times protect that client's Authorisation Code from unauthorised use and/or access.

15.13.3. For the avoidance of doubt and subject to Rule 15.13.4, all client Authorisation Codes retained by a Client Advising Participant in accordance with Rule 15.13.1 and Rule 15.13.2 must be encrypted by that Client Advising Participant's internal systems. Under no circumstance may a Client Advising Participant's internal systems automatically populate a client's Authorisation Code for subsequent sales unless that Authorisation Code is, and remains at all times, encrypted.

15.13.4. Any record of a client's Authorisation Code held by a Client Advising Participant, but not subject to an agreement pursuant to Rule 15.13.2 or encrypted, must be disposed of which may be done by deleting the Authorisation Code from the document on which it is recorded, such that the Authorisation Code is not legible, upon the completion of that client's transaction (which shall be when that client's Securities have been successfully transferred out of the name of that client and that client has been paid the monies owing to him or her as a result of the transfer of that client's Securities). If the Authorisation Code cannot be destroyed, a Client Advising Participant must establish appropriate internal procedures to prevent the unauthorised access or use of that client's Authorisation Code.

15.13.5. Where a Client Advising Participant is not a Trading Participant or a Clearing Participant, the requirements for the retention and storage of a client's Authorisation Code in these Rules may be satisfied by a client entering into a written agreement with a Client Advising Participant that provides for:

(a) the Client Advising Participant to provide that client's Authorisation Code to the Client Advising Participant's Trading Participant and for that Trading Participant to provide it to that Trading Participant's Clearing Participant;

(b) the Client Advising Participant, Trading Participant and Clearing Participant to retain that client's Authorisation Code on the condition that the client's Authorisation Code is encrypted; and

(c) the client's Authorisation Code at all times to be protected by the Client Advising Participant, Trading Participant or Clearing Participant (as applicable), from unauthorised use and/or access.

## 15.14. NOTIFICATION OF SHORT SALE TO CLEARING PARTICIPANT

15.14.1. If a Client Advising Participant is not an authorised Clearing Participant, that Client Advising Participant must notify its Clearing Participant if that Client Advising Participant has

accepted an Order for a Short Sale and outline to the Clearing Participant any specific delivery and settlement arrangements in relation to the Short Sale.

## 15.15. CLIENT ORDER PRIORITY

15.15.1. Subject to Rule 15.15.6, no Client Advising Participant shall buy or sell Securities on its own account or on behalf of a Prescribed Person when that Client Advising Participant or its Dealer(s) holds an unexecuted Order on the same terms from a client to deal in one or more marketable parcels in such Securities. For the purpose of this Rule a limit Order that cannot be executed owing to price/yield difference, or a NZX Dark Order that does not satisfy the requirements of Rule 10.13.6, is not an unexecuted Order.

15.15.2. Subject to Rule 15.15.6, each Client Advising Participant who allocates a sale or purchase of Securities to fulfil all or part of an Order for itself or on behalf of a Prescribed Person when the participant has an unfilled Order on the same terms for those Securities from a client which is not the Client Advising Participant itself or a Prescribed Person shall be regarded as having engaged in conduct in breach of these Rules.

15.15.3. For the purposes of this Rule 15.15 a reference to a Client Advising Participant buying or selling Securities, or fulfilling an Order, on its own account or for itself includes where the Client Advising Participant does so on behalf of any person which controls, or is controlled by, that Client Advising Participant (where "control" has the meaning set out in clause 48 of Schedule 1 of the FMC Act).

15.15.4. For the purposes of this Rule 15.15 an Order is placed for a Client Advising Participant itself or for a Prescribed Person if the Securities to be bought or sold are, or will be on the completion of part or all of that Order, beneficially owned by that Client Advising Participant, any person referred to in clause 15.15.3 or any Prescribed Person.

15.15.5. For the purposes of this Rule 15.15 Securities beneficially owned by a person include Securities which would appear as assets on the balance sheet or consolidated balance sheet of that person.

15.15.6. Nothing in this Rule 15.15 applies to an Order placed by a client, in their own right as a client of a Client Advising Participant, using DMA.

15.15.7. Any additional conditions under which this Rule 15.15 will not apply may be set out in a Guidance Note.

## 15.16. CONTRACT NOTES

15.16.1. Each transaction effected by a Client Advising Participant on behalf of its clients shall be evidenced by that Client Advising Participant making a written contract note available to the client in accordance with Rule 15.16.4 no later than the day following the completion of that client's instruction, if that client is a Wholesale Client, or no later than the day following that Client Advising Participant executing part or all of that client's instruction, if that client is a Retail Client, provided that the Client Advising Participant shall not be required to make contract notes available to a client where:

(a) the client is a Wholesale Client or an Approved BPOT Client and has agreed to have transaction confirmations made available in a form other than contract notes;

(b) the client has entered a Hold Mail Agreement pursuant to Rule 9.10; and/or

(c) the client is a Discretionary Client and has entered into a written agreement with the Client Advising Participant which authorises that Client Advising Participant not to make contract notes available following the completion of transactions conducted on behalf of that client provided that such agreement provides that:

(i) the client has the right to require a contract note to be made available at any time;

(ii) the client's consent not to have contract notes made available upon the Client Advising Participant effecting a transaction on behalf of the client is revocable; and

(iii) all details of any transaction that would normally be shown on the contract note, including commission and disclosures, are sent or made available to that client in a report (which may be a report required under the FMC Act) provided or made available to the client at least once every 6 months, or more often if agreed in writing between the Client Advising Participant and the client.

15.16.2. No Client Advising Participant may include in any contract note any matter inconsistent with these Rules or Good Broking Practise.

15.16.3. Each Client Advising Participant must disclose in all contract notes made available in respect of Trade who the Clearing Participant for that Trade is, irrespective of whether that Client Advising Participant is also an accredited Clearing Participant or not.

15.16.4. A contract note, or other transaction confirmation permitted under Rule 15.16(a), must be made available to a client:

(a) by sending it by email to the client's email address as recorded in the Client Advising Participant's records;

(b) by sending it by electronic means other than email (including facsimile transmission), to which the client has consented for this purpose;

(c) by making the contract note available on a website or other electronic service provided that:

(i) the client has consented to contract notes being made available in this way;

(ii) the contract note is accessible to the client using details provided by the Client Advising Participant or otherwise; and

(iii) unless the client elects otherwise, the client is notified of the availability of the contract note, or completion of the relevant transaction, by email to the client's email address as recorded in the Client Advising Participant's records or by any other method to which the client has consented for this purpose; or

(d) by posting the contract note to the client's postal address as recorded in the Client Advising Participant's records,

Provided that, in each case, the information required to be disclosed in that contract note by these Rules is legibly contained in that contract note and the Client Advising Participant keeps a copy of each contract note, or other transaction confirmation permitted under Rule 15.16.1(a).

15.16.5. Notwithstanding Rule 15.16.4, any client may elect, by notice in writing to a Client Advising Participant, to receive contract notes by email or by post, in which case contract notes may only be made available to the client under Rule 15.16.4(a) or Rule 15.16.4(d) (respectively), until the client otherwise elects.

15.16.6. Each Client Advising Participant must disclose in a client's contract note:

(a) whether the Client Advising Participant is paid or will be paid by both parties to a Trade;

(b) the full extent of any commission and margin charge; and

(c) any other benefit to that Client Advising Participant or its representatives arising from the transactions.

15.16.7. The obligations of a Client Advising Participant, who is not also a Trading Participant, under Rule 15.16 may be fulfilled by the Client Advising Participant's Trading Participant performing those obligations on behalf of the Client Advising Participant.

## 15.17. CLIENT PROTECTION

15.17.1. Where a Security holder who has sold Securities is given the right to apply for new Securities offered prior to the settlement of that sale, a Client Advising Participant acting for that client must take such lawful action as may be required by Good Broking Practice to protect the rights of the buyers in respect of the Securities so offered.

15.17.2. A Client Advising Participant must take such action as may be required by Good Broking Practice to protect the rights of buyers and sellers in respect of entitlements to dividends, interest, or capital distributions and in regard to settlement.

15.17.3. The rights and obligations of Buyers and Sellers with regard to calls made on Securities which are being sold must be as recognised by Good Broking Practice.

# Section 16: Market Makers

## 16.1. DESIGNATED MARKET MAKERS

16.1.1. Subject to these Rules, a person may request that NZX designate that person as a Designated Market Maker in one or more specified Securities Quoted on a market provided by NZX in NZX Central by completing the application in the form detailed in Appendix 13 and by providing any additional information NZX requests. NZX shall review such application as soon as reasonably practicable upon receipt.

16.1.2. A person requesting designation as a Designated Market Maker must provide a copy of its Market Making Agreement with its application.

16.1.3. 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 NZX Market.

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

16.1.5. NZX shall have complete discretion to reject or approve (with or without conditions) any application from an applicant to be designated as a Designated Market Maker. NZX will notify an applicant seeking designation as a Designated Market Maker of whether or not its application has been approved and, if approved, the conditions, if any, attached to that approval. Where an application is declined by NZX, NZX shall set out its reasons for declining that application and that decision shall be final and non-contestable.

## 16.2. DMA AUTHORISED PERSON

16.2.1. Each Designated Market Maker who is not a Trading Participant must ensure it is registered as a DMA Authorised Person of a Trading Participant and maintain a written agreement in accordance with Rule 10.9.2 at all times. Any Orders relevant to its market making activity must be routed through that Trading Participant.

## 16.3. ADDITIONAL SECURITIES

16.3.1. A Designated 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 Designated Market Maker wishes to be designated to act as a market maker.

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

## 16.4. OPERATIONAL OBLIGATIONS

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

16.4.2. Each Designated Market Maker that is not also a Trading Participant must ensure that all Orders submitted for the purpose of market making activities are submitted by that Designated Market Maker by way of DCOP.

16.4.3. Each Designated Market Maker must:

(a) buy and sell the Securities for which it is designated a Designated 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 a Designated Market Maker during the hours specified in its Market Making Agreement;

(c) satisfy Orders delivered to the Designated Market Maker's posted quotes;

(d) adjust and reinstate the two-sided quotations within the period specified in its Market Making Agreement following an executed Trade or BPOT; and

(e) ensure that the market maker flag is applied to all market making Orders in accordance with the Procedures.[10]

16.4.4. All employees of that Designated Market Maker undertaking market making activity must comply with the Rules set out in this Section 16. Each Designated Market Maker is responsible for all acts, omissions and transactions done, made or effected by its employees.

16.4.5. Each Designated Market Maker must enter and maintain quotations that are reasonably related to the prevailing market in that Security for which it is designated a Designated Market Maker. If, in the reasonable opinion of NZX, it appears that the Designated Market Maker's quotation for that Security is no longer reasonably related to the prevailing market for that Security, NZX may require that Designated 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 Designated Market Maker's quotations in that Security.

16.4.6. No Designated Market Maker may enter quotations into the Trading System for a Security it is designated to act as a Designated Market Maker that exceed the guidelines for the maximum allowable Spread as set and advised by NZX from time to time.

16.4.7. Each Designated Market Maker must ensure that its market making Orders meet the minimum quantity requirements as set out in its Market Making Agreement.

[10] Procedure 2.1

## 16.5. MARKET MAKING REPRESENTATIVE

16.5.1. Every Designated Market Maker who is not also a Trading Participant must appoint a Market Making Representative responsible for the Designated Market Maker's market making activity. The person must be notified to NZX as a Market Making Representative.

## 16.6. PERIODIC REPORTING

16.6.1. A Designated Market Maker must provide NZX with periodic reporting as notified to the Designated Market Maker by NZX.

## 16.7. SEPARATION OF A DESIGNATED MARKET MAKER'S FUNCTIONS

16.7.1. A Designated Market Maker must separate its activities as a Designated 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 Designated Market Maker, in performing their activities, do no execute client Orders.

## 16.8. TRADING HALTS AND EMERGENCIES

16.8.1. No Designated Market Maker is obliged to maintain quotations in a Security when that Security is in a Trading Halt or is otherwise suspended as a result of an emergency.

## 16.9. WITHDRAWAL OF QUOTATIONS

16.9.1. Each Designated Market Maker may request to withdraw a quotation for a Security for which it has designation as a Designated 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 16.9.2(a) (b), or (c) must be satisfied for NZX to grant such request.

16.9.2. NZX shall consider applications for the withdrawal of a quotation provided under Rule 16.6.1 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) where the Designated Market Maker is not also a Trading Participant, if that Designated Market Maker is unable to access the Trading System via DCOP; or

(c) where the Designated Market Maker is also a Trading Participant, failure to maintain a C&S Agreement with the Relevant Clearing Participant.

16.9.3. NZX shall reasonably consider an application from a Designated Market Maker requesting the withdrawal of a quotation for a Security for which it has designation as a Designated Market Maker as soon as possible after a written application pursuant to Rule 16.9.1 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 Designated Market Maker pursuant to Rule 16.9.1.

## 16.10. SUSPENSION AND WITHDRAWAL OF A DESUGNATED MARKET MAKER

16.10.1. NZX may suspend and/or withdraw Designated Market Maker'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:

(a) The Designated 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

(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.

16.10.2. NZX will notify that Designated Market Maker of its decision to suspend or withdraw its designation as a Designated Market Maker, or as a Designated 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 Designated Market Maker outlining reasons why the designation of that Designated Market Maker should not have been suspended or withdrawn.

16.10.3. A Designated Market Maker suspended or withdrawn under Rule 16.10.1 must not hold itself out as a Designated Market Maker during the period of that suspension or withdrawal. At any time during the suspension of a Designated Market Maker, NZX at its complete discretion may withdraw the designation of the Market Maker.

16.10.4. A Designated Market Maker suspended or withdrawn under Rule 16.10.1 may be referred to NZ Markets Disciplinary Tribunal 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.

## 16.11. RESIGNATION AS A DESIGNATED MARKET MAKER

16.11.1. A Designated Market Maker must advise NZX in writing of its intention to resign as a Designated Market Maker, or as a Designated 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 a Designated Market Maker's application for resignation.

# Section 17: Legal Title Transfer

## 17.1. ABILITY AND RESPONSIBILITY TO TRANSFER LEGAL TITLE TO SECURITIES

17.1.1. The transfer of legal title to Securities may be effected by:

(a) a Trading Participant instruction a Legal Title Transfer Depository Participant to transfer legal title to Securities through the Legal Title Transfer System in accordance with the Depository Rules; or

(b) a transfer of legal title to Securities by means of an instrument of transfer in accordance with the Securities Transfer Legislation, or in the case of an overseas market, a proper instrument of transfer relevant to the market.

17.1.2. A Trading Participant shall be responsible for ensuring:

(a) the authorisation and validity of all transfers executed by a Legal Title Transfer Depository Participant on its instructions;

(b) that all documents required in support of a transfer by means of an instrument of transfer executed by it are:

(i) valid;

(ii) retained by that Trading Participant or delivered to the relevant Securities Registry by 12:00pm, or such other time as NZX may from time to time notify, on the Trading Day following the transfer.

17.1.3. Each Trading Participant is responsible for ensuring that Securities transferred by it or on its instructions are free from all liabilities due or payable at the time of transfer.

17.1.4. Each Trading Participant must be able to provide immediately upon request, details of all transfers of Securities effected by that Trading Participant. The details must, as a minimum, include:

(a) the quantity and type of Security that the Trading Participant is transferring on behalf of the client;

(b) if the Trading Participant is acting on instructions received from a client, the date when the instructions were received by that Trading Participant;

(c) the name of the client who the Securities will be transferred to or from;

(d) copies of relevant client details, for the buying and/or selling client (if applicable) including, but not limited to:

(i) registered name and address; and

(ii) CSN.

(e) the date when transfer of the Securities was completed.

## 17.2. INABILITY OF CLIENTS TO MEET OBLIGATIONS

17.2.1. If a Trading Participant becomes aware that its client has died or has otherwise become incapable of receiving and paying for or delivering or transferring Securities which that client has instructed to be bought or sold, that Trading Participant must immediately halt all activities in relation to the transfer of legal title to that client's Securities, however, nothing in this Rule affects a Trading Participant's obligations in respect of a Trade to which that Trading Participant is a party.

## 17.3. PROTECTION OF ACCRUALS

17.3.1. The Seller must protect the rights of the client of the Buyer in respect of a transaction for Securities that is not settled through the Settlement System by taking up an Accrued benefit, entitlement or right, unless the Buyer instructs the Seller otherwise in writing.

17.3.2. If the client of the Buyer does not wish to take up all or part of an Accrued benefit, entitlement or right, the Buyer must advise the Seller in writing prior to the Record Date for that benefit, entitlement or right.

17.3.3. For Accruals relating to transactions for Securities that are not settled through the Settlement System, the Seller shall enclose payment for any cash adjustment or documents as appropriate.

17.3.4. If payments and/or other documents required pursuant to Rule 17.3.3 are not included with the delivery of Securities, the Buyer may reject delivery but the Seller shall remain liable to the purchaser for the Accrual.

## 17.4. INSTRUCTIONS TO TRANSFER SECURITIES BY MEANS OF THE LEGAL TITLE TRANSFER SYSTEM

17.4.1. **Stock Reservation and Transfer:** Subject to Rule 17.5, upon being instructed to sell Securities that can be transferred by means of the Legal Title Transfer System, a Seller may instruct a Legal Title Transfer Depository Participant to reserve those Securities using the Stock Reservation process under the Depository Rules and prior to settlement must instruct a Legal Title Transfer Depository Participant to transfer those Securities into its Transfer Account in order to effect settlement.

## 17.5. TRANSFERS OF CLIENT SECURITITES ON SALE

17.5.1. No Seller may instruct its Legal Title Transfer Depository Participant to transfer a client's Securities into its Transfer Account unless the sale of those Securities has been confirmed by the Seller and the Seller has properly verified the identity and authority of that client to transfer those Securities.

17.5.2. If documents of any kind are required to support a transfer of Securities pursuant to Rule 17.5.1, a Seller must ensure the delivery of the documents to the Securities Registry used by the issuer of those Securities by 12.00pm on the Trading Day following that transfer.

17.5.3. Following any reported failure to comply with Rule 17.5.1 or Rule 17.5.2, NZX may proceed with immediate disciplinary action.

## 17.6. TRANSFERS OUTSIDE THE LEGAL TITLE TRANSFER SYSTEM

17.6.1. **Method of transfer:** Transfers of Securities other than by a Legal Title Transfer Depository Participant by means of the Legal Title Transfer System shall be by means of a proper instrument of transfer in accordance with the Securities Transfer Legislation or, in the case of an overseas market, a proper instrument of transfer relevant to the market.

17.6.2. **Notification of failure to complete transfer:** A Trading Participant must advise its client within **10 Trading Days** if the transfer is occurring outside the Legal Title Transfer System and transfer has not been completed.

17.6.3. **Corrections to forms:** Any correction to Part 1 of a transfer or renunciation form prior to delivery by the Seller's Trading Participant of the Securities the subject of the relevant Trade or contract for the sale or purchase of Securities must be endorsed "Correction Guaranteed" by a stamp showing the broker code number of the relevant Trading Participant and the identification code of the Trading Participant.

17.6.4. Numeric and value amounts can only be altered downwards and, accordingly, the original detail and its correction must both remain visible.

17.6.5. The Buyer must also, in the same manner as the Seller's Trading Participant, certify any correction or alteration of Part 2 of the form prior to lodgement with the Issuer.

17.6.6. **Minor corrections:** Minor corrections to the transferor's name may be made, **provided** they are correction guaranteed under Rule 17.6.3. Such corrections should only be to bring the detail into line with that on the supporting scrip. In terms of the Securities Transfer Legislation, all transfers of Securities must include the full name of the transferor(s).

17.6.7. **No additions unless correction guaranteed:** No information may be added to a transfer form unless that is also correction guaranteed.

17.6.8. **Correction guarantee stamps:** Correction guaranteed stamps from non-Market Participant originators who are authorised to use securities transfer forms in terms of the Securities Transfer Legislation are agreeable. Such originators presently comprise:

(a) Solicitors;

(b) Chartered accountants

(c) Trustee corporations;

(d) Banks; and

(e) Authorised public security dealers.

17.6.9. **Class of securities:** The class of Securities to be transferred must be shown on the transfer form.

17.6.10. **Partly paid shares:** For fully paid shares, the amount to which the share is paid up need not be shown but for partly paid shares that amount must be shown.

17.6.11. **Quantity of Securities:** Each transfer form must contain the quantity of Securities in figures. If both words and figures are used, then they must correspond.

17.6.12. **Date and stamping:** The date of signing by the transferor must be shown on all transfers, together with the stamp and the code of the Buyer's and Seller's Trading Participant(s), and the date on which the stamps and codes were affixed.

17.6.13. **Non-corresponding CSNs or addresses:** Transfer forms supported by scrip with the same name and address but with different Common Shareholder Numbers or with the same name and shareholder numbers but with different addresses will be acceptable.

17.6.14. **Transfers with matching name only:** Transfers supported by scrip with only the name matching will be acceptable as good delivery if such transfers are accompanied by confirmation in writing from the Seller that the transferor in each case is the same person.

17.6.15. **Abbreviations:** Abbreviations such as "Ltd" "N.Z." or "Corpn" are acceptable on transfers, or such other abbreviations as are commonly understood and accepted acronyms acceptable to NZX.

17.6.16. **Maximum number of transfer forms:** The maximum number of separate transfer forms acceptable on a delivery shall be 15. Any greater number shall be acceptable only by agreement between the Buyer and Seller.

17.6.17. **Trading participant stamps:** Each Trading Participant who affixes stamp to identify that Trading Participant on any formal documents shall use a stamp in a form and style approved by NZX, bearing the name of that Trading Participant and the words "authorised Trading Participant", and the Trading Participant's code (including as the last character an identifier as necessary to identify an office of that Trading Participant).

## 17.7. CLIENT INWARD TRANSFERS AND STOCK RESERVATION

17.7.1. Before instructing a Legal Title Transfer Depository Participant to submit a CIT or a Stock Reservation instruction, a Trading Participant must:

(a) have a valid client instruction;

(b) have obtained from that client, all necessary Authorisation Code(s), Common Shareholder Number(s) and any other details necessary for the CIT or Stock Reservation instruction to be correctly submitted;

(c) provide that Legal Title Transfer Depository Participant with a copy of the relevant client details obtained under Rule 9.2;

(d) ensure that a Legal Title Transfer Depository Participant has verified that client's holdings of Securities on the register used by the Issuer of those Securities and note any special conditions that exist against that client's holdings; and

(e) ensure that everything necessary has been done to ensure the validity of the proposed transfer of Securities or the validity of the proposed Stock Reservation instruction.

17.7.2. A Trading Participant must have arrangements in place to ensure that all Securities that are transferred to a Legal Title Transfer Depository Participant's Transfer Account via CIT are held in the Legal Title Transfer Depository Participant's Transfer Account on trust for the selling client pending settlement.

17.7.3. Each Trading Participant must pay its client all monies received from the sale of that client's Securities less any reasonable fee charged by the Trading Participant for the transfer of that client's Securities.

## 17.8. CLIENT REGISTERATIONS (CLIENT OUTWARD TRANSFERS)

17.8.1. Except where Securities are to be held in accordance with Rule 17.9, a Buyer is responsible for ensuring the delivery of those Securities to its client.

## 17.9. SECURITIES HELD FOR CLIENTS

17.9.1. Securities held on behalf of clients must be held on trust by a separate Nominee Company. If a Trading Participant holds Securities on its own account, such Securities must be held in a separate Nominee Account to that used for clients.

## 17.10. [DELETED]

# Section 18: Client Assets

## 18.1. CLIENT ASSETS

18.1.1. "**Client Assets**" means:

(a) Client Funds received and held by a Market Participant Accepting Client Assets for undelivered buy contracts or received and held on account including, but not limited to, Margin Cover, funds on deposit, call accounts and application monies; and

(b) Clients' Securities received and held by a Market Participant Accepting Client Assets for delivered unpaid sell contracts.

18.1.2. For the purposes of this Rule 18, references to "money", "funds" and "amounts" include money, funds and amounts in any currency.

## 18.2. OUTSTANDING OBLIGATIONS

18.2.1. "**Outstanding Obligations**" means an agreement or arrangement between a Market Participant Accepting Client Assets and its client where:

(a) Securities of that client have been transferred into the Transfer Account of a Legal Title Transfer Depository Participant as a result of direct instructions from that client's Trading Participant and the funds owing for the transfer of those Securities to the buying client on the sale or proposed sale of those Securities have not yet been received by the Relevant Clearing Participant. Securities may not be transferred from a Transfer Account until such time as the Trading Participant has received an NZX confirmed Trade or BPOT; or

(b) that client is a buying client and has paid money to the Market Participant Accepting Client Assets prior to those Securities being registered in that client's or its Nominee Company's name. This includes funds received by the Trading Participant prior to a Trading Participant entering that client's Order into the Trading System; or

(c) that client has paid money to a Market Participant Accepting Client Assets for any other purpose, and the amount paid has not been applied (less reasonable brokerage or commission) for that purpose.

## 18.3. CLIENT FUNDS ACCOUNT

18.3.1. "**Client Funds Account**" means:

(a) a trust account help by a Market Participant Accepting Client Assets solely for the benefit of its clients at a Bank approved by NZX; and

(b) a Depository Account held by a Market Participant Accepting Client Assets solely for the benefit of its clients.

18.3.2. Each Market Participant Accepting Client Assets must open and maintain at least one Client Funds Account of the type referred to in Rule 18.3.1(a) in each currency for which it accepts funds. Subject to this Rule, a Market Participant Accepting Client Assets may open

and maintain any number of Client Funds Accounts. This Rule 18 applies to every Client Funds Account maintained by a Market Participant Accepting Client Assets.

18.3.3. A Client Funds Account held by a Market Participant Accepting Client Assets may include a **"Buffer"**, being money belonging to the Market Participant Accepting Client Assets which is deposited into a Client Funds Account and retained for the purposes of facilitating settlement and to manage any shortfalls that may arise in respect of settlement.

18.3.4. Any Buffer deposited in a Client Funds Account by a Market Participant Accepting Client Assets must be reasonable in the circumstances and in accordance with relevant Guidance Notes, Procedures and Good Broking Practice.

## 18.4. CLIENT ASSETS AND OUTSTANDING OBLIGATIONS

18.4.1. Total Client Assets held in a Transfer Account of a Legal Title Transfer Depository Participant, Nominee Account and Client Funds Account by a Market Participant Accepting Client Assets (as the case may be) taken together with any Buffer must, at all times, equal or exceed that Market Participant's total Outstanding Obligations.

18.4.2. Total Client Assets held in a Transfer Account of a Legal Title Transfer Depository Participant, Nominee Account and Client Funds Account by a Market Participant Accepting Client Assets (as the case may be) taken together but excluding any Buffer must, at the end of each Business Day, equal that Market Participant's total Outstanding Obligations.

18.4.3. Each Market Participant Accepting Client Assets may only recognise those Securities that belong to clients in its calculation of Total Client Assets pursuant to Rule 18.4.1 and 18.4.2. Securities belonging to the Market Participant Accepting Client Assets and client Securities that do not require protection that are held in either a Transfer Account of a Legal Title Transfer Depository Participant or Nominee Account may not be included in the calculation of Total Client Assets under Rule 18.4.1 and 18.4.2.

## 18.5. CLIENT ASSETS HELD ON TRUST

18.5.1. Each Market Participant Accepting Client Assets must hold Client Assets on trust for its clients at all times.

18.5.2. Each Market Participant Accepting Client Assets must protect Client Assets from the time of receipt of those Client Assets. Each Market Participant Accepting Client Assets' obligations in relation to Client Funds are not discharged until:

(a) that client has received clear funds from the Market Participant Accepting Client Assets; or

(b) the legal title of the Securities has been registered into that client's name on the Issuer's Securities Register.

## 18.6. REQUIREMENTS FOR CLIENT FUNDS ACCOUNT

18.6.1. Each Market Participant Accepting Client Assets must:

(a) in respect of any Client Funds Account which is not a Depository Account:

(i) obtain from the Bank holding the Client Funds Account a written acknowledgement of the trust status of the account, and must ensure that the words "Client Funds Account", "Client Trust Account" or such other similar words as are required by legislation appear in the account name of that Client Funds Account; and

(ii) supply to NZX current copies of the written acknowledgement of the trust status of the Client Funds Account;

(b) not deposit Client Funds into an account that is not a designated Client Funds Account;

(c) notify NZX immediately of any changes to any of its Client Funds Accounts;

(d) notify NZX of the following matters periodically as set out in the relevant Guidance Note:

(i) whether the Market Participant Accepting Client Assets intends to deposit Buffers in its Client Funds Accounts; and

(ii) the basis on which Buffers will be calculated (which must be in accordance with relevant Guidance Notes, Procedures and Good Broking Practice) and deposited into the Market Participant Accepting Client Asset's Client Funds Accounts;

(e) ensure that each Client Funds Account is not overdrawn at any time, for the purposes of this Rule 18.6.1(e) this includes both the general ledger bank book and the physical Bank account. For the avoidance of doubt, a Client Funds Account in credit cannot be used to offset a deficit in another Client Funds Account;

(f) not use funds in the Client Funds Account as security for any obligation of the Market Participant Accepting Client Assets or any other person;

(g) reconcile the records for each of the Client Funds Account held by the Market Participant Accepting Client Assets with the records of CDO or the Bank (as the case may be) holding the Client Funds Account in all currencies on a daily basis;

(h) using data from Rule 18.6.1(g), perform reconciliations as required, in accordance with relevant Guidance Notes, Procedures and Good Broking Practice, in order to monitor compliance with Rule 18.4.2, including a reconciliation as at the end of each Business Day assessing and determining compliance with Rule 18.4.2;

(i) each Market Participant Accepting Client Assets must immediately notify NZX if, for any reason, the Market Participant Accepting Client Assets is unable to perform a daily reconciliation pursuant to Rule 18.6.1(g) or 18.6.1(h); and

(j) record movements in and out of each Client Funds Account for all Settlement System transactions on a transaction by transaction basis.

18.6.2. Each Market Participant Accepting Client Assets must immediately notify NZX if:

(a) its bank book ledger balance, any physical Bank account or Depository Account balance for any of its Client Funds Accounts become overdrawn for any reason;

(b) if any reconciliation performed under Rule 18.6.1(h) reveals any non-compliance with Rule 18.4.2;

(c) if there has been a breach of Rule 18.6.1(b); or

(d) if there has been a breach of Rule 18.4.1.

## 18.7. PAYMENTS INTO CLIENT FUNDS ACCOUNTS

18.7.1. Subject to Rule 18.8 and Rule 18.9, each Market Participant Accepting Client Assets shall pay directly into a Client Funds Account immediately upon receipt:

(a) all mounts received from, or on account of, any client for Securities purchased or to be purchased;

(b) all amounts received for, or on account of, any person for Securities sold and not paid to or as directed by that person; and

(c) all application monies or call money payable or any other payment received from, or on account of, any person and not paid direct to the person entitled to such application or call money.

## 18.8. FUNDS RECEIVEDAFTER SETTLEMENT

18.8.1. An amount that is required to be paid to a Market Participant Accepting Client Assets' Client Funds Account pursuant to Rule 18.7 that relates to a transaction settled on the Clearing House on behalf of a client shall be paid into a Client Funds Account as soon as possible following the date of receipt of those funds by the Market Participant Accepting Client Assets.

## 18.9. FUNDS RECEIVED OUTSIDE BANK TRADING HOURS

18.9.1. All amounts that are required to be paid into a Market Participant Accepting Client Assets' Client Funds Account pursuant to Rule 18.8 but which are received by a Market Participant Accepting Client Assets after its Bank's trading hours shall be paid into a Client Funds Account as soon as possible on the 1st Business Day following the date of receipt.

## 18.10. APPLICATION OF FUNDS

18.10.1. All Client Funds required to be paid into a Client Funds Account under Rule 18.7 must be held upon trust by the Market Participant Accepting Client Assets and applied:

(a) for the purposes of the settlement of, or reimbursement in respect of the settlement of the purchase of Securities for a client;

(b) in payment of the sale price for a Client's Securities transferred into a Market Participant Accepting Client Assets Transfer Account;

(c) in payment to any other person for whom Client Funds have been held in the Client Funds Account; and

(d) in payment of brokerage and other charges properly payable to the Market Participant Accepting Client Assets by its clients for transactions under Rules 18.10(a) and (b).

18.10.2. To the extent a Market Participant Accepting Client Assets has deposited its own funds into a Client Funds Account that Market Participant Accepting Client Assets may withdraw those assets provided that Rule 18.4.1 continues to be met.

## 18.11. METHOD OF PAYMENT

18.11.1. Payments to a client from a Client Funds Account for Securities sold by that Market Participant Accepting Client Assets for that client shall be made directly to an account with a Bank in the name of that client (as recorded in the Issuer's Securities Register) by means of:

(a) a not transferable cheque or other bank instrument made out in the name of that client and delivered to the address of that client as recorded on the Issuer's Securities Register or the client's postal address as recorded and verified by the Market Participant; or

(b) an electronic transfer as directed and approved by that client.

On the written instruction of that client or a person who holds a power of attorney for that client, the payment may be made into a different account in accordance with the instructions of the client or its attorney.

18.11.2. No payment from a Market Participant Accepting Client Assets to a client, or a person who holds a power of attorney for that client, may be paid in cash.

## 18.12. METHOD OF RECEIPT

18.12.1. Funds received by a Market Participant Accepting Client Assets for Securities bought, or to be bought, on behalf of a client must be made directly into the Market Participant Accepting Client Assets' designated Client Funds Account.

## 18.13. DISTRIBUTION OF CLIENT ASSETS

18.13.1. If a Market Participant Accepting Client Assets ceases to carry on business as a Market Participant and is unable to honour its Outstanding Obligations, the Client Assets of that Market Participant Accepting Client Assets will be held as a pool of unallocated assets for clients to whom that Market Participant Accepting Client Assets has Outstanding Obligations. The applicable Securities will be sold and the proceeds, together with funds in that Market Participant Accepting Client Assets Client Funds Account, shall be paid to that Market Participant Accepting Client Assets client's pro-rata in relation to the amount owing by that Market Participant Accepting Client Assets to them.

## 18.14. MONEY HANDLING PROCEDURES

18.14.1. Each Market Participant Accepting Client Assets must, as a minimum, when handling Client Funds:

(a) meet its obligations under the AML Legislation; and

(b) maintain accurate and up-to-date records in sufficient detail to show details of all money received and paid including Client Funds Account receipts required pursuant to Rule 18.14.1(a) and payments made by the Market Participant Accepting Client Assets in the ordinary course of its Broking Business.

## 18.15. ADDITIONAL REQUIREMENTS RELATING TO DEPOSITORY ACCOUNTS

18.15.1. If:

(a) any Client Funds Account maintained by a Market Participant Accepting Client Assts is a Depository Account; or

(b) a Market Participant Accepting Client Assets uses a Depository Account for the purposes of holding Securities held in a Custody Account,

the Market Participant Accepting Client Assets must ensure that each client agreement entered into between the Market Participant Accepting Client Assets and its clients provides that:

(c) under the Depository Rules:

(i) CDO and the Depository Nominee must recognise the Depository Participant in whose name a Depository Account is held as the sole beneficial owner of Securities or funds held in that Depository Account;

(ii) CDO and the Depository Nominee must not, except as ordered by a court of competent jurisdiction or as is otherwise expressly provided by the Depository Rules, be liable for, bound by or compelled in any way to see to the execution of any trust or equity affecting the ownership of, or incidental rights to, any funds or securities held in a Depository Account, nor to recognise the Depository Participant in whose name the Depository Account is held as holding any funds or Securities held in a Depository Account on trust nor to recognise any proprietary, equitable, contingent, future or partial interest in any funds or securities held in a Depository Account or any other right, except the beneficial right of ownership of the Depository Participant in whose name the Depository Account is held; and

(d) the client shall not assert any such proprietary or equitable interest or other right against CDO, the Depository Nominee or any person acting on behalf of CDO or the Depository Nominee (or both).

# Section 19: Capital Adequacy

## 19.1. CAPITAL ADEQUACY

19.1.1. **Minimum Capital Required:** Subject to Rule 19.1.2, a Market Participant Requiring Capital must at all times maintain its Net Tangible Current Assets at a level equal to, or greater than, its Prescribed Minimum Capital Adequacy, which shall be the higher of:

(a) the Minimum NTCA of the Market Participant Requiring Capital, as prescribed for its category of Market Participant Requiring Capital by Rule 19.2; and

(b) the Total Risk Requirement of the Market Participant Requiring Capital, as calculated in accordance with Rule 19.5.

19.1.2. **Other Prudential Supervision Regime**: A Market Participant Requiring Capital may be exempted from the requirements of Rule 19.1.1, if NZX is satisfied that the Market Participant Requiring Capital is subject to, and is complying with, an equivalent level of prudential supervision by an Alternative Regulator, in accordance with the laws of the applicable jurisdiction.

19.1.3. A Market Participant Requiring Capital holding an exemption under Rule 19.1.2 must:

(a) comply with all obligations to, or requirements of, the Alternative Regulator;

(b) provide NZX with copies of any filings or communication with the Alternative Regulator at the same time this information is provided to the Alternative Regulator;

(c) provide NZX with copies of any reports from the Alternative Regulator relating to the compliance or non-compliance with the requirements of the Alternative Regulator's prudential supervision regime;

(d) ensure that a Reciprocal Arrangement is in place with the Alternative Regulator to provide information to NZX in respect of the Market Participant Requiring Capital at the request of NZX and without notification to the Market Participant Requiring Capital; and

(e) notify NZX if the Market Participant Requiring Capital ceases to be subject to regulation by the Alternative Regulator as soon as reasonably practicable after becoming aware of the same.

19.1.4. An exemption under Rule 19.1.2 may be revoked at any time by NZX and will be deemed to be revoked immediately if:

(a) the Market Participant Requiring Capital ceases to be subject to regulation by the Alternative Regulator; or

(b) the Market Participant Requiring Capital's standing, authorisation or approval conferred by the Alterative Regulator is suspended or terminated or otherwise materially adversely impaired.

## 19.2. CAPITAL ADEQUACY REQUIREMENTS

19.2.1. The Minimum Net Tangible Current Asset levels are:

(a) $500,000 for a NZX Trading and Advising Firm;

(b) $500,000 for a NZX Advising Firm accepting Client Funds;

(c) $250,000 for a NZX Advising Firm not accepting Client Funds;

(d) $500,000 for a Bank Only Participant;

(e) $500,000 for a Principal Book Only Dealer; and

(f) $250,000 for a Distribution and Underwriting Sponsor.

## 19.3. CAPITAL ADEQUACY REPORTING

19.3.1. A Market Participant Capital must calculate:

(a) the Market Participant Requiring Capital's Net Tangible Current Assets;

(b) the Market Participant Requiring Capital's Total Risk Requirement; and

(c) the percentage that the Market Participant Requiring Capital's Net Tangible Current Assets and Total Risk Requirement amounts form of its Prescribed Minimum Capital Adequacy,

as at the end of each Business Day (together, the "**Capital Adequacy Calculations**") with such calculation to be completed and recorded by the end of the next Business Day.

19.3.2. A Market Participant Requiring Capital must provide to NZX a monthly report of its daily Capital Adequacy Calculations during that month at the time and in the manner prescribed by Rule 20.14.

19.3.3. NZX may by Notice require a Market Participant Requiring Capital to provide to NZX a report of its daily Capital Adequacy Calculations on a more regular basis as and when NZX considers this necessary or desirable.

19.3.4. A Market Participant Requiring Capital must notify NZX as soon as reasonably practicable after becoming aware that, between two consecutive Business Days, the Market Participant Requiring Capital's Net Tangible Current Assets as a percentage of its Prescribed Minimum Capital Adequacy:

(a) having been above any of the percentage thresholds specified below, changes so that it is below that threshold; or

(b) having been below any of the percentage thresholds specified below, changes so that it is above that threshold,

and such notice must include the figures calculated under Rules 19.3.1(a), (b) and (c) and such further information as NZX requires.

The percentage thresholds referred to above are: 100%, 120%, 150%, 200%, 300%, 500% and 1000%.

19.3.5. Following notification under Rule 19.3.4, in relation to a Market Participant Requiring Capital's Net Tangible Current Assets being less than 120% of its Prescribed Minimum Capital Adequacy, the Market Participant Requiring Capital must provide to NZX a daily report of its Capital Adequacy Calculations (as soon as such calculations are available), including such further information as NZX requires, until its Net Tangible Current Assets exceed 120% of its Prescribed Minimum Capital Adequacy.

## 19.4. NTCA CALCULATION

19.4.1. A Market Participant Requiring Capital's Net Tangible Current Assets are calculated as the sum of its tangible assets less the sum of its liabilities, as calculated in accordance with Generally Accepted Accounting Practice, this Rule 19.4 and Rule 19.13. In the event of any inconsistency between these Rules and Generally Accepted Accounting Practice, these Rules will prevail.

19.4.2. The following items must be excluded from the calculation of Net Tangible Current Assets:

(a) all Intangible Assets (but liabilities including Contingent Liabilities associated with Intangible Assets must be included in the calculation);

(b) guarantees, except guarantees approved by NZX where and to the extent to which the Market Participant Requiring Capital has a Net Underwriting Commitment for the purposes of the calculation of the Primary Market Risk Requirement;

(c) any Subordinated Debt approved by NZX in accordance with Rule 19.4.5;

(d) Property, Plant and Equipment;

(e) any asset which, in the normal course of business is not capable of being realised within 12 months (having regard to any relevant Guidance Note or Procedure); and

(f) any item excluded under Rule 19.4.3.

19.4.3. NZX may, from time to time, notify a Market Participant Requiring Capital that it must exclude any item that otherwise would be included in its NTCA calculation on such conditions and for such period notified by NZX. Where NZX has made a determination under this Rule, it will advise the Market Participant Requiring Capital in writing, specifying the reasons for its determination.

19.4.4. The following items must be included in the calculation of Net Tangible Current Assets:

(a) all Contingent Liabilities; and

(b) assets and liabilities in respect of segregated client monies held on the Market Participant Requiring Capital's balance sheet.

19.4.5. A Market Participant Requiring Capital may only exclude a Subordinated Debt from calculation of its liabilities, for the purposes of these Rules, with the prior approval of NZX.

19.4.6. NZX will not approve the exclusion of Subordinated Debt from calculation of the Market Participant Requiring Capital's liabilities unless the Subordinated Debt is issued on terms that include that:

(a) the terms of issue of the Subordinated Debt are subject to these Rule;

(b) the terms of issue of the Subordinated Debt cannot be amended without the prior approval of NZX;

(c) any repayment of the Subordinated Debt is subject to the Market Participant Requiring Capital holding Net Tangible Current Assets above 120% of its Minimum NTCA after repayment;

(d) no repayments of the Subordinated Debt can be made without the prior approval of NZX;

(e) the obligation to pay any amount owing in respect of the Subordinated Debt, including interest or distributions, is suspended during any period in which the Market Participant Requiring Capital fails to comply with its obligations under Rule 19.1.1; and

(f) any other provision NZX considers necessary to protect the viability of the Market Participant Requiring Capital's business and ensure Subordinated Debt is validly and effectively subordinated to the general unsecured creditors of the Market Participant Requiring Capital.

19.4.7. NZX will not withhold approval to repayment of any Subordinated Debt if in the opinion of NZX, the Market Participant Requiring Capital's Net Tangible Current Assets will continue, immediately following repayment, to be greater than 120% of its Prescribed Minimum Capital Adequacy.

## 19.5. TOTAL RISK REQUIREMENT CALCULATION

19.5.1. A Market Participant Requiring Capital's Total Risk Requirement is calculated as being the aggregate of its:

(a) Operational Risk Requirement;

(b) Counterparty Risk Requirement;

(c) Large Position Risk Requirement;

(d) Position Risk Requirement;

(e) Currency Risk Requirement;

(f) Primary Market Risk Requirement; and

(g) Market Risk Requirement (if any),

calculated in the manner determined by Rules 19.6 to Rule 19.13.

## 19.6. OPERATIONAL RISK REQUIREMENT CALCULATION

19.6.1. A Market Participant Requiring Capital's Operational Risk Requirement is equal to 1% of the higher of:

(a) the Market Participant Requiring Capital's budgeted total revenue for the month in which the calculation is made; and

(b) the Market Participant Requiring Capital's average actual monthly total revenue of the three complete consecutive calendar months preceding the date on which the calculation is made.

## 19.7. COUNTERPARTY RISK REQUIREMENT

19.7.1. A Market Participant Requiring Capital may calculate the Positive Credit Exposure under Rule 19.7.3 and Rule 19.7.4 for an individual Counterparty on a net basis across all currencies only where and to the extent that netting is permissible on a "first in first out" basis under Generally Accepted Accounting Practice.

19.7.2. Liability of a Counterparty to a Market Participant Requiring Capital may be netted against:

(a) assets held by that Market Participant Requiring Capital pending settlement of that liability; and/or

(b) assets of that Counterparty under the control of that Market Participant Requiring Capital in respect of which that Market Participant Requiring Capital has a right or lien that may be exercised in order to satisfy that liability

19.7.3. A Market Participant Requiring Capital's Counterparty Risk Requirement shall be calculated in respect of each of its Positive Credit Exposures for each Counterparty. In calculating Positive Credit Exposures, the Market Participant Requiring Capital shall, having regard to any relevant Guidance Note or Procedure:

(a) include all trade and intragroup debtors;

(b) include all transactions in Financial Instruments; and

(c) exclude all transactions with CHO and all Net Underwriting Commitments.

19.7.4. The Positive Credit Exposure for an individual Counterparty shall be calculated as the sum of:

(a) 4% of the value of all transactions with that Counterparty remaining unsettled, but that are not Overdue;

(b) 10% of the Initial Margin Capital Requirement for all clients in respect of margined transactions with that Counterparty;

(c) 50% of the value of all transactions with that Counterparty that are Overdue if the Counterparty is an AFSL holder, a financial market participant that is regulated in the United States of America, the United Kingdom, or other OECD country, a Bank or a Market Participant Requiring Capital, a Clearing Participant or a Participant Requiring

Capital (as defined in the applicable rules of the NZX Market in which they participate); and

(d) 100% of all other transactions with that Counterparty.

19.7.5. Where a right of set-off exists and a single Counterparty has outstanding balances in more than one category specified in Rule 19.7.4, the debit or credit balance is first applied to the Positive Credit Exposure with the greatest Counterparty Risk Requirement.

## 19.8. LARGE POSITION RISK REQUIREMENT

19.8.1. The Large Position Risk Requirement is calculated as being the aggregate of the:

(a) Large Position Counterparty Risk Requirement; and

(b) Large Position Issuer Risk Requirement;

but must exclude any Net Underwriting Commitment.

19.8.2. The Large Position Counterparty Risk Requirement applies when a Market Participant Requiring Capital's Positive Credit Exposure to an individual Counterparty exceeds 19% of that Market Participant Requiring Capital's total liabilities and will be the sum of:

(a) 2% of the value of transactions with that Counterparty that are not Overdue; and

(b) 10% of the value of transactions with that Counterparty that are Overdue.

19.8.3. The Large Position Issuer Risk Requirement applies when a Market Participant Requiring Capital has a principal position in a class of an individual Issuer's Securities that is more than 10% of all the Securities in that class or that has a value that exceeds 19% of that Market Participant Requiring Capital's total liabilities and will be an additional 5% of the total of the value of the relevant Securities.

## 19.9. POSITION RISK REQUIREMENT CALCULATION

19.9.1. The Position Risk Requirement represents the aggregate of a Market Participant Requiring Capital's individual absolute net position risk amounts in particular Financial Instruments or transactions. The Position Risk Requirement for a Market Participant Requiring Capital's net position in a particular Financial Instrument or transaction is:

(a) For Debt, Fund and Equity Securities:

(i) 3% of the value of Securities issued by central government Issuers, senior ranking Unsubordinated Debt Securities issued by Bank Issuers and Investment Grade Securities issued by local government Issuers;

(ii) 6% of the of fully paid Quoted Equity Securities within the NZX50 index or any Recognised Market Index and fully paid senior ranking Investment Grade Debt Securities;

(iii) 8% of the value of other fully paid New Zealand or Australian Quoted Securities (excluding Structured Finance Products), unrated Securities issued by local

government Issuers and Subordinated Debt Securities issued by Bank Issuers (excluding Structured Finance Products);

(iv) 15% of the value of all other Securities (including Structured Finance Products) Quoted on a Recognised Market or issued by Bank Issuers;

(v) 50% of the value of all other Securities issued by New Zealand and Australian Issuers; and

(vi) 100% of the value of all other Securities.

(b) For derivative products:

(i) in respect of margined transactions that are bought Options, the amount of any unpaid premium;

(ii) in respect of margined transactions that are sold Options, the aggregate of twice the Initial Margin Capital Requirement and all unrealised losses (including any unpaid margins);

(iii) in respect in respect of all other margined transactions, twice the Initial Margin Capital Requirement; and

(iv) in respect of non-margined transactions, an amount calculated on a basis from time to time approved by NZX.

19.9.2. In calculating the absolute net position in a particular Financial Instrument or transaction under Rule 19.9.1:

(a) the value of each Debt, Fund or Equity Security position under Rule 19.9.1(a) may be off-set by a derivative product over the same underlying Debt, Fund or Equity Security, to the extent that the exposure to that Debt, Fund or Equity Security is reduced by that derivative product;

(b) a derivative product over an underlying Debt, Fund or Equity Security need not be taken into account in the calculation under Rule 19.9.1(b) to the extent that the exposure to that Debt, Fund or Equity Security from the derivative product has been off-set as permitted under Rule 19.9.2(a); and

(c) if Rule 19.9.2(a) does not apply, but a particular Debt, Fund or Equity Security position is off-set in full or part by a derivative product where there is a demonstrable correlation between the exposure to that Debt, Fund or Equity Security position and the derivative product, the value of the Debt, Fund or Equity Security position under Rule 19.9.1(a) may be reduced to the extent expressly permitted and approved in writing by NZX.

19.9.3. NZX may determine the Position Risk Requirement for a particular Financial Instrument or transaction or class of Financial Instrument or transaction or a particular Issuer or class of Issuer in the Procedures or in a Guidance Note.

## 19.10. CURRENCY RISK REQUIREMENT

19.10.1. The Currency Risk Requirement is calculated as the sum of the following adjustment factors:

(a) 3% of the net of that Market Participant Requiring Capital's unhedged Financial Assets and Financial Liabilities denominated in AUD; and

(b) 6% of the net of the Market Participant Requiring Capital's unhedged Financial Assets and Financial Liabilities denominated in a currency other than the Base Currency or AUD.

## 19.11. PRIMARY MARKET RISK REQUIREMENTS

19.11.1. The Primary Market Risk Requirement is calculated in respect of all Net Underwriting Commitments and in relation to each Net Underwriting Commitment is the particular percentage applicable to the Securities the subject of the commitment under Rule 19.9.1(a).

## 19.12. MARKET RISK REQUIREMENT

19.12.1. From time to time NZX may by written Notice, require any Market Participant Requiring Capital or all Market Participants Requiring Capital to include a Market Risk Requirement in its or their Total Risk Requirement. In determining whether a Market Risk Requirement is necessary and in determining the amount or method of calculating a Market Risk Requirement, NZX will have regard to:

(a) the risk profile of the Market Participant Requiring Capital;

(b) domestic and global market volatility; and

(c) any other factor that NZX considers to be relevant.

19.12.2. A Market Participant Requiring Capital will be required to calculate and include the Market Risk Requirement in its Total Risk Requirement in accordance with any Notice given by NZX from time to time.

## 19.13. VALUATION AND FOREIGN CURRENCIES

19.13.1. In calculating its NTCA or Total Risk Requirement, a Market Participant Requiring Capital must mark to market each of its principal positions in Financial Instruments on each Business Day. Except where provided for in the Rules, all assets and liabilities are to be valued in accordance with Generally Accepted Accounting Practice.

19.13.2. An Option or right may be valued using an option pricing model approved by NZX from time to time. The model used must be specified in all relevant reporting to NZX.

19.13.3. In arriving at a mark to market value for an Option or rights position with no published market price, or that cannot otherwise be valued under Rule 19.13.2, the position must be valued as follows:

(a) for a purchased Option or right that is In the Money, the In the Money Amount multiplied by the quantity underlying the Option or right; and

(b) for a written Option, the sum of:

(i) the In the Money Amount multiplied by the quantity underlying the Option; and

(ii) the initial premium received for the Option.

19.13.4. In arriving at a mark to market value for a Swap or Forward Rate Agreement, the position must be valued as follows:

(a) having regard to the net present value of the future cash flows of the contracts; and

(b) using current interest rates relevant to the period in which the cash flows will arise.

19.13.5. In calculating its NTCA, a Market Participant Requiring Capital must apply such discount or haircut to any item that may be included in the calculation as notified to that Market Participant Requiring Capital by NZX on such conditions and for such periods notified by NZX.

19.13.6. Where NZX has made a determination under Rule 19.13.5, it will advise the Market Participant Requiring Capital in writing, specifying the reasons for its determination.

19.13.7. In calculating NTCA or any component of the Total Risk Requirement, in respect of a Business Day, a Market Participant Requiring Capital must convert any amounts in foreign currency other than the Base Currency to the Base Currency at the prevailing spot rate on or about the close of business on that Business Day from a readily available market source and the Market Participant Requiring Capital must specify the rate and source in all relevant reporting to NZX.

19.13.8. For the purpose of Rule 19.13.7 NZX may, from time to time, stipulate that a specific source cannot be used as a source for currency conversion or may stipulate the source that must be used by the Market Participant Requiring Capital.

# Section 20: NZX Supervision

## 20.1. CAPITAL ADEQUACY

20.1.1. Each Market Participant shall keep books of account and records containing complete and accurate records and explanations of the affairs and transactions of its business. The books, records and explanations must be:

(a) kept separate and distinct so as to distinguish the books, explanations and records for its Broking Business from the books, explanations and other records of any other business in which the Market Participant may be involved;

(b) in the form specified in, and contain the information required by, Rule 20.6 and such other information as NZX shall from time to time determine; and

(c) sufficient to enable the Market Participant to be subject to audit as required by Rule 20.2 or Rule 20.5.

## 20.2. ASSURANCE CERTIFICATE AND REPORT

20.2.1. When considered necessary by NZX and at its complete discretion, a Market Participant must, within the time specified in such notice, supply to NZX an assurance certificate and report from a practising chartered accountant who shall be appointed by:

(a) agreement of the Market Participant and NZX; or

(b) failing agreement of the Market Participant and NZX, appointed by NZX at the complete discretion of NZX and at the expense of the Market Participant.

20.2.2. The assurance certificate and report shall, as determined by NZX in its complete discretion, include any or all of following matters of a Market Participant:

(a) the Market Participant's balance date;

(b) whether books and records required for the purpose of the report have been regularly and properly kept;

(c) whether any Securities held in a Custody Account have been pledged in any way;

(d) whether all Securities held for safe custody (if any) have been examined;

(e) if a client is financed, whether the market value of the Securities held cover the amount of the advance;

(f) whether all Securities:

(i) lodged by clients for sale; and

(ii) Securities purchased for clients and paid for by them,

Were held, unencumbered;

(g) whether the market value of assets, as shown by the books, exceeded that Market Participant's commitments at the date of the audit;

(h) whether the assets taken into account were readily realisable;

(i) whether the statement of assets includes private assets not usually included with business assets;

(j) whether there are any contingent liabilities and, if so, of what amount;

(k) whether there are any other matters or circumstances which, in the practicing chartered accountant's opinion, affect the financial position of that Market Participant;

(l) whether all the necessary information available to enable this assurance certificate and report has been given;

(m) whether Client Assets have been fully accounted for and safeguarded at all times;

(n) the adequacy of accounting systems and internal controls; and

(o) such other matters as NZX shall determine at its complete discretion.

## 20.3. INSPECTION OF RECORDS

20.3.1. NZX shall have full and absolute power at any time to:

(a) require a Market Participant to produce promptly, for inspection by NZX or the practicing chartered accountant appointed pursuant to Rule 20.2, all books, records, other documents (including in electronic form) and any other information relating to any transaction or to that Market Participant's business; and

(b) require a Market Participant to make its Employees and Independent Directors available to appear before NZX at any reasonable time, and to give such information as may be required in connection with that Market Participant's business.

## 20.4. DETERMINING COMPLIANCE WITH THE RULES

20.4.1. NZX or a practicing chartered accountant appointed pursuant to Rule 20.2, may at any time, determine whether or not a Market Participant is complying with the Rules or has observed Good Broking Practice. That Market Participant shall make available to NZX, or the practicing chartered accountant appointed pursuant to Rule 20.2 as the case may be, any account, books, explanations and other records of, or relating to, that Market Participant including, where applicable, its Clearing Participant(s), which are within the power of the Market Participant to provide and which are relevant to the enquiry or are required by NZX or practicing chartered accountant appointed pursuant to Rule 20.2, as the case may be.

20.4.2. NZX may act under Rule 21.1 and Rule 21.3 if the inquiry undertaken pursuant to Rule 20.4.1, in the opinion of NZX, discloses:

(a) a failure by a Market Participant to comply with any provision of these Rules; or

(b) a failure by a Market Participant to observe Good Broking Practice.

## 20.5. FINANCIAL STATEMENTS

20.5.1. Subject to Rule 20.5.3, each Market Participant shall provide to NZX when they are complete and in any event no later than 90 days after the end of each financial year:

(a) copies of its financial statements prepared in accordance with the requirements of the Companies Act 1993 the Financial Reporting Legislation, and any other legislation or regulatory requirement applicable to the Market Participant;

(b) such certificates signed by or approved by the Managing Principal or Responsible Executive, as the case may be, of the Market Participant relating to the conduct of the Market Participant's business during the accounting period for which the financial statements referred to in Rule 20.5.1(a) are prepared, as NZX may require;

(c) a copy of the audit report in respect of the financial statements referred to in Rule 20.5.1(a) having the content required by applicable audit and assurance standards within the meaning of the Auditor Regulation Act 2011 and addressing such matters in relation to the preparation of the certificate referred to in Rule 20.5.1(b) as NZX may require; and

(d) any other information as requested by NZX from time to time.

20.5.2. The audit report referred to in Rule 20.5.1(c) shall be provided by a person who is permitted to act as an auditor in respect of an FMC audit for the purposes of the Auditor Regulation Act 2011, and has been approved by NZX as being independent of the Market Participant. The audit of the Market Participant shall be undertaken in accordance with applicable audit and assurance standards within the meaning of the Auditor Regulation Act 2011. This Rule is subject to Rule 20.5.3.

20.5.3. A Market Participant that does not accept Client Assets shall not be required to provide the audit report referred to in Rule 20.5.1(c). Notwithstanding Rule 20.5.2 an NZX Advising Firm may appoint a person who is a qualified auditor within the meaning of section 198 of the Companies Act 1993 to provide the audit report referred to in Rule 20.5.1(c).

20.5.4. The Market Participant must immediately notify NZX of a qualified audit opinion in respect of the financial statements referred to in Rule 20.5.1(a).

## 20.6. FORM AND DETAIL OF MARKET PARTICIPANT'S ACCOUNTING RECORDS

20.6.1. **Accounting Records and Control**:

(a) each Market Participant must maintain accounting records in respect of its business activities and in respect of the assets, liabilities and transactions in its control or for which it is accountable. These records must be prepared in accordance with Generally Accepted Accounting Practice so as to give a true and fair view of the ability of the Market Participant to meet its financial obligations. It shall be the responsibility of the Market Participant's Management to ensure that this Rule 20.6 is complied with at all times.

(b) the records to be maintained in accordance with Rule 20.6.1(a) must be sufficient to capture and record (in a memorandum account where appropriate), on a timely basis and in an orderly fashion, each transaction and commitment that that Market

Participant enters into, and in each case, with sufficient information to explain its nature and the asset(s) and/or liability(ies), actual and contingent, which arise or may arise from it.

(c) the records to be maintained in accordance with Rule 20.6.1(a) must be maintained in a manner such that they disclose, or are capable of disclosing, in a prompt and appropriate fashion, the financial and business information that will enable that Market Participant's Management to:

(i) identify, quantify, control and manage that Market Participant's risk exposures;

(ii) make timely an informed decisions;

(iii) monitor the performance of all aspects of that Market Participant's business;

(iv) monitor the quality of that Market Participant's assets; and

(v) safeguard that Market Participant's assets, including assets belonging to clients for which that Market Participant is responsible.

(d) the accounting and other records of each Market Participant to be maintained in accordance with Rule 20.6.1(a) must contain details of exposure limits authorised by Management which are appropriate to the type, nature and volume of business undertaken by that Market Participant. Management must ensure that the information contained in the records is capable of being summarised in a way that enables actual exposures to be readily and regularly measured against these limits

(e) the accounting records should show the assets, liabilities, events and transactions in the Market Participant's control or for which it is accountable. Accounting records must be kept so as to ensure that the Market Participant:

(i) correctly records and explains the events and transactions occurring in the course of its business activities;

(ii) can at any time determine its financial position reasonable accuracy; and

(iii) can prepare financial statements that comply with Financial Reporting Legislation that can be readily and properly audited.

(f) each Market Participant must:

(i) maintain clear and up-to-date documentation of all accounting systems and internal controls, including a record of all material changes made to those systems and controls and the dates on which those changes were implemented; and

(ii) provide such explanations of the systems and controls maintained under Rule 20.6 to NZX as may be requested.

(g) each Market Participant shall notify NZX promptly of any changes to the systems and controls that might reasonably affect NZX's assessment of the adequacy of such systems and controls.

## 20.7. CONTENT OF ACCOUNTING RECORDS

20.7.1. The accounting records of a Market Participant must, as a minimum, contain:

(a) entries from day to day of all sums of money received and expended and the matters in respect of which they are received and expended;

(b) a record of all income and expenses explaining their nature;

(c) a record of all assets and liabilities, including any commitments or contingent liabilities;

(d) entries from day to day of all purchases and sales of investments on that Market Participant's own account and separately by that Market Participant acting as agent for another party;

(e) entries from day to day of the receipt and despatch of all investments or documents of title in the possession or control of that Market Participant, whether owned by that Market Participant or by another party;

(f) an up-to-date record of all investments or documents of title in the possession or the control of that Market Participant, showing the physical location, the beneficial owner, the purpose for which they are held, and whether they are subject to any charge;

(g) entries from day to day of all receipts of clients' money and payments of clients' money held in Client Funds Accounts or passed on to third parties; and

(h) an up-to-date record of the transaction and balances of each individual account stating the name of each client and the amounts held or received for that client.

## 20.8. GENERAL

20.8.1. NZX does not consider it possible to prepare an exhaustive and prescriptive list of accounting requirements applicable to all Market Participants. The detailed requirements will vary according to, amongst other things:

(a) the manner in which the business of each Market Participant is structured, organised and managed;

(b) the size of the business of each Market Participant; and

(c) the nature, volume and complexity of the transactions and commitments of each Market Participant,

the overriding principle, however, is that the records and systems must be adequate to fulfil the general requirements set out in Rule 20.1.

## 20.9. NZX SUPERVISION RESOURCES

20.9.1. NZX will appoint one or more persons or an appropriate firm to exercise the supervision powers of NZX. Such personnel may be employees or contractors of NZX.

## 20.10. POWERS OF NZX

20.10. NZX shall have power:

(a) to inspect the financial records and related documents of each Market Participant at any time NZX considers necessary;

(b) to require from any Market Participant an explanation of any item or state of affairs whatsoever in relation to that Market Participant's business which, in the opinion of NZX, appears to need an explanation or to be at variance with these Rules, directions issued from time to time by NZX or with Good Broking Practice;

(c) to access information concerning any Market Participant's assets either private or of another business if, in NZX's opinion, such information is necessary to demonstrate that Market Participant's overall solvency or compliance with the Rules, directions issued from time to time by NZX or with Good Broking Practice;

(d) to call upon a Market Participant to produce, without delay for inspection, all books and records relating to the business of that Market Participant and to require that Market Participant and its Employees and Independent Directors to appear before NZX at any time and to give such information as may be required relating to the Market Participant's business to enable NZX to determine whether that Market Participant continues to comply with the accreditation criteria and is complying with these Rules;

(e) to inspect and/or access, at any time, such information, network, system, equipment or process of a Market Participant as NZX, in its complete discretion, considers necessary to ensure that that Market Participant or its Employees comply with the Rules, directions issued from time to time by NZX and comply with Good Broking Practice; and

(f) to ensure that each Market Participant is complying with its responsibilities under this Section 20 by;

(i) inspecting the separate accounting and internal control records of each Market Participant to determine if that Market Participant is carrying out its duties under these Rules;

(ii) reviewing the Security trading records and, where that Market Participant's solvency depends on the present value of Securities held, consider the current market value of such investments in relation to their book value;

(iii) reviewing the procedures relating to reconciliations, internal controls, systems and management of portfolios;

(iv) carrying out sample verification of that market Participant's accounts (the extent of that verification to be at NZX's complete discretion);

(v) considering the financial capacity of that Market Participant in relation to any underwriting arrangement entered into by that Market Participant; and

(vi) requiring each Market Participant that is a partnership or sole trader, if necessary, to complete a statement of the assets and liabilities of each partner or sole trader.

## 20.11. MAINTENANCE OF RECORDS AND INTERNAL SYSTEMS

20.11.1. Each Market Participant must:

(a) satisfy NZX that its accounts and the accounts of its Group companies are being maintained in a satisfactory and systematic manner and are kept up to date;

(b) establish and maintain systems of internal control within that Market Participant;

(c) ensure that, in determining the nature of internal controls, its Management consider (among other things):

(i) the size of the Market Participant's business;

(ii) the diversity of that Market Participant's operations;

(iii) the volume and size of transactions conducted by that Market Participant;

(iv) the degree of risk associated with each area of the Market Participant's operations;

(v) the amount of control by Management over day-to-day operations; and

(vi) the degree of centralisation and the methods of data processing adopted by that Market Participant.

(d) ensure that the internal controls are designed to ensure that:

(i) all transactions and commitments entered into are recorded and are within the scope of authority of the person entering into such transactions or commitments;

(ii) there are procedures to safeguard assets and control liabilities;

(iii) there are measures, so far as is reasonably practicable, to minimise the risk of losses to the business from irregularities, fraud or error and identify such matters if they occur so that prompt remedial action may be taken by that Market Participant's Management; and

(iv) there are procedures for the maintenance, security, privacy and preservation of the records so that that Market Participant is reasonably safeguarded against loss, unauthorised access, alteration or destruction.

20.11.2. In addition, all records must be:

(a) maintained in sufficient detail and with sufficient cross-references to establish an adequate audit trail. The audit trail must include all records, working papers and schedules supporting the production of annual financial statements and all financial reporting statements;

(b) arranged, filed and indexed in such a manner as to permit ready access to any particular record. Where that Market Participant maintains its records in any manner other than on paper in an easily legible form, then it shall also provide facilities for the prompt access to these records and for the prompt production of copies of these records on paper in such easily legible form; and

(c) adequate to demonstrate compliance with these Rules.

## 20.12. SUPPLY OF INFORMATION TO NZX

20.12.1. Each Market Participant shall supply to NZX such information as may be requested by NZX in order for NZX to determine compliance with the Rules and/or Good Broking Practice, to promote an orderly market and to fulfil its function as a licensed market operator within the meaning of section 6 the FMC Act.

## 20.13. FAILURE TO COMPLY

20.13.1. Failure to comply with this Section 20 shall render the Market Participant liable for immediate suspension of its designation as a Market Participant by NZX.

## 20.14. REPORTING REQUIREMENTS

20.14.1. Within 10 Business Days after the end of each calendar month, each Market Participant Requiring Capital must deliver to NZX in the manner and the form as prescribed by NZX from time to time:

(a) a copy of a trial balance as at the last day of the month. Such trial balance must provide details as to the name or nature of each balance, must be provided in each separate currency and consolidated to NZ$ equivalents determined using the prevailing spot rate of exchange for the relevant currency to NZ$ on or about the close of business on the date of such trial balance (and such spot rate must be specified to NZX) or such other rate of exchange as agreed with NZX;

(b) financial statements of the Market Participant Requiring Capital for the month (which may be those prepared for internal management purposes);

(c) a copy of the Market Participant Requiring Capital's Capital Adequacy Calculations for the last Business Day of the calendar month in the form and including the information and supporting documents specified by NZX from time to time for that purpose; and

(d) a summary of the Market Participant Requiring Capital's Capital Adequacy Calculations for each Business Day of the month showing the amounts calculated and recorded as required by Rule 19.3.1; and

(e) the monthly internal control checklist for the month and certificate in the form of Appendix A signed by or approved by the Market Participant Requiring Capital's Managing Principal or Responsible Executive and the Market Participant Requiring Capital's chief financial officer.

Where a Market Participant Requiring Capital has an exemption under Rule 19.1.2 and has complied with Rule 19.1.3(b), that Market Participant Requiring Capital is not required to provide the information set out in (a) to (d) but must still provide the information set out in (e).

20.14.2 Within 10 Business Days after the end of each quarter, each Market Participant Requiring Capital must deliver to NZX in the manner and the form as prescribed by NZX from time to time an internal control checklist for the calendar quarter and certificate in the form of Appendix B signed by or approved by the Market Participant Requiring Capital's Managing Principal or Responsible Executive.

## 20.15. NZX OBLIGATIONS

20.15.1. NZX shall not be considered by a Market Participant as an auditor nor should the functions of NZX be considered an audit.

20.15.2. Unless otherwise provided under these Rules, or in any other agreement between NZX and the Market Participant, NZX must treat all information and documents received by NZX from or on behalf of a Market Participant or relating to that Market Participant under or in connection with these Rules ("**Confidential Information**") as confidential. NZX will however, be entitled to disclose Confidential Information in all or any of the following circumstances:

(a) NXZ may disclose any Confidential Information to its Related Persons, CHO, CDO, Nominee or the NZ Markets Disciplinary Tribunal;

(b) NZX may disclose any Confidential Information to any person with whom NZX has a Reciprocal Arrangement, in connection with the performance by NZX of its functions and exercise of NZX's powers under the Rules;

(c) for the purposes of enabling NZX to institute, carry on or defend any proceedings including any court proceedings;

(d) as required by law, or as required or requested by an operator of an NZX Market in accordance with any listing rule or market conduct rule of that market, or in accordance with a Reciprocal Arrangement;

(e) for the purpose of enabling NZX to discharge its functions and obligations under these Rules, having regard to the protection of other Market Participants, their customers and the stability and integrity of NZX's markets;

(f) in relation to enforcement of a Market Participant's obligations under these Rules;

(g) to enable NZX or any party approved by NZX to publish or distribute aggregated information and reports, or other information and reports in relation to Trading on NZX's markets and the operation of NZX's markets generally;

(h) for any other purpose with the consent of the Market Participant or applicant as the context requires; or

(i) where the Confidential Information is already in the public domain or becomes public, other than as a result of breach by NZX of this Rule.

20.15.3. For the avoidance of doubt, any written records or copies of documents relating to a Market Participant's business or businesses will be stored by NZX in a manner to ensure such documents remain secure and confidential to that Market Participant and NZX and any other regulator that NZX must provide such information to.

20.15.4. NZX shall carry out its supervision function in a manner which, NZX, in its discretion, considers appropriate to promote an orderly market and which enables NZX to fulfil its functions and obligations as a licensed market operator within the meaning of section 6 of the FMC Act. NZX accepts no liability to any party in seeking to rely on this supervision function.

## 20.16. MARKET PARTICIPANT'S LIABILITY FOR NZX COSTS

20.16.1. Each Market Participant shall be liable for the full costs for any and all work carried out by or on behalf of NZX in ensuring compliance with these Rules. The administrative liability under this Rule 20.16 does not in any case prevent the bringing of disciplinary charges. Failure to pay any demand under this Rule 20.16 within 10 Business Days shall render the relevant Market Participant's Trading Permission liable for suspension.

## 20.17. PENALTIES FOR LATE FILING OF RETURNS OR RECORDS

20.17.1. Each Market Participant failing to supply, by the specified date, any returns or records required by NZX under these Rules shall be liable for a late filing fee as determined by NZX from time to time.

# Section 21: NZX Powers

## 21.1. POWERS ARE ADDITIONAL

21.1.1. For the purpose of this Section 21 the defined term "Market Participant" includes Employees and Independent Directors of the Market Participant.

21.1.2. The powers of NZX under these Rules are in addition to the powers of NZX under NZX's constitution and at law.

21.1.3. NZX may, in its complete discretion and after making such enquiries (if any) as it thinks fit, submit a statement of case under the NZ Markets Disciplinary Tribunal Rules against a Market Participant if, in the opinion of NZX, the Market Participant may have:

(a) breached any of these Rules or the Procedures, or directions issued from time to time by NZX;

(b) failed to observe Good Broking Practise;

(c) been guilty, of any act, matter or thing detrimental, or reasonably likely to be detrimental, to the wellbeing or proper conduct of NZX or its markets. For the avoidance of doubt this does not prevent Market Participants from taking any proper action to inform NZX or any appropriate regulatory authority of suspected or actual breaches of law or of these Rules; or

(d)

(i) been, or is, in partnership with a person; or

(ii) engaged a person as an Employee; or

(iii) been, or is, in association or contractual relationship with a person;

who has been guilty of conduct which, if committed by the Market Participant, would justify NZ Markets Disciplinary Tribunal imposing on that Market Participant any of the penalties available to it under the NZ Markets Disciplinary Tribunal Rules.

21.1.4. NZX shall refer any such statement of case to NZ Markets Disciplinary Tribunal which shall hear the matter in accordance with the NZ Markets Disciplinary Tribunal Rules, which rules are hereby incorporated by reference into these Rules.

## 21.2. POWERS TO RECEIVE AND CONSIDER COMPLAINTS

21.2.1. NZX shall have power to:

(a) receive and consider complaints and consider concerns (which may be concerns of NZX) about a Market Participant or the conduct of a Market Participant; and

(b) reject summarily any complaints which appear to be insubstantial or frivolous; and

(c) consider and/or investigate a complaint or concern and submit a statement of case against a Market Participant under these Rules as a result of such complaint, or

concerns, which matters shall be heard by NZ Markets Disciplinary Tribunal under the NZ Markets Disciplinary Tribunal Rules.

## 21.3. FURTHERPOWERS OF NZX

21.3.1. Without limiting NZX's powers under Rule 21.2, NZX shall have power to:

(a) impose on any or all Market Participants such fees, levies and other charges, including as a condition of designation as a Market Participant, as it sees fit. For the avoidance of doubt, NZX may differentiate between Market Participants as regards the amount of such fees, levies and other charges at its complete discretion;

(b) take such other action as may, in the opinion of NZX, be required for the operation of fair and orderly Securities markets, and to secure compliance with these Rules, directions issued from time to time by NZX, and/or Good Broking Practice; and

(c) make rulings as to the interpretation of these Rules or the Procedures, and grant waivers from these Rules and/or the Procedures, on such terms and conditions as NZX, in its complete discretion, thinks fit. Any waiver granted by NZX pursuant to this Rule 21.3.1(c) and in force prior to the commencement of these Rules shall continue in force notwithstanding the introduction of these Rules.

## 21.4. DELEGATION OF POWERS

21.4.1. NZX shall have power to delegate to any person, sub-committee of NZX or other committee or body, whether incorporated or unincorporated, any of the powers, rights and discretions of NZX including the power of delegation on such terms and conditions, if any, as NZX may from time to time think fit.

## 21.5. DEFAULTING MARKET PARTICIPANTS

21.5.1. A Market Participant is a defaulter (Defaulter) if:

(a) it fails to deliver Securities or pay money demanded of it pursuant to any Rule relating to delivery and settlement and NZX declares that Market Participant a Defaulter;

(b) NZX, having made such enquiries (if any) as it thinks fit, considers that that Market Participant is, or is reasonably likely to become, in difficulty or has failed, or is reasonably likely to fail, to meet its actual or prospective (including contingent) liabilities;

(c) it is insolvent or has called a meeting of its creditors or has made an arrangement with its creditors or an assignment for the benefit of its creditors;

(d) being a Clearing Participant, a Credit Event occurs for the purposes of the C&S Rules in respect of that Market Participant in its capacity as a Clearing Participant, and NZX declares that Market Participant to be a Defaulter; or

(e) NZX, having made such enquiries (if any) as it thinks fit, considers other circumstances exist which justify that Market Participant being considered a Defaulter in order to protect the financial interests of all other Market Participants or of the

investing public or for such other reasons as may be considered to be relevant in the interests of the well-being and proper conduct of the markets provided by NZX.

21.5.2. Where a Market Participant is a Defaulter under this Rule 21.5, NZX shall notify all other Market Participants of that fact.

21.5.3. NZX may declare any Market Participant a Defaulter in accordance with the Rule 21.5, and may revoke or suspend that Market Participant's designation as a Market Participant for such time as it thinks fit.

21.5.4. If a Market Participant is declared a Defaulter, or NZX is considering and/or investigating whether a Market Participant is a Defaulter, NZX may remain at that Market Participant's premises for such a time period as it thinks fit.

21.5.5. If a Market Participant is declared a Defaulter, NZX may work with any third party assuming responsibility for that Market Participant, including without limitation, a receiver, a liquidator or administrator appointed to assist in the orderly with down of the Defaulter's business, including the distribution of Client Assets.

## 21.6. CONTRACTS AND DEFUALTERS

21.6.1. Subject to the provisions of these Rules, every uncompleted contract with a Market Participant (other than a Trade that has been novated pursuant to the C&S Rules) shall be deemed to be rescinded, closed and terminated as from the time that Market Participant is declared a Defaulter and, where the contract is partially incomplete, that contract shall be deemed to be rescinded, closed and terminated as to the incomplete balance.

21.6.2. NZX (whose decision shall be final) shall determine the market price for any Securities the subject of an incomplete contract rescinded, closed or terminated under Rule 21.6.1 on the day the relevant Market Participant is declared a Defaulter and any surplus or deficiency in respect of such incomplete contract or balance shall be determined accordingly.

21.6.3. Each Defaulter shall be liable to the counterparty Market Participants for any deficiency in respect of an incomplete contract or balance rescinded, closed or terminated under Rule 21.6.1 and each such counterparty Market Participant shall account to the relevant Defaulter for any surplus.

21.6.4. Each Market Participant involved in a rescinded contract shall properly inform the NZX of the details of that rescinded contract.

## 21.7. MARKET PARTICIPANT'S OBLIGATION TO REPORT

21.7.1. If a Market Participant becomes aware that it or another Market Participant has breached, or is likely to breach any of its obligations under these Rules and that the breach or likely breach is significant, that Market Participant shall promptly notify NZX in writing of the circumstances of that breach or likely breach. Failure to notify NZX of such breach or likely breach is itself a breach of these Rules. Factors to be considered by a Market Participant when determining whether a breach, or likely breach, is significant include:

(a) the number or frequency of similar previous breaches;

(b) the impact of the breach or likely breach on the Market Participant's ability to comply with the Rules or to conduct its business:

(c) the extent to which the breach or likely breach indicates that Market Participant's arrangements to ensure compliance with the Rules are inadequate; and

(d) the actual or potential financial loss to clients, to the Market Participant, or to other Market Participants, arising from the breach or likely breach.

## 21.8. NZX TO INVESTIGATE

21.8.1. Upon being notified that a Market Participant has failed, or is likely to fail, to meet its obligations, NZX may:

(a) investigate the matter; and

(b) upon completing the investigation, advise the result of such investigation to any person NZX considers relevant.

## 21.9. MARKET PARTICIPANTS TO FACILITATE INQUIRIES

21.9.1. Where any inquiries as to the credit, competence, performance or position of any Market Participant are being made by NZX, each Market Participant shall, on request, facilitate such inquiries and make all necessary inquiries into dealings with the Market Participant which is being investigated.

## 21.10. SUSPENDING DESIGNATION AS A MARKET PARTICIPANT

21.10.1. Subject to Rule 21.10.4, a Market Participant may have its designation as a Market Participant suspended by:

(a) NZX in accordance with the Rules; or

(b) NZ Markets Disciplinary Tribunal in accordance with the NZ Markets Disciplinary Tribunal Rules.

21.10.2. For the purposes of any Rule which provides for suspending a participant's designation as a Market Participant, suspension means that, for the period of suspension, that Market Participant shall:

(a) not be entitled to hold itself out to the public as a Market Participant;

(b) have its trading permissions withdrawn (if applicable);

(c) not be entitled to have access to any services provided to Market Participants by NZX; and

(d) not be entitled to otherwise operate as a Market Participant, except to honour pre-existing third party obligations.

21.10.3. Suspension of a designation as a Market Participant shall not excuse a Market Participant from meeting any contractual obligations owed by it to NZX under these Rules, including the obligation to pay all fees, levies or other charges as and when they fall due or any obligations owed to third parties.

## 21.11. APPLICATION TO LIFT SUSPENSION

21.11.1. Any Market Participant that has had its designation as a Market Participant suspended by NZX under these Rules may apply in writing to NZX for that suspension to be lifted. NZX will reasonably consider such a written request but is not obliged to lift the suspension of a Market Participant.

## 21.12. REVOKING DESIGNATION AS A MARKET PARTICIPANT

21.12.1. A Market Participant may have its designation as a Market Participant immediately revoked by NZX (which may be without further notice to the entity) if:

(a) the Management Principal, Responsible Executive, any Director or partner of the Market Participant made a false or misleading declaration to NZX when the Market Participant applied for designation as a Market Participant; or

(b) the Market Participant fails to pay any fees, levies or other charges set by NZX which are due and payable as a condition of designation as a Market Participant; or

(c) the Market Participant is found guilty of any breach of the provisions of the Securities Act 1978, Securities Market Act 1988, FMC Act, the AML Legislation**,** an offence under the Companies Act 1993 or other companies or securities legislation or crime involving dishonesty (as defined in section 2 of the Crimes Act 1961).

21.12.2. A Market Participant shall have its designation as a Market Participant immediately revoked if NZ Markets Disciplinary Tribunal declares that Market Participant's designation is revoked.

21.12.3. Any Market Participant that has had its designation as a Market Participant revoked by NZX under these Rules may apply in writing to NZX for that decision to be reversed. NZX will reasonably consider such a written request but is not obliged to reverse the decision. In the event that NZX decides not to reverse the decision, the Market Participant may then apply in writing for NZX to refer the matter to NZ Markets Disciplinary Tribunal and NZX shall refer any such decision to NZ Markets Disciplinary Tribunal.

## 21.13. EFFECT OF REVOCATION

21.13.1. For the purposes of any Rule which provides for revocation of a participant's designation as a Market Participant, revocation means that the entity concerned is no longer a Market Participant, and in particular that entity shall no longer be entitled to:

(a) hold itself out to the public as a Market Participant;

(b) execute new transactions on the Trading System (if applicable);

(c) have access to any services provided to it by NZX by virtue of its prior designation as a Market Participant; and

(d) otherwise operate as a Market Participant, except to honour pre-existing third party obligations.

21.13.2. Revocation shall not excuse a Market Participant from meeting any contractual obligations owed by it to the NZX under these Rules, including the obligation to pay all outstanding

fees, levies or other charges as and when they fall due or any obligations owed to third parties.

## 21.14. CONDITIONS FOR RE-DESIGNATION AS A MARKET PARTICIPANT

21.14.1. Any Market Participant that has its designation as a Market Participant revoked may subsequently apply for re-designation as a Market Participant under Rule 3.1. Any such application will be considered by NZX as if that application is a new application for designation as a Market Participant.

# Section 22: [DELETED]

# Section 23: [DELETED]