# Appendix B – Quarterly Internal Control Checklist

Completing this checklist

If you need assistance with your checklist, please contact NZX Participant Compliance on compliance@nzx.com or +64 4 498 2279.

All information provided to NZX in relation to this checklist will be kept confidential, except to the extent that disclosure of any or all of the information provided is necessary for the exercise of NZX’s regulatory functions, or as required by law.

Completed checklists (together with any supporting information) should be emailed to compliance@nzx.com or uploaded to the NZX Participant reporting platform within 10 Business days of the end of each calendar quarter.

This checklist is required to be completed by all Market Participants Requiring Capital under NZX Participant Rule 20.14. Please respond Yes, No or Not Applicable and include details where relevant. For questions relating to notifications to NZX, please respond “N/A” if notifications were unnecessary.

### Name of Market Participant: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

### Quarter ended: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

The Market Participant confirms that:

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| --- | --- | --- | --- |
| Rule | Internal Control Questions | Y, N, N/A | Comment |
| **Section 3** | **Market Participants (all Market Participants)** |  |  |
| 3.3.4 | During this quarter, the Market Participant notified NZX in writing of any change to the Market Participant’s Managing Principal and provided NZX with an executed undertaking for the Managing Principal. |  |  |
| 3.5.1 and 3.6.1 | During this quarter, the Market Participant notified NZX in writing of the appointment of any Director or Partner within 5 Business Days of that appointment and provided NZX with an executed undertaking for the Director or Partner. |  |  |
| 3.5.2 | NZX was provided with a copy of any filings that the Market Participant made to the Registrar of Companies during the quarter, such as an annual return, financial statements, change in share capital, or changes to the Market Participant’s constitution. |  |  |
| 3.5.3 and 3.6.2 | During this quarter, the Market Participant notified NZX in writing of the resignation of any Director or Partner within 5 Business Days of that resignation. |  |  |
| 3.8.4 | During this quarter, the Market Participant’s Principal Broking Office was under the direct full time control of a Managing Principal or a Responsible Executive, as applicable. |  |  |
| 3.8.4(a) | During this quarter, each Broking Office of the Market Participant was at all times overseen by the appropriately qualified and experienced Employee previously notified to NZX as having oversight of that Broking Office. |  |  |
| 3.8.4(b) | During this quarter, the Market Participant notified NZX of any Employee appointed under Rule 3.8.4(a) in relation to each Broking Office within one Business Day of that appointment. |  |  |
| 3.10.3 | During this quarter, the Market Participant notified NZX in writing of any changes to its Management arrangements/structure within 5 Business Days of that change being made. |  |  |
| 3.11.2 | During this quarter, the Market Participant notified NZX in writing of the resignation, appointment or change of the Market Participant’s Compliance Manager within 1 Business Day of that change being made. |  |  |
| 3.12.2 | During this quarter, the Market Participant notified NZX in writing of any changes to any of the entities to which Rule 3.12(a) and (b) applies, within 5 Business Days of the changes being made. |  |  |
| 3.21 | During this quarter, the Market Participant notified NZX of any intention to: 1. Open a further Broking Office in addition to its Principal Broking Office and/or its current Broking Offices within 15 Business Days of such intention to do so;
2. Join in partnership or to become formally associated with another Market Participant within 15 Business Days of such intention to do so.
 |  |  |
| 3.26.2 | The Market Participant continues to have the following insurances:1. Professional indemnity insurance; and
2. Directors’ and officers’ liability insurance (when applicable to the legal structure of the Market Participant).
 |  |  |
| 3.26.3(f) | During this quarter, the Market Participant notified NZX in writing of any material change to the amount of the Market Participant’s insurance. |  |  |
| 3.26.4 | During this quarter, the Market Participant notified NZX of any material claim on any insurance policy that is relevant to the Broking Business of that Market Participant. |  |  |
| 3.28.2 | During this quarter, the Market Participant updated NZX in writing of any change to its emergency contact details within 1 Business Day of the change being made. |  |  |
| 3.29(a) | During this quarter, the Market Participant notified NZX of any change to its accounting software vendor (if applicable) within 10 or 20 Business Days’ (as determined by the impact on the Trading System, the Clearing House System, or the Depository System) of the change being made. |  |  |
| 3.29(b) | During this quarter, the Market Participant notified NZX of any change to the Market Participant’s name within 10 Business Days of the change being made. |  |  |
| 3.29(c) | During this quarter, the Market Participant notified NZX of any change to the location of the Market Participant’s Broking Offices within 10 Business Days of the change being made. |  |  |
| **Section 4** | **Trading Participants (all Trading Participants)** |  |  |
| 4.6(c) | During this quarter, the Trading Participant notified NZX in writing of any changes to the Trading Participant’s Dealer(s) within 5 Business Days of the change being made. |  |  |
| **Section 5** | **Client Advising Participants (all Client Advising Participants)** |  |  |
| 5.2 | During this quarter, the Client Advising Participant ensured that all persons who provided advice to clients on transactions relating to NZX Listed Products (except those quoted on the NZX Derivatives Market for which a separate designation is required) were designated NZX Advisers. |  |  |
| 5.7.1 | During this quarter, the Client Advising Participant immediately notified NZX whenever an Adviser had: 1. Commenced employment or contractual relations with; or
2. Ceased to be employed by or contracted to, that Client Advising Participant.
 |  |  |
| **Section 6** | **Clearing Arrangements** |  |  |
| 6.3.1 | During this quarter the Trading Participant (not being a Clearing Participant) was party to and maintained a separate written agreement with each of its Clearing Participant(s) and had given NZX a copy of each of its C&S Agreements. |  |  |
| 6.3.2 | During this quarter, the Trading Participant notified NZX of any amendments to any of its C&S Agreements at least 10 Business Days before the amendments became effective. |  |  |
| **Section 8** | **General Obligations (all Market Participants)** |  |  |
| 8.7.3 | During this quarter, the Market Participant notified NZX of any change in the:1. Legal or Beneficial Ownership of any shares in the Market Participant that is a company; or
2. Partners of a Market Participant that is a partnership,

within 5 days of the change being made. |  |  |
| 8.12.3 | During this quarter, there was no emergency which resulted in the Market Participant being unable to comply with its obligations under the NZX Participant Rules. |  |  |
| **Section 10** | **Trading – General Obligations when Trading on the Markets Provided by NZX** |  |  |
| 10.5.11 | During this quarter, the Trading Participant took reasonable steps to ensure that:1. It did not operate an account for a Prescribed Person of another Trading Participant or NZX Advising Firm; and
2. It’s Prescribed Persons did not have accounts with any other Trading Participant or NZX Advising Firm.

Except as provided under Rule 10.5.11. |  |  |
| **Section 15** | **Trading on behalf of a Client (all Client Advising Participants)** |  |  |
| 15.16.1 | During this quarter, all contract notes were made available to Clients as per Rule 15.16 and within the required timeframe. |  |  |
| **Section 18** | **Client Assets (all Market Participants Accepting Client Assets)** |  |  |
| 18.4.1 | The Market Participant has at all times during this quarter ensured that the Total Client Assets held (including any Buffer) equalled or exceeded the total Outstanding Obligations. |  |  |
| 18.4.2 | The Market Participant has at the end of each Business Day during this quarter ensured that the Total Client Assets held (excluding any Buffer) equalled the total Outstanding Obligations. |  |  |
| 18.6.1 (a) | In respect of all Client Funds Accounts (not being Depository Accounts), the Market Participant holds a written acknowledgement from the Bank in relation to the trust status of the account and confirming that the words “Client Funds Account” appear in the Client Funds Account name. |  |  |
| 18.6.1(b) | During this quarter, the Market Participant did not deposit Client Funds into an account which was not a designated Client Funds Account. |  |  |
| 18.6.1(c) | During this quarter, the Market Participant notified NZX immediately of any changes to any of its Client Funds Accounts. |  |  |
| 18.6.1 (e) | During this quarter, each Client Funds Account held by the Market Participant was not overdrawn at any time in either the general ledger bank book or the physical Bank account. |  |  |
| 18.6.1 (g) | During this quarter, the Market Participant reconciled the records for each Client Funds Account held by the Market Participant with the records of CDO or the Bank holding the Client Funds Account in all currencies on a **daily** basis. |  |  |
| 18.6.1 (i) | During this quarter, the Market Participant immediately notified NZX if, for any reason, the Market Participant was unable to perform a **daily** reconciliation. |  |  |
| 18.6.2 | During this quarter, the Market Participant immediately notified NZX if: 1. its bank ledger balance, Depository Account balance, or physical Bank account balance, in relation to any Client Funds Account became overdrawn for any reason;
2. any reconciliation performed under Rule 18.6.1(h) reveals any non-compliance with Rule 18.4.2;
3. there has been a breach of Rule 18.6.1(b); or
4. there has been a breach of Rule 18.4.1
 |  | *Please list all overdraw instances.* |
| 18.7.1 | During this quarter, all payments of funds to the Market Participant for Securities bought on behalf of all clients were made directly into the Market Participant’s designated Client Funds Account.  |  | *Please provide details if this was not performed.* |
| **Section 21** | **NZX Powers (all Market Participants)** |  |  |
| 21.7.1 | During this quarter, the Market Participant promptly notified NZX in writing, where it became aware that it or another Market Participant breached or was likely to breach any of its obligations under the Rules and that breach or likely breach was significant. |  |  |

CONFIRMATION

The Market Participant’s Managing Principal confirms that the responses provided in the Internal Control Checklist are true and correct.

**Managing Principal/Responsible Executive Signature** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **Date** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_