

14 December 2012

Announcement of NZX Regulation

Introduction

NZ Markets Disciplinary Tribunal (“**NZMDT**”) has considered a Settlement Agreement in respect of a Statement of Case brought by NZX Regulation (“**NZXR**”) against an NZX Advisor employed by an NZX Participant Firm (“**Firm**”). In accordance with the Settlement Agreement, the identity of the NZX Advisor has been omitted from this public statement.

The Statement of Case related to breaches of NZX Participant Rules (“**Rules**”) 5.8.1, 8.1.1, 10.5.1 and 10.5.3 in respect of the Summerset Group Holdings Limited (“**SUM**”) and Trade Me Group Limited (“**TME**”) initial public offering (“**IPO**”).

NZXR’s investigation of this matter arose from the matter being identified and self-reported by the Firm to NZXR, as required by the Rules.

The applicable Rules

Rule 10.5.1 requires, amongst other things, that:

Employees of a Trading Participant, NZX Advising Firm or Distribution and Underwriting Sponsor who wish to deal in any Securities quoted on a market provided by NZX on their own personal account or on behalf of a Prescribed Person must obtain written authority to do so for each individual Order to buy or sell any Security quoted on a market provided by NZX from the Compliance Manager, Managing Principal or Responsible Executive (or their delegate) of the Trading Participant or NZX Advising Firm.

Rule 10.5.3 requires, amongst other things, that:

Employees and Prescribed Persons of a Trading Participant, NZX Advising Firm or Distribution and Underwriting Sponsor must not participate in, or request an allocation of, Securities in any initial public offer (unless via a public pool, or if the Employee has a pre-existing right in the new offer of Securities).

Rules 5.8.1 and 8.1.1 require, amongst other things, that:

Each Advisor must at all times refrain from any action, conduct, matter or thing which is, or is reasonably likely to be, detrimental to the wellbeing or proper conduct of NZX, discredit or generally bring into disrepute NZX, and must comply fully with all applicable Rules, and at all times observe Good Broking Practice.

Description of Breaches

- In 2011, prior to the events subject to NZXR’s Statement of Case, a personal relationship developed between the NZX Advisor and a Client of the Firm.
- While the personal relationship meant that the Client should have been categorized as a Prescribed Person, the NZX Advisor failed to do so.
- In October 2011, the NZX Advisor lent the Client \$42,000, which the Client used to purchase 30,000 shares in the SUM IPO.

- In November 2011, the Client sold the SUM shares.
- Using the funds from sale of the SUM shares, and some additional funds deposited by the Client, the Client purchased 18,700 shares in the TME IPO.
- In December 2011, the Client transferred 15,000 TME shares to the NZX Advisor, via an off-market transfer.

In doing so:

- The Client, a Prescribed Person, participated in the SUM and TME IPO, in breach of Rule 10.5.3;
- The Client and the NZX Advisor acquired securities without obtaining written authority from the Firm, in breach of Rule 10.5.1; and
- The NZX Advisor did not refrain from conduct that was detrimental to NZX and its markets, and failed to comply fully with all applicable Rules, and at all times observe Good Broking Practice, in breach of Rules 5.8.1 and 8.1.1.

Mitigating Circumstances

- No client has suffered any direct loss as a result of the breaches.
- The NZX Advisor has faced disciplinary action from the Firm.
- The NZX Advisor has not been involved in repeated offences (as substantiated by a review conducted by the Firm).
- The NZX Advisor admitted to the breaches.

Decision

NZXR and the NZX Advisor have reached a settlement in respect of the above breaches and have agreed that:

- The NZX Advisor will pay the NZX Discipline Fund \$16,000;
- The NZX Advisor will pay NZXR's costs (plus GST, if any);
- The NZX Advisor will pay NZMDT's costs (plus GST, if any); and
- This statement will be published.

The settlement has been approved by NZMDT, as contemplated by section 10 of the NZMDT Rules, and as such the Settlement Agreement is the determination of NZMDT.

NZMDT

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

ENDS