

NZX Dark – NZ's first midpoint orderbook – has positive first trading week

17 June 2024 – NZX Dark – NZX's new trading venue – is demonstrating value and price improvement to investors a week after going live.

As New Zealand's first midpoint orderbook, NZX Dark is an exchange-delivered anonymous orderbook, providing Trading Participants and their clients an alternative to existing trading venues. It is an addition to the two current trade venues, NZX Central (the central limit orderbook) and off-market trade reporting.

A midpoint orderbook is often referred to as a "dark" market as there is no visible market depth. NZX Dark executes trades at the midpoint of NZX Central's best bid and best offer, meaning both buyers and sellers also have access to price improvement.

NZX Chief Executive Mark Peterson says feedback from the market highlighted a strong desire to launch an alternative venue to execute client orders.

"NZX Dark's enhanced features and controls provides investors with greater order functionality and traded price transparency," Mr Peterson says.

"It also provides order anonymity, which is particularly important for institutional clients and investors who do not want to disclose larger order volumes to the market."

In its first week of trading, NZX Dark has executed more than \$2 million in value traded, with more than \$15,000 of price improvement provided to 481 trades.

Mr Peterson says operating an 'unlit' order trading venue alongside the more traditional 'lit' venue is a common feature of sophisticated markets internationally and the introduction of a dark order book brings NZX in line with our peers.

"Increasing liquidity is crucial in ensuring the ongoing strength of New Zealand's capital markets. NZX Dark is a significant step forward for our trading capability and deepening our markets liquidity pool. It is something we believe will continue to grow overtime, similar to the execution of dark markets globally."

In addition, trades executed via NZX Dark provide an opportunity to bring off-market liquidity on-market, which all investors can trade in.

ENDS

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About NZX

For more than 150 years we have been committed to connecting people, businesses and capital. Our vision is to be a trusted New Zealand business delivering sustainable wealth, value and opportunities for all. NZX operates New Zealand's equity, debt, funds, derivatives and energy markets. To support the growth of our markets, we provide trading, clearing, settlement, depository and data services for our customers. We also own Smartshares, New Zealand's only issuer of listed Exchange Traded Funds (ETFs), and KiwiSaver provider SuperLife. NZX Wealth Technologies is a 100%-owned subsidiary delivering rich online platform functionality to enable New Zealand investment advisors and providers to efficiently manage, trade and administer their client's assets. Learn more about us at:

www.nzx.com

Frequently asked questions:

Q: What is NZX Dark?

A: NZX Dark is an exchange-managed hidden and anonymous mid-point order book which is only able to match orders at the current mid-point price of the central limit order book (NZX Central).

Q: How common are “dark markets” around the world?

A: A number of exchanges globally utilise dark markets, including ASX, CBOE, TSX, SIX (Swiss Exchange) and Turquoise (LSE Group).

Q: Why is price improvement important?

A: In meeting at a mid-point price, both the buyer and seller get price improvement on what is available on NZX Central (where either the buyer or seller has to pay the difference to execute a trade).

Q: Can anybody trade via NZX Dark?

A: Yes. However, all trades need to be executed via a broker.

Q: Why can't I see the orderbook depth in NZX Dark?

A: There is no publicly available market depth and investors and NZX Participants only have visibility of their own orders in this book. This type of order book is commonly referred to as a “Dark” market.

Q: If you can deal at 0.5c price steps in Dark and 1c steps in Central, will the trade report to the market at \$2.025?

A: Yes, the trade will be reported in the central, or 'lit', market at \$2.025.