**DETAILS OF SUPPORTING DOCUMENTATION REQUIRED TO BECOME A CLEARING PARTICIPANT**

This document acts to assist an organisation applying for accreditation (the **Applicant**) as a Clearing Participant under the Clearing and Settlement Rules (the **C&S** **Rules**), and the Clearing and Settlement Procedures (the **C&S** **Procedures**). As all Clearing Participants must also be a Depository Participant, the Depository Operating Rules (the **Depository Rules**) and Depository Operating Procedures (the **Depository Procedures**) are also referenced where applicable.

The below table details the information required by New Zealand Clearing Limited (**CHO**) to complete the application process, setting out the applicable Rules, relevant Appendices to be completed and supporting information to be provided (in addition to any information or documentation requested within the relevant Appendices). Application forms can be downloaded under the following link: <https://www.nzx.com/regulation/nzx-rules-guidance/clearing-depository-rules>.

The table will also act as a working document for the Applicant and NZ RegCo (**RegCo**) to communicate the specific files that satisfy each requirement, which items have been satisfied and those that remain outstanding. Accordingly RegCo asks that the Applicant clearly details within the ‘Applicant Comments’ column the document name, and relevant section/chapter if necessary, that is intended to meet each requirement.

Please note RegCo will not commence reviewing any application before the Applicant has paid the relevant application fee detailed under section 6.1 and 6.2 of the NZX Clearing & Depository Participant Fee Schedule. The full Schedule can be found [here](https://www.nzx.com/services/market-participants/participant-fees), which includes specifics of the ongoing membership and recovery fees.

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| REQUIREMENT | DOCUMENTATION | APPLICANT COMMENTS | REGCO COMMENTS |
| Application Forms:  *(C&S Procedure 2.3 and*  *Depository Procedure 2.3)* | 1. Clearing Participant Application Form, including all relevant Schedules;    * 1. Schedule 1 – All Applicants      2. Schedule 2 – Overseas Applicants      3. Schedule 3 – General Clearing Applicants      4. Schedules 4 and 5 – Default Clearing Applicants   and   1. Depository Participant Application Form, including all relevant Schedules    * 1. Schedule 1 – All Applicants      2. Schedule 2 – Overseas Applicants |  |  |
| Clearing and Depository Setup Form | Please complete all parts of the ’*Clearing and Depository Participant Set Up Form*’ available under the following link:  [NZX Clearing and Depository Rules - NZX, New Zealand’s Exchange](https://www.nzx.com/regulation/nzx-rules-guidance/clearing-depository-rules). |  |  |
| Responsible Person  *(C&S Rule 2.13 and*  *Depository Rule 2.12)* | Please provide the following documentation in respect of the proposed Responsible Person:   1. Clearing Participant Responsible Person Application Form, including Schedule 1; 2. Depository Participant Responsible Person Application Form, including Schedule 1; 3. Details of qualifications relevant to accreditation required under C&S Procedure 2.32.1 4. Employment history and experience - relevant to accreditation; 5. Details of anyone authorised by the Responsible Person to sign documents on their behalf (C&S Procedure 2.35 and Depository Procedure 2.15); 6. Details of the continuing education the Responsible Person will undergo as required by C&S Procedure 2.36.2 and 2.36.3 and Depository Procedure 2.16; 7. Completion of the nominated Responsible Person’s CHO orientation training required by C&S Procedure 2.36.1 and Depository Procedure 2.16.1 (RegCo /CHO to arrange); |  |  |
| Accept Service – Responsible Person:  *(C&S Rule 2.13.2(e) and*  *Depository Rule 2.12.2(e))* | If the Responsible Person is not resident in New Zealand, they must appoint someone resident or incorporated in New Zealand, who is authorised to accept service of documents in New Zealand, on their behalf. |  |  |
| Company Details  (C&S Procedure 2.1.1(a),(b),(m), (n); and  Depository Procedure 2.1.1(a) | Please provide the following documentation in respect of the Applicant company:   1. Certificate of Incorporation (or equivalent document confirming establishment of the entity); 2. Directors Details (full name and address details); 3. Details of shareholders (full name and address details); 4. Copy of the constitution (or equivalent document); 5. Company Number; Registered address of company, if different to place of business; 6. Details of the type of company and nature of its activities 7. A description of the Applicant’s management structures including a current organisation chart, names of personnel holding senior management positions and details of their skills, qualifications and experience to hold such positions; 8. A description and graphical presentation of the Applicant’s corporate group structure, detailing the Applicant’s ultimate shareholders, holding company, or parent (howsoever described) and all Subsidiaries of the ultimate parent; and 9. The Applicant’s audited accounts for the preceding 5 years (or such shorter period since the applicant’s incorporation). |  |  |
| Business Plan: *(C&S Procedure 2.1.1(f))* | Summary of the Applicant’s intentions and future direction of the business with specific reference to the Applicant’s activity as a Clearing Participant in the relevant NZX Market. |  |  |
| Integrity, Reputation, Character  *(C&S Procedure 2.1.1(d) & (e); and*  *Depository Procedure 2.1.1(c) and (d))* | Please provide confirmation that the following are not applicable, or provide specific details if they are:   1. Any legal or arbitration proceedings active, threatened or pending against the Applicant or any member of its group which may have a significant impact on the reputation of the Participant; and 2. Any adverse or potentially adverse matters in respect of the Applicant which have been brought to the attention of any any Alternative Regulator or relevant regulatory authority during the last 6 years. |  |  |
| Insurance  *(C&S Procedure 2.26)* | Please provide a certificate of currency for each of the following:   1. Professional Indemnity Insurance; and 2. Directors and Officers Liability Insurance. |  |  |
| Technology  *(C&S Procedures 2.1.1(h), 2.4 & 2.5; and*  *Depository Procedures 2.1.1(f), 2.4 & 2.5)* | Please provide details of the Applicant’s technology relevant to its business as a Clearing Participant, including:   1. How the Applicant will access the Clearing House System and Depository System (**BaNCS**); 2. Any back office systems connecting to BaNCS and how this will be managed to ensure integrity with the Clearing House; 3. Details the Applicant’s payment and accounting systems.   The Applicant must satisfy CHO as to its technical capacity to be connected to BaNCS, including satisfaction of such systems testing prescribed by C&S Procedure 2.5.1 and Depository Procedure 2.5.1 in respect of:   1. Conformance of BOS software; 2. Connectivity; and 3. Validation.   Please contact NZX Securities IT ([Securities-IT@nzx.com](mailto:Securities-IT@nzx.com)) for details on CHO’s technical requirements, completing the required testing and the documents specified under C&S Procedure 2.4.1 and Depository Procedure 2.4.1. |  |  |
| Business Continuity Plan (BCP)  *(C&S Procedure 2.7)* | Please provide a BCP that has been developed to ensure that the Applicant at all times maintains adequate disaster recovery arrangements and the continuation of the Applicant’s usual operations following short, medium and long term disruption.  The BCP must at a minimum address the each of the items specified under C&S Procedure 2.7.2:   1. The management framework for implementation of that Participant’s business continuity plan and emergency procedures including allocation of responsibility for the design, implementation, functioning and review of the plan, which must be subject to the oversight of the Responsbile Person; 2. The services of functions to be maintained by the business continuity plan and emergency procedures, which shall include:    1. Data communication lines;    2. Routers;    3. Gateways;    4. Open interface sessions;    5. Clearing & Settlemetnt software applications and associate hardware;    6. Databases and archives / storage;    7. Payment facility access;    8. Site contingency;    9. Personnel, processes, procedures and financial resources;    10. Communication with clients; and    11. Communication with regulators (including CHO) 3. The resource requirements, including people, systems and other assets and arrangements for how these resources will be obtained; 4. Key Persons and responsibillities during BCP; 5. The recovery priorities for that Clearing Participant’s operational processes affected by the disruption; 6. Communication arrangements in relation to the disruption and how this will be communicated to internal and external parties; 7. System processes for determining the integrity of the information affected by the disruption; 8. Processes to test the adequacy and effectiveness of that Clearing Participant’s business continuity plan and emergency procedures; and 9. Processes for regular periodic review of the business continuity plan and emergency procedures and implementation of that review |  |  |
| Compliance Monitoring Plan (CMP)  *(C&S Procedure 2.6 and Depository Procedure 2.6)* | Please provide a CMP which includes a periodic review of your obligations and identifies key risks, together with establishing systems, procedures and controls to monitor and manage those risks.  The CMP must address each matter specified under C&S Procedure 2.6.2 and Depository Procedure 2.6.2 in relation to the Applicant’s business as a Clearing Participant.  The CMP should detail all compliance monitoring tasks performed including each activity’s purpose, regulatory requirement and frequency (daily, weekly, monthly, quarterly and annual). Each compliance monitoring task should be backed by detailed procedures for carrying out the monitoring process.  The Compliance Plan should include the following:   1. A statement of objectives of the compliance plan; 2. A programme of procedures and controls, including regular periodic (daily, weekly, monthly, quarterly and annual) tasks, processes, monitoring and sampling and testing of operational activities; 3. The management structure, including operations and processes, for implementation of that Participant’s compliance plan; 4. Allocation of compliance responsibilities among the Participant’s Personnel relevant to tasks performed reflecting, where appropriate, the compliance and procedures manuals referred to in Procedure 2.6.2(e) including responsibility for the design, implementation, functioning and review of the compliance plan; 5. Written compliance and procedure manuals, setting out the Clearing and Depository Participant’s procedures, and controls over those procedures in all areas of its clearing and settlement operations; 6. Recording and reporting to the Participant’s Responsible Person, breaches and suspected breaches of applicable requirements of the Securities Legislation relevant to the Clearing & Depository Participant and the Rules, and providing structures and procedures for investigation, external reporting, mitigation, discipline and remedy of those breaches; 7. Processes for avoiding or managing conflicts of interest arising for Personnel involved in both compliance activities and operational activities; 8. Maintenance of records of compliance activities; 9. Processes to test and internally audit the effectiveness of the implementation of that Participant’s compliance plan; 10. Processes for regular periodic review of the adequacy of the compliance plan (including against the requirements of this procedure) and implementation of the actions required as a consequence of that review; and 11. Monitoring ongoing training for Responsible Person (Procedure 2.16.2). |  |  |
| Training Plan  *(C&S Procedure 2.8)* | Please provide a training plan formulated for the purposes of ensuring that all Employees engaged in the Applicant’s clearing and settlement business obtain and maintain:   1. Adequate knowledge in relation to the relevant C&S Rules and Securities Legislation; and 2. Competency in using BaNCS for the tasks they are involved in.   The training plan must provide for each of the items specified under C&S Procedure 2.8.2:   1. Appointment of a training officer, with responsiblity for supervision and implementation of the training plan; 2. Assessment at appropriate intervals of the training and development, supervision and competency of Personnel; 3. Development of training description for each position or function; 4. A programme of continuing development to ensure Personnel are kept up to date with changes in law, rules, practices and technology; 5. Review of the effectiveness of the training at appropriate intervals; 6. Periodic review of the training plan; and 7. Responsible Person training (Procedure 2.36.2). |  |  |
| Clearing House and Depository System Operations / Procedures Manual | Please provide an operational procedures manual specifically relating to the Applicant’s processes as a Clearing Participant in BaNCS.  Please consult CHO’s BaNCS ‘User Guides’ published under the following link for assistance in developing appropriate procedural documentation:  <https://www.nzx.com/services/nzx-clearing/publications>  Please contact [Clearing@nzx.com](mailto:Clearing@nzx.com) for further details on which of the guides are applicable to the Applicant’s proposed clearing and settlement function, and the key tasks that must be accounted for within the procedures.  In order to gain further knowledge and proficiency in using BaNCS, please contact NZX Securities IT ([Securities-IT@nzx.com](mailto:Securities-IT@nzx.com)) to gain access to the test environment. |  |  |
| Access to BaNCS  (C&S Rule 2.2.1(n) and Depository Rule 2.2.1(j) | Please provide for each person who will require access to the Clearing House System and Depository System (BaNCS), and provide instructions to CHO, a completed BaNCS ‘User Request Form’ available under the following link:  <https://www.nzx.com/services/nzx-clearing/publications> |  |  |
| Settlement Bank   *(C&S Rule 2.2.1(j) and Depository Rule 2.2.1(f))*  *(Depository Procedure 2.1.1(g))* | 1. Participants are required to appoint a Settlement Bank, and notify CDO of the name of the bank, together with confirmation from the Bank; 2. Participants must confirm their funds transmission method to CDO; 3. Undertakings and acknowledgments from the Participant’s Settlement Bank required by Rule 3.3.1. |  |  |
| Buy In Procurement Agreement  *(C&S Rules 2.2.1(l) and 2.4)* | All Clearing Participants must enter into a Buy In Procurement Agreement with each Trading Participant (including itself) for each NZX Market on which it clears and settles Transactions.  RegCo/CHO will provide the Applicant with a Buy In Procurement Agreement template, containing the provisions detailed under C&S Rule 2.4.1. Please provide an executed agreement for each applicable Trading Participant.  (Not required for Clearing Participants solely clearing NZX Derivatives Contracts) |  |  |
| Clearing and Settlement Agreements  *(C&S Rule 2.14)* | If an application is being made for a General Clearing Participant, the Applicant must have in place with each Trading Participant whom it provides clearing and settlement services, a C&S Agreement that complies with the requirements of Rule 2.14.  A C&S Agreement must provide for all of the matters prescribed by C&S Procedure 2.37 and contain provisions that address C&S Rules 2.14.3(a)-(n).  Please provide:   1. A copy of the Participants’ template C&S Agreement; 2. A copy of any executed C&S Agreement with each Trading Participant the applicant will provide clearing and settlement services for; and 3. A copy of any agreement in place that deviates from the standard agreement mentioned in (a). |  |  |
| Capital Adequacy  *(Section 9 of the C&S Rules)* | Please provide:   1. Procedure manual for completing NZX’s daily Capital Adequacy Calculation and complying with Section 9 of the C&S Rules; and 2. A pro-forma Capital Adequacy Calculation using current statement of financial position (balance sheet) to demonstrate a sufficient level of liquidity above the Prescribed Minimum Capital Adequacy.   Please consult the Capital Adequacy Guidance Note for assistance in satisfying these requirements. |  |  |
| Foreign Account Tax Compliance Act (FATCA) | Under FATCA, CHO is captured as a Foreign Financial Institution. As such it is required to collect FATCA declarations all Clearing Participants in the form of the W-8BEN (or W-9BEN for US entities).  Please provide the Applicant’s executed FATCA W-8BEN or W-9BEN declaration. |  |  |
| Resident Withholding Tax (RWT) Exemption Certificate | Please provide a copy of the Applicant’s RWT Exemption Certificate.  For overseas Participants, who cannot obtain a RWT Exemption Certificate, please provide details of what arrangements are in place to ensure that no securities are held in the Depository System overnight. |  |  |
| OVERSEAS APPLICANTS ONLY  (NZ RegCo to advise which of the following will apply) | | | |
| Additional information that may be requested at CHO’s discretion  *(C&S Rule 2.2.2)* | CHO/CDO may require applicants incorporated or resident outside New Zealand to give:   * additional undertakings or assurances; * evidence that the applicant currently conducts Clearing & Settlement operations and is regulated by a foreign regulatory authority; * details of person(s) in New Zealand who are authorised to accept service on behalf of the Participant; and/or * provide a legal opinion that the Rules and Procedures would be recognised as contractually valid, binding and enforceable against the applicant in the jurisdiction in which the applicant is incorporated or resident, and confirming the enforceability of CHO’s rights in respect of all Collateral in that jurisdiction. |  |  |