



6 May 2015

ANNOUNCEMENT OF NZ MARKETS DISCIPLINARY TRIBUNAL

PUBLIC CENSURE OF FIRST NZ CAPITAL SECURITIES LIMITED BY THE NZ MARKETS DISCIPLINARY TRIBUNAL FOR A BREACH OF NZX PARTICIPANT RULES 10.15.2 AND 8.8.1

1. In a determination of the NZ Markets Disciplinary Tribunal (*the Tribunal*) dated 22 April 2015, the Tribunal found that First NZ Capital Securities Limited (*FNZ*) breached NZX Participant Rules (*Rules*) 10.15.2 and 8.8.1.

Background

2. First NZ Capital Securities Limited (*FNZ*) is an NZX Trading and Advising Firm and is subject to the Rules.
3. On 28 July 2014, FNZ entered an order into the trading system in error which resulted in a market impact on the securities of an Issuer. FNZ failed to notify NZX of the error and sought to restore the market itself.
4. FNZ breached Rule 10.15.2 by failing to immediately notify NZX of the error and as a result also breached Rule 8.8.1.

Determination

5. The requirement under Rule 10.15.2 to notify NZX immediately of an error where a market impact may have occurred is critical for NZX to ensure that a false market does not exist in relation to any security and that trading is conducted in a fair, orderly and transparent manner. Immediate notice of an error allows NZX to take prompt remedial action, if necessary, to minimise any impact on market participants and their clients.
6. The Tribunal is very concerned that FNZ failed to immediately notify NZX of its error. FNZ's failure to do so meant that NZX was unable to formulate an appropriate regulatory response. This failure was further aggravated by FNZ's subsequent actions in seeking to restore the market itself. A decision to take corrective action in relation to such a trading error rests solely with NZX. The practice of market participants taking matters into their own hands has the potential to impact on market integrity and bring both the market and NZX into disrepute.
7. The Tribunal accepts that errors are possible. However, the Tribunal is concerned that the circumstances in this case indicate that FNZ did not have adequate systems and procedures in place to manage any errors appropriately.
8. The Tribunal has considered as mitigating factors that the error was unintentional and that no clients were adversely affected. The Tribunal also noted FNZ's advice that it will ensure that it communicates promptly with NZX in any such future error situation before acting.

Penalties

9. The Tribunal orders that FNZ:
 - a. is publicly censured in the form of this announcement;
 - b. pay \$15,000 to the NZX Discipline Fund;
 - c. pay the costs and expenses incurred by the Tribunal in considering this matter;
and
 - d. pay the costs and expenses incurred by NZX in considering this matter.

Censure

10. The Tribunal hereby publicly censures FNZ for its breach of Rules 10.15.2 and 8.8.1.

The Tribunal

11. The Tribunal is a disciplinary body which is independent of NZX and its subsidiaries. The Financial Markets Authority approves its members. Under the Tribunal Rules, the Tribunal determines and imposes penalties for referrals made to it by NZX in relation to the conduct of parties regulated by the market rules.

Dated 6 MAY 2015