

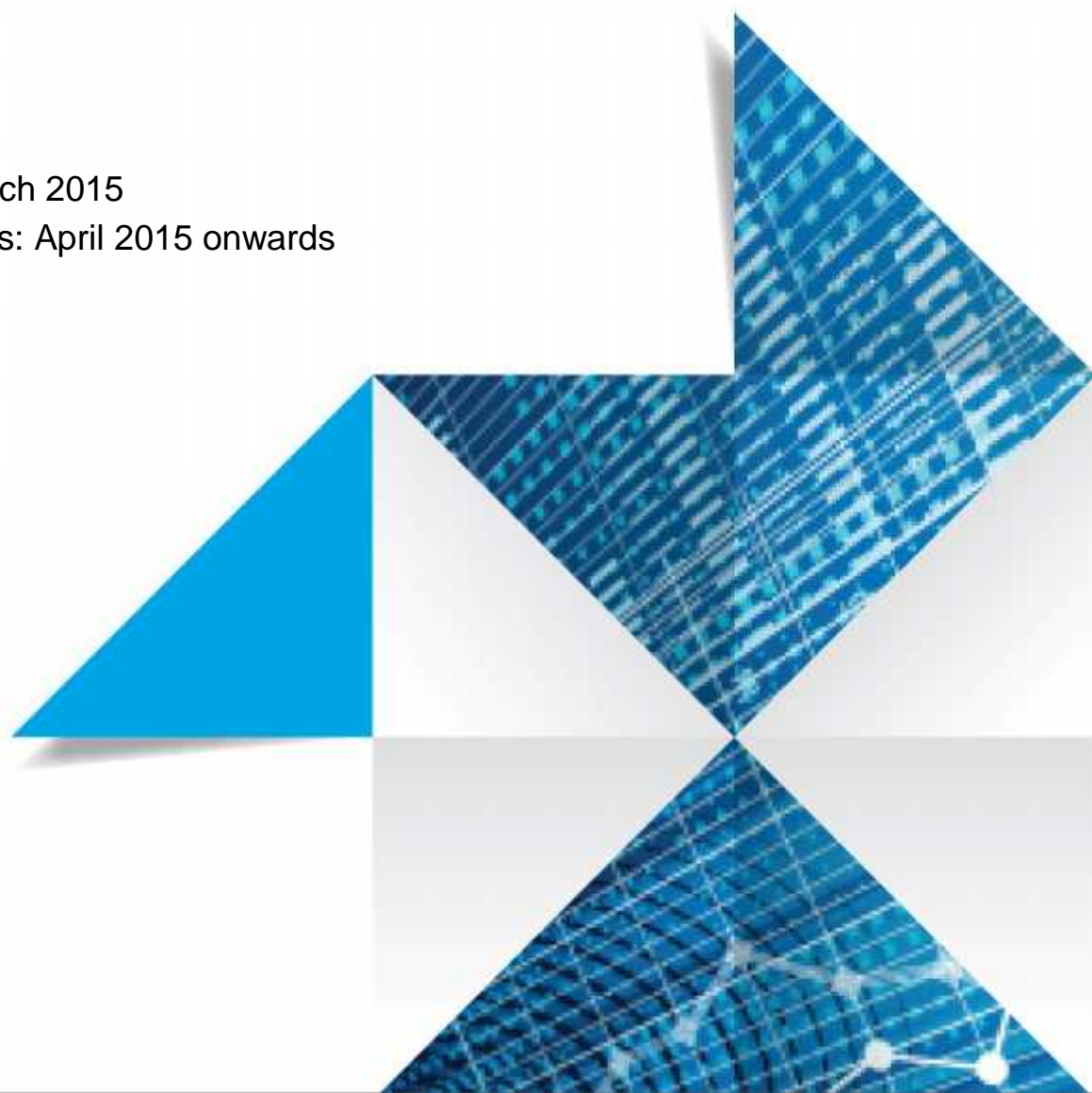


# **NZX Derivatives Market Contract No.7 Options on Equity Securities**

Contract terms and administrative procedures

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# 1. Interpretation

1.1 Terms defined in the NZX Derivatives Market Rules (the “**Rules**”) and the NZX Derivatives Market Procedures (the “**Procedures**”) have the same meanings when used in these contract terms for NZX Derivatives Market Contract No. 7 Options on Equity Securities (the “**Contract Terms**”) unless given a different meaning in these Contract Terms.

1.2 In these Contract Terms:

“**Administrative Procedures**” means the NZX Derivatives Market Contract No. 7 Administrative Procedures as may be amended, varied, supplemented, consolidated or replaced from time to time.

“**Buyer**” in respect of a Contract, means the person who is entitled under such Contract to exercise the option or options the subject of such Contract.

“**C&S Procedures**” means the Clearing and Settlement Procedures of CHO as may be amended, varied, supplemented, consolidated or replaced from time to time.

“**Call Option**” means a right, upon the exercise of which the Buyer of the Call Option becomes the buyer and the Seller of the Call Option becomes the seller, of a lot of the Underlying Equity Securities the subject of the Call Option.

“**Contract**” means a contract that is made expressly or impliedly on these terms for the sale and purchase of one Put Option or one Call Option.

“**Contract Month**” in respect of a Contract, means the contract month in respect of the Underlying Equity Security for that Contract.

“**Corporate Action**” means:

- a. a dividend, a bonus issue, a rights issue, a share split, subdivision or consolidation, a demerger or any other event affecting or giving rise to a right or entitlement attaching or accruing to the securities; or
- b. a takeover, merger, or any arrangement, transaction or series of transactions which will or may result in the acquisition by any person or their associated person of a substantial proportion of the shares of a company; or
- c. any other event, which in the opinion of NZX or CHO, requires an amendment to be made to the terms of a Contract in respect of the securities.

“**Exercise Notice**” means a notice given by a Buyer to CHO in accordance with the C&S Rules and these Contract Terms, notifying CHO that the Buyer thereby exercises one or more options.

“**Exercise Price**” means the price specified in a Contract as the price of each Underlying Equity Security comprised in a lot, and which will be the price of each Underlying Equity Security to be transferred on the exercise of the option that is the subject of the Contract.

“**Expiry Calendar**” means the expiry calendar for the relevant Contract.

**“Expiry Date”** in respect of a Contract, means the Last Trading Day for that Contract.

**“Governing Documents”** means the Rules, the C&S Rules, the Depository Rules and any procedures made pursuant to any of those rules from time to time, including the Procedures and C&S Procedures.

**“In the Money”** means:

- a. in respect of a Put Option and at a particular time, where the Exercise Price is greater than the closing price of the Underlying Equity Security the subject of the option; and
- b. in respect of a Call Option and at a particular time, where the Exercise Price is less than the closing price of the Underlying Equity Security the subject of the option.

**“Initial Trading Day”** means the Trading Day on which a Contract is bought and/or sold.

**“Last Trading Day”** means, in respect of a Contract, the last trading day specified in the Expiry Calendar for a Contract with that Contract Month.

**“Last Trading Time”** means the time specified in the Administrative Procedures on the Last Trading Day for a Contract Month, at which trading for Contracts ceases.

**“Lot”** means the number of Underlying Equity Securities, as specified in the relevant Individual Contract Specification, to which the option relates.

**“NZX”** means NZX Limited.

**“Premium”** means the amount payable by the Buyer to the Seller in respect of the acquisition of the Contract.

**“Put Option”** means a right, upon the exercise of which the Buyer of the Put Option becomes the seller and the Seller of the Put Option becomes the buyer, of a lot of the Underlying Equity Securities, the subject of the Put Option.

**“Seller”** in respect of a Contract means the person who sells the option the subject of such Contract.

**“Underlying Equity Securities”** means the equity securities that are the subject of the option.

- 1.3 The principles of construction contained in Rule 1.2 of the Rules shall apply to these Contract Terms, with all such necessary modifications to assist such application, including a reference to a “Rule” or “these Rules” being replaced with a reference to a “Contract Term” or “Contract Terms”, *mutatis mutandis*.

## 2. Approval and Application of Contract Terms

- 2.1 A Contract is an Approved Product for the purposes of the C&S Rules.
- 2.2 These Contract Terms shall apply to all Contracts in respect of options for the relevant Underlying Equity Security.

- 2.3 These Contract Terms and each Individual Contract Specification for Options on Equity Securities are an Underlying Contract for the purposes of the Rules.
- 2.4 Each Contract shall be for one Put Option, or one Call Option, in respect of one lot of Underlying Equity Security for the Contract Month and at the Exercise Price specified.

### **3. Identification**

- 3.1 A Contract is identified by its Contract Month, as specified in the Expiry Calendar.

### **4. Exercise Price**

- 4.1 The price of an option shall be quoted in NZD per share with minimum price movements as specified in the relevant Individual Contract Specification.
- 4.2 Exercise Prices for Contracts shall be stated in terms of NZD per share and will be determined by NZX in accordance with the Individual Contract Specification.

### **5. Last Trading Day**

- 5.1 Trading in a Contract will cease at the Last Trading Time on the Last Trading Day for the Contract Month for that Contract.

### **6. Payment Obligations**

- 6.1 The Buyer must pay the Premium in respect of a Contract on the first Business Day after the Initial Trading Day in accordance with the C&S Rules.

### **7. Exercise**

- 7.1 An option may be exercised by the Buyer in accordance with the C&S Rules at any time on any Business Day until the Last Trading Time for that Contract, by the Buyer providing an Exercise Notice to CHO.
- 7.2 In certain circumstances, an option may be exercised automatically in accordance with the C&S Rules, unless an instruction not to exercise has been given on the Expiry Date before the Last Trading Time for that Contract.
- 7.3 Upon the exercise of a Contract, a Settlement Transaction in respect of the Underlying Equity Securities will be created in accordance with the C&S Rules, and the obligations of the Buyer and the Seller under that Settlement Transaction will be determined and settled in accordance with the terms of that Settlement Transaction and the C&S Rules as if the Buyer and Seller had entered into an agreement to sell and purchase the Underlying Equity Securities at a price equal to the Exercise Price of the Contract.

### **8. Corporate Actions, Halts and Suspensions**

- 8.1 Where a Corporate Action occurs with respect to securities, or which affects securities which are the subject of a Contract, NZX, in its absolute discretion, may adjust any of the

terms or specifications of the relevant option in accordance with the Corporate Actions Policy published by NZX from time to time.

## 9. Variation

- 9.1 NZX shall have the power to amend the terms of a Contract in any way it deems necessary or desirable in accordance with Rule 8.11.
- 9.2 Such variation may be made notwithstanding that it may affect the performance or value of a Contract. Without limitation of its powers hereunder, NZX will use its best endeavours to keep any variation to the minimum considered reasonably necessary to achieve the purpose of the relevant Contract, the Rules and the Procedures.
- 9.3 NZX's powers under this Contract Term shall be exercised by Notice in accordance with the Rules. A variation of Contract Terms made hereunder shall take effect at such time and for such period as NZX shall declare but shall not take effect earlier than the date of the delivery of Notice in accordance with the Rules.
- 9.4 A Contract amended under this Contract Term shall remain in full force and effect subject to such variation and shall not be treated as frustrated or repudiated except in so far as expressly permitted by NZX.
- 9.5 A variation made by NZX under this Contract Term may be modified or revoked by a subsequent variation made hereunder.

## 10. Contract subject to Governing Documents

- 10.1 A Contract shall be subject to the Governing Documents insofar as applicable, notwithstanding that either or both of the parties may not be Participants or Clearing Participants.
- 10.2 In case of any conflict between the Administrative Procedures and the Governing Documents or the Contract Terms, the provisions of the Contract Terms or the Governing Documents shall prevail and, in the case of any conflict between the Governing Documents and the Contract Terms, the Governing Documents shall prevail.

## 11. Notice

- 11.1 Any notice that is required to be given under these Contract Terms shall be given in accordance with the Rules.

## 12. Law and Jurisdiction

- 12.1 A Contract made under or pursuant to the Rules shall be governed by and construed in accordance with the laws of New Zealand. The parties to a Contract irrevocably submit to the exclusive jurisdiction of the New Zealand courts. Each party irrevocably waives:
- a. any objection arising at any time to the undertaking of proceedings in New Zealand;
  - b. any claim that such proceedings have been brought in an inconvenient forum; and

- c. the right to object to such proceedings on the grounds that the courts of New Zealand do not have jurisdiction over it.

## Administrative Procedures

### 1. General

- 1.1 These Administrative Procedures are made pursuant to the Rules and govern the operation of the Contract Terms for NZX Derivatives Market Contract No. 7 Options on Equity Securities (the “**Contract Terms**”).
- 1.2 In these Administrative Procedures, any terms defined in the Rules the Procedures or the Contract Terms, shall bear the meanings contained in those documents. In the event of any conflict, any definition contained in the Rules will prevail over the Procedures or Contract Terms, and any definition contained in the Procedures will prevail over any definition contained in the Contract Terms.

### 2. Last Trading Day

- 2.1 The following timetable shall apply to a Contract’s Last Trading Day:

On the Close of the Last Trading Day.	Trading in Contracts for the relevant Contract Month shall cease.
By the time specified in the relevant Individual Contract Specification.	Last time to give an Exercise Notice or instruction not to exercise.

