

## QFP applications and cleansing notices

Applies to Rules as at: 1 January 2019

### Summary

This Practice Note:

- explains when issuers may use the Quoted Financial Product exemption (**QFP Exemption**) to issue securities; and
- describes the documents that must be released when making an offer under the QFP regime and when to correspond with NZX.

**Relevant Listing Rules (Rules):** 7.1.2(b), 7.4, 7.5, 7.6, 7.7

### What is the QFP Exemption?

The QFP Exemption is a prescribed exemption under clause 19 of Schedule 1 of the Financial Markets Conduct Act 2013 (**FMC Act**). It allows issuers with securities quoted on NZX's markets to make further offers of the same class of financial products, without meeting the full disclosure requirements in Part 3 of the FMC Act. The concept of "same class" extends to options underlying financial products and, in the case of debt securities, other debt securities with a different redemption date and/or interest rate. The QFP Exemption is available for offers of equity, debt and managed investment products (which includes fund securities under the Rules).

Issuers are exempted from Part 3 of the FMC Act because material information relating to the relevant issuer and financial products is publicly available to prospective investors. This is because listed issuers are subject to ongoing continuous disclosure and financial reporting obligations.

### What documentation must be released to the market?

#### *Offering Document*

It is standard for issuers making an offer of securities under the QFP Exemption to release a document setting out the terms and conditions of the offer (**Offering Document**). If an issuer releases an Offering Document, it must contain the information prescribed by the Rules. This information is important not only for investors, but ensures that NZX receives the operational information it requires to give effect to the allotment of securities that results from the offer.

The Offering Document for offers of equity, debt and fund securities made in reliance on the QFP Exemption is not required to be provided to NZXR for review prior to its release to market, and NZX does not need to provide confirmation that it does not object to the document. It can be released direct to the market with the cleansing notice described below.

Issuers may wish to continue to provide a timetable for a proposed offer to NZXR prior to the release of the Offering Document as an optional step, and NZXR will review this with NZX's Product Operations team and provide any feedback.



### *Cleansing Notice*

Issuers are required to release a cleansing notice to the market within the 24 hour period before the offer is made (**Cleansing Notice**). The Cleansing Notice requires the issuer to confirm whether it is in compliance with its ongoing continuous disclosure obligations and financial reporting obligations. The issuer providing the notice must also provide any material information that would otherwise be subject to an exception from disclosure under the Rules.

The Cleansing Notice does not need to be provided to NZXR.

### *Application for Quotation*

The QFP Exemption requires the issuer to take any necessary steps to ensure that new financial products are quoted immediately after being issued. This may require the issuer to apply for quotation of those financial products, if the new financial products are not already quoted.

Clause 19 requires that where an offer is by way of sale, the financial products must be quoted at the time of offer and the offeror has reasonable grounds to believe that the financial products will, immediately after the sale, remain quoted.

Please refer to NZX's Practice Note [Application for Quotation](#) for further information.

### *Debt Instrument Sheet (Debt securities only)*

Issuers making an offer of debt securities will be requested to complete a short form debt instrument sheet, providing summary details on the offer and the securities. This must be completed and provided to NZXR at least five business days before quotation, to allow NZX to establish the debt security in NZX's internal system and prepare NZX's quotation notice.

*Practice Notes are not intended to be a definitive statement of the application of the rules in every situation and are only a guide to NZX's policy and practice. This Practice Note does not limit NZXR's discretion under the rules. NZX takes no responsibility for any error contained in the Practice Note. NZXR may replace Practice Notes at any time.*