

## SECTION 9

### CLIENT ADVISING

#### 9.1 DUTY OF CARE

Each Client Advising Participant and its Advisors and any Employees;

*(Amended 28/2/07)*

- (a) When providing investment advice, securities recommendations and/or research analysis to clients, have a duty of care to ensure that advice is properly researched and that there is a reasonable basis for any recommendation;  
*(Amended 28/2/07)*
- (b) Must not initiate rumours and must ensure that they properly qualify any information passed to clients which has not been personally or independently verified;
- (c) Must at all times maintain the standards of objectivity and professionalism that are expected, including when dealing with a client who may be reluctant to accept or act on the advice provided;
- (d) Must at all times place the interests of its clients above its own interests and in the case of Employees, those of his or her employer, or the person to whom he or she is contracted;
- (e) Shall respect and ensure the confidentiality of client information and ensure its use is limited to the purposes for which it was provided;
- (f) Shall not place Client Assets at unreasonable risk from that Client Advising Participant's own business activities; and
- (g) Shall take all steps necessary to properly protect Client Assets and ensure that these are separately identified from that Client Advising Participant's own assets.

#### 9.2 KNOW YOUR CLIENT PROCEDURES

- 9.2.1 Subject to **Rules 9.2A, 9.3 and 9.8**, sufficient information must be obtained, recorded or requested (whichever is applicable as indicated in this **Rule 9.2**), or if the information has previously been obtained from the client

reconfirmed with that client from time to time, from all clients, both new and existing, wishing to purchase or sell Financial Instruments, to ensure that appropriate investment advice and Securities recommendations are given. As a minimum requirement, each Client Advising Participant must ensure that:

*(Amended 28/2/07)*

- (a) It identifies the person/business/or Intermediary it is dealing with;
- (b) It obtains independent verification of the information it has received pursuant to this **Rule 9.2** where verification of such information is capable of being obtained; and
- (c) *(Revoked 28/2/07)*
- (d) Except as provided by **Rules 9.3** and **9.8**, enter into a client agreement (to be signed by the signatory for that Client Advising Participant and the client (or an authorised representative of that client)) which, as a minimum, must include terms of business with that client in accordance with **Rule 9.6** unless that Client is an Institutional Client in which case this **Rule 9.2.1(d)** does not apply; *(Amended 28/2/07)*

For the avoidance of doubt, the requirements of this **Rule 9.2** do not replace or diminish a Client Advising Participant's statutory obligations including, but not limited to, the Financial Transactions Reporting Act 1996.

*(Amended 28/2/07)*

### 9.2.2 **NATURAL PERSONS**

Subject to **Rules 9.2A, 9.2B, 9.3** and **9.8**, as a minimum, each Client Advising Participant must, unless the client is an Institutional Client, obtain copies of (where indicated) or record the following information before transacting any business with any natural person: *(Amended 28/2/07)*

#### **Must Request and Record:**

- (a) Full legal name and title;
- (b) Residential address;
- (c) Mailing address (if different to the residential address);

- (d) Registration name and address of the client (if different from the information provided pursuant to **Rule 9.2.2 (a), (b) and (c)**);
- (e) Telephone and contact details (including day time contact number and/or mobile telephone number if applicable);
- (f) E-mail address (if available);
- (g) CSN (if a client does not have a CSN, the Client Advising Participant must obtain a CSN for that client except where a CSN is not relevant to the types of transactions the Client Advising Participant reasonably expects to be undertaking for or on behalf of the client);  
*(Amended 28/2/07)*
- (h) Where relevant to the services to be provided and/or for the purposes of applying for a CSN, the client's IRD number (if available);

**Must Obtain:**

- (i) A copy of the client's bank account details (if any) by means of verified bank encoded deposit slip, bank statement or other notice of confirmation issued by the relevant bank verifying the account holder and account number:
  - (1) As proof of identification for the client; and/or
  - (2) As written confirmation of the bank account (and its number) selected by the client for payment of monies owing to the client, where the client has selected payment to a bank account;

Where a copy of the client's bank account details is not available as proof of identification for the client under paragraph (1), an alternative form of suitable identification that has been pre-approved by the Compliance Manager of the Client Advising Participant must be obtained;  
*(Amended 28/2/07)*

- (j) A copy of the client's birth certificate if the client is under 18 years of age and a copy of either one or more of the forms of photographic identification in **Rule 9.2.2(k)** cannot be obtained; *(Amended 28/2/07)*
- (k) Subject to **Rule 9.2.2(j)** a copy of either one or more of the following:

- (i) Current and valid passport;
  - (ii) Current and valid driver's licence; or
  - (iii) Any NZX recognised form of photo identification;  
*(Amended 28/2/07)*
- (l) A copy of the written direction granting authority for a person(s) to transact business on behalf of the client. This may be evidenced by:
- (i) The nomination of the person as an authorised person on the client's account opening documentation;
  - (ii) A Power of Attorney; or
  - (iii) Nomination of that person, in writing from the client, at any time.

In each such case, the Client Advising Participant must obtain documentary photographic identification of that person(s) so authorised and verify the signature on that documentary photographic identification against the signature contained in the document(s) in (i) to (iii) above as applicable, and ensure that the following information is recorded in respect of that person:

- (iv) Full legal name;
  - (v) Address;
  - (vi) Relationship to the client; and
  - (vii) Contact telephone number;  
*(Amended 28/2/07)*
- (m) *(Revoked 28/2/07)*

**Must Seek the following Optional Information from a Client (unless the client is an Execution Only Client):**  
*(Amended 28/2/07)*

- (n) Investment Objectives;
- (o) Annual income/salary;

- (p) Experience investing in Securities markets; and
- (q) *(Revoked 28/2/07)*
- (r) Net worth.

### 9.2.3 **NON-NATURAL PERSONS (THAT ARE NOT TRUSTS)**

Subject to **Rules 9.2A, 9.2B, 9.3 and 9.8**, each Client Advising Participant must, unless the client is an Institutional Client, obtain copies, where indicated, or record the following information before transacting any business with or on behalf of a client that is not a natural person or a trust:

*(Amended 28/2/07)*

#### **Must Request and Record:**

- (a) Full legal name of the client, whether that client is a company or a partnership or otherwise incorporated outside of New Zealand;
- (b) Registered address;
- (c) Mailing address (if different to the Registered address);
- (d) Registration name and address (if different from the information obtained pursuant to **Rule 9.2.3(a) to (c)**);
- (e) E-mail address (if available);
- (f) Contact telephone numbers;
- (g) CSN (if the client does not have a CSN, the Client Advising Participant must obtain a CSN for that client except where a CSN is not relevant to the types of transactions the Client Advising Participant reasonably expects to be undertaking for or on behalf of the client);

*(Amended 28/2/07)*

#### **Must Obtain:**

- (h) Where the client is a company:

(i) or otherwise incorporated, a copy of that client's bank account details (if any) by means of verified bank encoded deposit slip, bank statement or other notice of confirmation issued by the relevant bank verifying the account holder and account number):

(1) As proof of identification for the client; and/or

(2) As written confirmation of the bank account (and its number) selected by the client for payment of monies owing to the client, where the client has selected payment to a bank account;

Where a copy of the client's bank account details is not available as proof of identification for the client under paragraph (1), an alternative form of suitable identification that has been pre-approved by the Compliance Manager of the Client Advising Participant must be obtained; *(Amended 28/2/07)*

(ii) the company number, if registered in New Zealand or in an overseas jurisdiction;

(iii) A copy of the certificate of incorporation (which that Client Advising Participant may obtain off a government website or other website authorised by the relevant government to provide this information); and *(Inserted 28/2/07)*

(iv) The full legal name of officers or persons authorised to place orders for the client, supported by documentary photographic identification and a copy of their authority to act; *(Inserted 28/2/07)*

(i) Where the client is a partnership:

(i) A copy of that client's bank account details (if any) by means of verified bank encoded deposit slip, bank statement or other notice of confirmation issued by the relevant bank verifying the account holder and account number):

(1) As proof of identification for the client; and/or

- (2) As written confirmation of the bank account (and its number) selected by the client for payment of monies owing to the client, where the client has selected payment to a bank account;

Where a copy of the client's bank account details is not available as proof of identification for the client under paragraph (1), an alternative form of suitable identification that has been pre-approved by the Compliance Manager of the Client Advising Participant must be obtained; *(Inserted 28/2/07)*

- (ii) A copy of the relevant pages of the partnership deed or a copy of a Partnership Certificate. For the avoidance of doubt, the Partnership Certificate must confirm in writing the partners authorised to act on behalf of the partnership; *(Amended 28/2/07)*
- (iii) Full legal name(s) of the partners, which must be supported by suitable identification (as evidenced by obtaining one or more of the documents detailed in **Rule 9.2.2(k)**); and *(Inserted 28/2/07)*

(j) *(Revoked 28/2/07)*

(k) *(Revoked 28/2/07)*

- (l) Where relevant to the services to be provided and/or for the purposes of applying for a CSN, the clients IRD number (if available);

#### 9.2.4 **TRUSTS**

Subject to **Rule 9.2A, 9.2B, 9.3 and 9.8** as a minimum, each Client Advising Participant must, unless the client is an Institutional Client, obtain copies, where indicated, or record the following information before transacting any business with or on behalf of a client who is a trust: *(Amended 28/2/07)*

#### **Must Request and Record:**

- (a) Full legal name(s) of all Trustee(s), which must be supported by suitable identification (as evidenced by obtaining one or more of the documents detailed in **Rule 9.2.2(k)** if the Trustee(s) is a natural person or the

information required by **Rule 9.2.3** (where applicable) if the Trustee is a company or partnership) for that Trustee(s) unless: *(Amended 28/2/07)*

- (i) the Trust Deed or an authorisation signed on behalf of all of the Trustees provides that only certain of the Trustees are authorised to effect an instruction, then this **Rule 9.2.4(a)** shall only apply in respect of those Trustees; and/or *(Inserted 28/2/07)*
- (ii) the Trustee is a Trustee Company and the Client Advising Participant has already obtained and maintains identification for the Trustee Company; *(Inserted 28/2/07)*
- (b) Full legal name of person/s authorised to act on behalf of the trust (if the person(s) authorised to act on behalf of the trust is different from the Trustee then identification as evidenced by obtaining one or more of the documents detailed in Rule 9.2.2(k)); *(Amended 28/2/07)*
- (c) *(Revoked 28/2/07)*
- (d) Mailing address of the trust and Trustees; *(Amended 28/2/07)*
- (e) *(Revoked 28/2/07)*
- (f) Contact telephone numbers of the trust and Trustees; and *(Amended 28/2/07)*
- (g) CSN (if the trust does not have a CSN, the Client Advising Participant must obtain a CSN for that client, except where a CSN is not relevant to the types of transactions the Client Advising Participant reasonably expects to be undertaking for or on behalf of the client.); *(Amended 28/2/07)*
- (h) *(Revoked 28/2/07)*

**Must Obtain:**

- (i) A copy of the relevant pages of the trust deed or a copy of the Trustee Certificate. For the avoidance of doubt the Trustee Certificate must confirm in writing: *(Amended 28/2/07)*
- (i) *(Revoked 28/2/07)*



- (ii) the persons authorised to act on behalf of the trust.

For the avoidance of doubt, if a client is a trust a client agreement, which, as a minimum, includes terms of business with that client in accordance with **Rule 9.6**, must be entered into between the trust and the Client Advising Participant and be executed by all of the trustees for the trust.

- (j) A copy of the trust's bank account details (if any) evidenced by means of verified bank encoded deposit slip, bank statement or other notice of confirmation issued by the relevant bank verifying the account holder and account number:
  - (1) As proof of identification for the client; and/or
  - (2) As written confirmation of the bank account (and its number) selected by the client for payment of monies owing to the client, where the client has selected payment to a bank account;

Where a copy of the client's bank account details is not available as proof of identification for the client under paragraph (1), an alternative form of suitable identification that has been pre-approved by the Compliance Manager of the Client Advising Participant must be obtained; *(Inserted 28/2/07)*

- (k) Where relevant to the service to be provided and/or for the purpose of applying for a CSN, the client's IRD number (if available). *(Inserted 28/2/07)*

### 9.2.5 **INTERMEDIARIES**

Each Client Advising Participant must obtain copies, where indicated, or record the following information before transacting any business with or on behalf of a client that is an Intermediary:

#### **Must Request and Record:**

- (a) Full legal name of the Intermediary;
- (b) If the Intermediary is a natural person, relevant details as required under **Rule 9.2.2**;

- (c) If the Intermediary is not a natural person or a trust, relevant details as required under **Rule 9.2.3**;
- (d) If the Intermediary is a trust, relevant details as required under **Rule 9.2.4**; and
- (e) Details of those persons authorised to transact business on behalf of the Intermediary including name, position, contact telephone number and written authority.

**Must Obtain:**

- (f) A copy of the Intermediary's mandatory disclosure document (if applicable) under the Investment Advisers Disclosure Act 1996; and
- (g) A copy of the Intermediary's bank account details evidenced by means of verified bank encoded deposit slip.

For the avoidance of doubt, if a Client Advising Participant has a relationship with an Intermediary under which the Client Advising Participant deals with the underlying client, that Client Advising Participant must treat that underlying client as a direct client of the Client Advising Participant and the Rules shall apply to that underlying client as if that client were a direct client of the Client Advising Participant. *(Amended 28/2/07)*

9.2.6 *(Revoked 28/2/07)*

9.2.7 *(Revoked 28/2/07)*

**9.2A TRANSACTING BUSINESS IN A NON STANDARD NZAX ISSUER**

When a Client Advising Participant is transacting any business on the NZAX in relation to a Non Standard NZAX Issuer, in addition to the appropriate "Know Your Client" procedures of **Rule 9.2**, and prior to transacting any such business, that Client Advising Participant must ensure that:

- (a) It obtains in the case of a buying client, the Common Shareholder Number of that client;

- (b) It obtains in the case of a selling client, the Common Shareholder Number and the FASTER Identification Number;
- (c) It performs a Shareholder Balance Enquiry to ascertain whether such buying or selling client is entitled to purchase or sell any Securities in that Non Standard NZAX Issuer and where applicable whether such buying or selling client will exceed any maximum or minimum holdings, as a result of the proposed transaction;
- (d) Where the Shareholder Balance Enquiry indicates that such buying or selling client is not entitled to transact the proposed transaction, that it advises the client of this and the reasons why that client is not entitled to buy or sell the relevant Securities and that it does not proceed to undertake the proposed transaction for that client; and
- (e) Where the Shareholder Balance Enquiry indicates that such buying or selling client is entitled to transact the proposed transaction, enter the Common Shareholder Number when entering the relevant Order into the Trading System.

## 9.2B RELIANCE ON GROUP RECORDS

**9.2B.1** Where a Client Advising Participant is a member of a Group and another member of that Group is required to comply with the Financial Transactions Reporting Act 1996, that Client Advising Participant may rely upon any records or other information maintained by another member of that Group (**Group Information**) to satisfy all or part of the Know Your Client requirements set out in **Rule 9.2**, provided that:

- (a) The Group Information relied upon is capable of satisfying the relevant requirements of **Rule 9.2** as if the information had been obtained, recorded or requested directly by the Client Advising Participant; and
- (b) The Client Advising Participant is able to:
  - (i) Readily access the Group Information; and
  - (ii) Readily procure access to the Group Information to NZX in accordance with the requirements of the Rules.

**9.2B.2** For the purposes of **Rule 9.2B.1**, where documentary evidence is required by **Rule 9.2** to be retained by the Client Advising Participant, Group Information shall be deemed to be capable of satisfying that relevant requirement if:

- (a) Such documentary evidence is retained by the relevant member of the Group; or
- (b) The Group Information includes information that reasonably enables that documentary evidence to be obtained in compliance with section 30(2) of the Financial Transactions Reporting Act 1996.

*(Inserted 28/2/07)*

### **9.3 WINDING UP ESTATES**

**9.3.1** **Subject to Rule 9.3.6**, if a Client Advising Participant receives instructions from the trustee of an estate of a deceased person, or from the solicitor on behalf of that estate, to sell any Securities held by the deceased person, as part of winding up the deceased person's estate, the Client Advising Participant may, subject to complying with **Rules 9.3.2** and **9.3.3**, complete that transaction without first obtaining the required Know Your Client information pursuant to **Rule 9.2**.

**9.3.2** Before transacting a Trade on behalf of a deceased person's estate, a Client Advising Participant must obtain a copy of probate, if probate has been applied for that deceased person, or where probate is not legally required to be obtained, other documentation including a death certificate, to establish the legal standing of the estate of that deceased person and of the person instructing the Client Advising Participant on behalf of that estate.

**9.3.3** Each Client Advising Participant must obtain and record on behalf of a deceased person's estate, as a minimum, the following information:

- (a) The name of that deceased person;
- (b) The date the transaction was entered into and completed; and
- (c) *(Revoked 28/2/07)*
- (d) The name of the trustee for the estate, or solicitor for the estate, requesting the sale of that deceased person's Securities.

- 9.3.4 For the avoidance of doubt, the quantity of Securities requested to be sold by the deceased person's trustee or solicitor on behalf of that deceased person is not restricted, other than to the amount of Securities held by that deceased person's estate.
- 9.3.5 All monies received from the sale of a deceased person's Securities (minus any brokerage or commission) must be paid directly into the estate of that deceased person or to the trust account of the solicitor for the estate of that deceased person. *(Amended 28/2/07)*
- 9.3.6 If a Client Advising Participant receives instructions from the trustee of an estate of a deceased person, or from the solicitor on behalf of that deceased person's estate, to sell any Securities in a Non Standard NZAX Issuer and held by the deceased person as part of winding up that deceased person's estate, the Client Advising Participant may complete that transaction without first obtaining the required Know Your Client information pursuant to **Rule 9.2** on the condition that prior to transacting any such business, that Client Advising Participant must ensure that:
- (a) It obtains the Common Shareholder Number and the FASTER Identification Number for that deceased person;
  - (b) It performs a Shareholder Balance Enquiry to ascertain whether that deceased person's estate is entitled to sell any Securities in that Non Standard NZAX Issuer;
  - (c) Where the Shareholder Balance Enquiry indicates that the deceased person's estate is not entitled to transact such business, that it advises the trustee of the deceased person's estate or the solicitor for that deceased person's estate of this and the reasons why that deceased person's estate is not entitled to sell the relevant Securities and that it does not proceed to transact such business; and
  - (d) Where the Shareholder Balance Enquiry indicates that the deceased person's estate is entitled to transact such business, enter the Common Shareholder Number when entering the relevant Order into the Trading System. *(Amended 28/2/07)*

## 9.4 DISCRETIONARY ACCOUNTS

9.4.1 Each Client Advising Participant who operates Discretionary Accounts must maintain a Discretionary Accounts register, which must include as a minimum the following information for each Discretionary Account:

- (a) The name and address of the client for whom the Client Advising Participant maintains the Discretionary Account; *(Amended 28/2/07)*
- (b) The date on which the Discretionary Account was established for that client;
- (c) The date that client authorised the Client Advising Participant to operate a Discretionary Account and a copy of that client's written authorisation, as required pursuant to **Rule 9.4.2**; *(Amended 28/2/07)*
- (d) That client's account number or numbers;
- (e) The name of the Advisor responsible for the Discretionary Account;
- (f) The date the Discretionary Account was last reviewed by the Compliance Manager or his or her delegate pursuant to Rule 9.4.4; *(Amended 28/2/07)*
- (g) Any client instructions, qualifications, investment objectives, investment risk profile, limitations or other client directions as to the disposition of the Discretionary Account; and *(Amended 28/2/07)*
- (h) Any other relevant information.

9.4.2 Each Client Advising Participant may only manage or operate a Discretionary Account for, or on behalf of, a client if that Client Advising Participant has first obtained from that client a written authorisation signed by that client setting out the terms and conditions under which the Discretionary Account may be operated (including, in particular, the parties' respective rights and obligations). *(Amended 28/2/07)*

9.4.3 Discretionary Accounts must be designated as such and separated from any other non-Discretionary Accounts held by a Client Advising Participant for that client, any of its other clients or its Principal Accounts.

9.4.4 All Discretionary Accounts must be reviewed half yearly by that Client Advising Participant's Compliance Manager, or a senior person appointed by the Compliance Manager who is suitably qualified and not involved in the operation of the relevant Discretionary Account. As a minimum, each review should ensure/cover:

- (a) That there are adequate internal controls to manage the Discretionary Accounts in accordance with **Rule 9.4.1**;
- (b) Compliance with these **Rules**, any directions given from time to time by NZX, Good Broking Practice and the client's instructions for the relevant Discretionary Account;
- (c) That there is a copy of the client's written authorisation for each Discretionary Account required pursuant to **Rule 9.4.2**;
- (d) That all Discretionary Accounts have been designated as such and separated from any other non-Discretionary Accounts pursuant to **Rule 9.4.3**;
- (e) That the written reports and information under **Rule 9.4.5** have been forwarded to each client who has a Discretionary Account within the **20 Business Days** after the end of the client reporting period unless the Client Advising Participant and client have agreed otherwise in writing pursuant to **Rule 9.4.6**;
- (f) That the Trades entered into and completed on behalf of each Discretionary Account are suitable for the client taking into account the instructions and directions under **Rule 9.4.1(g)**;
- (g) The overall performance of each Discretionary Account; and
- (h) The management of each Discretionary Account by the Client Advising Participant's relevant Advisor and the adequacy of record keeping for each Discretionary Account. *(Amended 28/2/07)*

9.4.5 If a Client Advising Participant manages a Discretionary Account for a client, that Client Advising Participant shall prepare written reports and forward such reports and other information to that client, quarterly, or at intervals agreed in writing with that client, but, in any event, at least every 6 months, ("**the client reporting period**") setting out: *(Amended 28/2/07)*

- (a) A portfolio valuation of all Securities held on behalf of that client;
- (b) A schedule of all movements relating to the reporting period showing details of the total costs incurred, separated if requested; and  
*(Amended 28/2/07)*
- (c) A schedule of all cash related transactions of income, dividends, foreign exchange and settlements with cash or bank accounts
- (d) *(Moved to Rule 9.4.8 - 28/2/07)*

unless the information outlined in paragraphs (a) to (c) has already been provided to that client prior to the client reporting period by that Client Advising Participant.

**9.4.6** Reports required pursuant to **Rule 9.4.5** must be forwarded by a Client Advising Participant to each client not later than **20 Business Days** after the end of the client reporting period, unless that Client Advising Participant and that client agree otherwise in writing. A dated copy of any such agreement waiving that client's right to such a report must be held by the Client Advising Participant in the Discretionary Account register referred to in **Rule 9.4.1**.  
*(Amended 28/2/07)*

**9.4.7** *(Revoked 28/2/07)*

**9.4.8** Each Client Advising Participant who manages Discretionary Accounts for clients shall prepare and forward to each of those clients an end-of-year summary of income and dividends, including resident withholding tax, imputation credits, withholding tax and management fees, which must be forwarded to each client no later than any Inland Revenue deadlines unless these details have already been provided to the client.  
*(Moved from 9.4.5(d) and amended 28/2/07)*

**9.4.9** Each Client Advising Participant must maintain adequate internal records of the decisions made on each Trade or transaction entered into, and completed on behalf of, each Discretionary Account. These records may take the form of a file note or a note recorded on the transaction ticket. *(Inserted 28/2/07)*



## **9.5 HOLD MAIL ACCOUNTS**

**9.5.1** All instructions received from a client in relation to a Hold Mail Account (e.g. as a result of overseas travel) must be in writing and approved by a Client Advising Participant's Compliance Manager. *(Amended 28/2/07)*

**9.5.2** Each Client Advising Participant who operates a Hold Mail Account for a client must maintain a hold mail register which must include as a minimum the following information:

- (a) Name and address of that client;
- (b) The date the Hold Mail Account for that client was established;
- (c) A copy of the written authorisation granting authority to that Client Advising Participant to hold that client's mail;
- (d) An outline of why the Hold Mail Account has been established;
- (e) The period for which the Hold Mail Account applies;
- (f) Copies of all contract notes for that client or the ability to retrieve all contract notes for that client, if held electronically; and
- (g) Any other relevant information.

**9.5.3** For all Hold Mail Accounts, a copy of each contract note must be provided to each of: *(Amended 28/2/07)*

- (a) The Client Advising Participant's NZX Advisor responsible for the Hold Mail Account; and *(Amended 28/2/07)*
- (b) The Client Advising Participant's Compliance Manager.

## **9.6 CLIENT AGREEMENT**

**9.6.1** Each Client Advising Participant must enter into a signed written agreement with each of its clients (unless a client is an Institutional Client) which must outline without limitation, the following:

- (a) The Client Advising Participant's terms of business;

- (b) Details of the means by which the client's instructions will be accepted by the Client Advising Participant; *(Amended 28/2/07)*
- (c) Risk Warnings in relation to the class of Security and/or Financial Instrument in respect of which the Client Advising Participant provides advice and/or executes Orders, particularly in relation to instructions on Short Selling of Securities or dealings in Derivatives or warrants or any other Security as advised from time to time by NZX; *(Amended 28/2/07)*
- (d) Details of the Client Advising Participant's arrangements, if any, with a Trading Participant to facilitate Trades for that client which must, at a minimum, include the matters in **Rule 5.15.2**;
- (e) Details of the Client Advising Participant's arrangements with a Delivery and Settlement Participant, if any, in relation to the delivery and settlement of Trades for that client which must, at a minimum, include the matters in **Rule 11.8.1(b)**; and *(Amended 28/2/07)*
- (f) If the Client Advising Participant is facilitating a Short Sale on behalf of a client, details of any additional Margin Cover that may be required if there is a rise in the market price of the Security the subject of the Short Sale.

**9.6.2** Each Client Advising Participant must keep a record of each client agreement entered into between the Client Advising Participant and its clients.

**9.6.3** For the avoidance of doubt, Client Advising Participants must enter into a client agreement with all new clients and with any existing clients (other than Institutional Clients).where a client agreement is not already in place when that new or existing client wishes to purchase or sell any Financial Instrument. *(Amended 28/2/07)*

## **9.7 NO TRADING ON BEHALF OF A CLIENT WITHOUT A SIGNED CLIENT AGREEMENT**

Except as provided for in **Rules 9.3** and **9.8**, each Client Advising Participant must not Trade on behalf of a client (other than an Institutional Client) without first obtaining a signed copy of a client agreement entered into between that Client Advising Participant and that client.

## 9.8 ONE OFF SALES

**9.8.1** **Subject to Rule 9.8.5**, a Client Advising Participant is not required to obtain the information required pursuant to **Rule 9.2** if a request from a person(s) is a request for a One Off Sale of all of that person(s) holdings in a given Security or that person(s) entire holdings in Securities listed on a market provided by NZX or another Recognised Securities Exchange, on the condition that: *(Amended 28/2/07)*

- (a) The registration name and address for the Securities of that person(s) is obtained; *(Amended 28/2/07)*
- (b) Two of the following forms of identification are obtained:
  - (i) A copy of that person(s) bank account details or settlement arrangements or other notice of confirmation issued by the relevant bank verifying the account holder; and *(Amended 28/2/07)*
  - (ii) A copy of:
    - (1) If the person(s) is a natural person(s), relevant documents as required under **Rule 9.2.2(k)**;
    - (2) The person is not a natural person or a trust, relevant documents as required under **Rule 9.2.3(h)-(i)**; or
    - (3) If the person is a trust, relevant documents as required under **Rule 9.2.4(i)-(j)**; and *(Amended 28/2/07)*
- (c) All money received from the sale of the Securities pursuant to **Rule 9.8.1** (minus any brokerage or commission) is paid into the bank account of the registered holder of the Securities sold pursuant to this **Rule** or by cheque made payable to the registered holder(s) of the Securities sold, crossed as non-transferable and mailed to the registered holders address. *(Amended 28/2/07)*

**9.8.2** For the avoidance of doubt, a Client Advising Participant must complete the requirements of **Rules 9.2, 9.6** and **9.7** if any additional Trading (whether the request is for the sale or purchase of Securities) is requested by a natural

person for whom the Client Advising Participant has performed a One Off Sale in accordance with **Rule 9.8.1**.

9.8.3 Each Client Advising Participant must maintain a record (including maintaining copies of the information required to complete the One Off Sale) of all persons for whom a One Off Sale of Securities has been performed to ensure that the objectives of **Rule 9.8.1** are complied with.

*(Amended 28/2/07)*

9.8.4 Each Client Advising Participant accepting a request for a One Off Sale of Securities in accordance with this **Rule 9.8** must have the necessary controls and procedures in place to facilitate One Off Sale requests.

9.8.5 For the avoidance of doubt, this **Rule 9.8** does not replace or diminish a Client Advising Participants' statutory obligations under the Financial Transactions Reporting Act 1996.

*(Amended 28/2/07)*

9.8.6 If a Client Advising Participant receives a request from a person for a One Off Sale of all of that person's holdings in a Non Standard NZAX Issuer listed on the NZAX that Client Advising Participant may, complete that transaction without first obtaining the required Know Your Client information pursuant to **Rule 9.2** on the condition that prior to transacting any such business that Client Advising Participant must ensure that:

*(Amended 28/2/07)*

(a) It obtains that person's Common Shareholder Number and FASTER Identification Number;

*(Amended 28/2/07)*

(b) It performs a Shareholder Balance Enquiry to ascertain whether that person is entitled to sell Securities in that Non Standard NZAX Issuer and where applicable whether that person will exceed any maximum or minimum holdings as a result of the proposed transaction;

*(Amended 28/2/07)*

(c) Where the Shareholder Balance Enquiry indicates that that person is not entitled to sell the Securities in the Non Standard NZAX Issuer, that the Client Advising Participant advises that person of this and the reasons why that person is not entitled to sell the relevant Securities and that it does not proceed to transact that request for a One Off Sale from that person; and

*(Amended 28/2/07)*

- (d) Where the Shareholder Balance Enquiry indicates that that person is entitled to sell the Securities in the Non Standard NZAX Issuer, enter the Common Shareholder Number when entering the relevant Order into the Trading System. *(Amended 28/2/07)*