

# NZX Regulation Decision

NZX Regulation (“**NZXR**”)

Ruling on NZX Participant Rule 10.7.2

11 June 2018



## Background

1. Following amendments to NZX Participant Rules in December 2017, NZX introduced a requirement for the identification of NZX Dealers who enter orders into the Trading System, including through third-party systems.
2. NZX Participant Rule (**Rule**) 10.7.2 requires that

*“Each Trading Participant must ensure that its Dealers who access or enter/submit Orders into the Trading System, including through a third party access system or DMA, are separately identifiable in the Trading System by the use of a unique identifier which attaches to all Orders entered/submitted into the Trading System by the relevant Dealer. Each Trading Participant must be able to trace the Order flow of each of their Dealers and provide this information to NZX on request.”*
3. The definition of Order includes an instruction to purchase or sell Securities or an instruction to amend or cancel a previous instruction to purchase or sell Securities.
4. The original technical specifications for the change provided to third party system vendors required the unique identifier (**Dealer ID**) field to be “not amendable”. This means that amendments and cancellations of Orders that are effected by a different Dealer will continue to reflect the original Dealer ID in the Trading System.

## Decision

5. For the purposes of compliance with Rule 10.7.2, Trading Participants will be deemed to comply with the requirements of the Rule in relation to the amendment and/or cancellation of an Order that is effected by a Dealer different to that who originally entered the Order, if:
  - a. the original Order was submitted with a valid Dealer ID; and
  - b. the Trading Participant maintains and, if requested by NZX provides to NZX, audit trail details that trace each Dealer’s activity for amendments and/or cancellations in respect of that Order.

## Reasons

6. In coming to the decision to provide the Ruling set out in paragraph 5 above, NZX Regulation has considered that:
  - a. the purpose of the Rule is to allow NZX to identify all trading linked to particular NZX Dealers in order to monitor for potential market misconduct. This Ruling will not offend the policy of the Rule as Trading Participants will still be required to provide to NZX, upon its request, information regarding the Dealer for amendments and cancellations; and
  - b. there is no change to the requirements previously advised to Trading Participants and system vendors that, in order to meet the requirements of Rule 10.7.2, the Dealer ID field will need to reflect:
    - i. Where the Order is placed by an NZX Dealer - the NZX Dealer's unique identification; or
    - ii. Where the Order is placed by a DMA Authorised Person and goes straight to market - an identifier that indicates it was a DMA Order; or

- iii. Where the Order is placed by a DMA Authorised Person and requires approval from an NZX Dealer (because it has hit a filter) - the NZX Dealer's unique identification.

