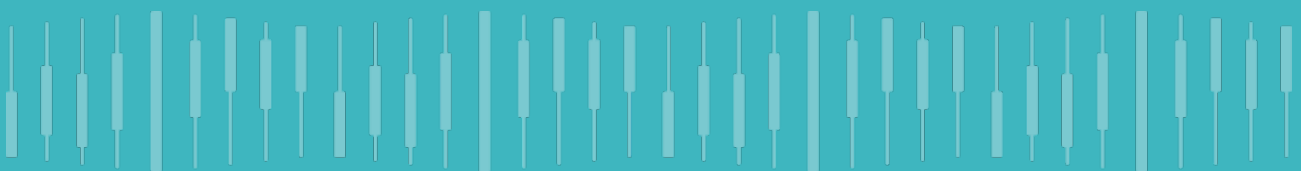


NZ RegCo

NZ'S LISTED
MARKET REGULATOR

Oversight & Engagement Report

For the year ended 31 December 2020



NZ RegCo Oversight & Engagement Report

I am pleased to publish the Oversight and Engagement Report for the 2020 review year.

2020 included a number of important milestones in the evolution of the exchange’s regulatory function.

In March, NZX announced a proposal to structurally separate the exchange’s commercial and regulatory roles. Key to that proposal was the creation of a stand-alone, independently-governed agency to perform all of NZX’s frontline regulatory functions – NZ RegCo.

An independent establishment board was set up to support the NZ RegCo transitional programme, chaired by Trevor Janes, with board members Annabel Cotton, Elaine Campbell, John Hawkins and Mike Heron QC.

Significant work was undertaken throughout 2020 to implement the revised operating and governance model, which required amendments to be made to NZX’s market rules, as well as to the designation order in place for the NZX Clearing settlement system.

NZ RegCo will be a strong advocate for best practice and leadership across the listed markets ecosystem, building on the prior work of NZX Regulation in support of regulatory compliance.

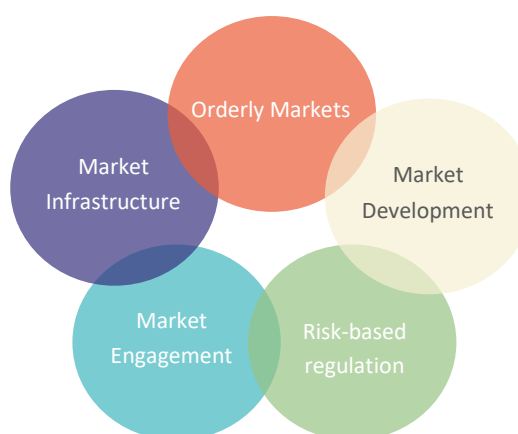
The effects of the COVID-19 pandemic had a significant impact on NZX’s markets in 2020. There was a material increase in on-market trading and market volatility experienced across 2020 during the uncertainty created by COVID-19, together with an uplift in secondary capital raises by Issuers looking to bolster working capital. These events influenced much of NZ RegCo’s core oversight activity for the year, in support of ensuring the continued integrity of the exchange’s markets.

NZ RegCo conducted enhanced monitoring of Issuers and Participants over the period, with substantial real-time support also being provided to broker dealing desks. Key to this activity was a focus on Issuers’ disclosure obligations, and Participants’ client asset, capital, trading conduct and orderly markets obligations. A number of class relief instruments were also granted to mitigate some of the immediate impacts of COVID-19 on Issuers and Participants.

Those market dynamics are also reflected in the formal investigation activity of the Surveillance,

Participant Compliance and Issuer Compliance teams over the year. That featured notable increases in Surveillance enquiries and referrals, as well as in the number of trading conduct investigations. NZ RegCo also observed a continued increase in the complexity of the continuous disclosure matters it investigated.

As part of NZ RegCo’s 2021 strategic planning process, management has assessed ongoing and developing issues and market trends relevant to the regulation of NZX’s markets. This informs the core supervision activity that NZ RegCo will perform in 2021, as well as the other proposed initiatives and projects that support the areas of regulatory focus:



A significant focus of NZ RegCo in 2021 relates to market trading, including:

- support for implementation of NZX Dark, the exchange’s mid-point order book;
- continued oversight of the evolving scope, scale and complexity of execution and HFT algorithms being deployed in New Zealand;
- more prescriptive guidance on NZ RegCo’s expectations for risk management tools that support trading via Direct Market Access;
- positioning to mitigate the potential implications of a changing investor demographic, including increased retail participation on NZX; and
- the ongoing impacts on investment flows and volatility arising from COVID-19 and the macro economic environment.

In 2021, NZ RegCo proposes to collaborate with NZX Policy on a thematic review of the NZX Corporate Governance Code. It is proposed that review include assessment of:

- Expectations around the ‘comply or explain’ regime – and the quality and consistency of disclosure practices;
- Remuneration practices;
- ESG reporting practices;
- Board independence requirements – including the manner in which Boards have assessed directors to be independent;
- Pro-rata participation in capital raisings; and
- Shareholder participation via virtual meetings.

NZ RegCo will continue to actively monitor the quality of Issuer disclosures to ensure investors have access to full, timely and accurate disclosure to make informed investment decisions.

This year NZ RegCo will also undertake an internal review of the penalties regime that applies under the NZ Markets Disciplinary Tribunal Rules. The context for this work is anticipated to support NZ RegCo contributions to the proposed review of continuous disclosure liability settings, a recommendation arising out of the Capital Markets 2029 report.

I, and the NZ RegCo Board, are committed to delivery of regulatory supervision to a consistently high standard, and which supports market integrity for the benefit of Issuers, Participants and investors.



A handwritten signature in black ink that reads "Joost van Amelsfort".

Joost van Amelsfort
NZ RegCo CEO



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Oversight

As a licensed market operator under the Financial Markets Conduct Act 2013 (FMC Act), the exchange must, to the extent that is reasonably practicable, do all things necessary to ensure that the operation of each of its licensed markets is fair, orderly and transparent.

NZ RegCo plays a vital role in meeting this statutory obligation, through its monitoring and oversight activities. This includes not only enquiry and investigation work, but the frontline monitoring of announcements and trading activity, an annual Participant inspection programme, market engagement, and reviews of complaints we receive.



Summary of Investigations and Enquiries

Our investigation and enquiry work is a key way in which we provide oversight of the market.

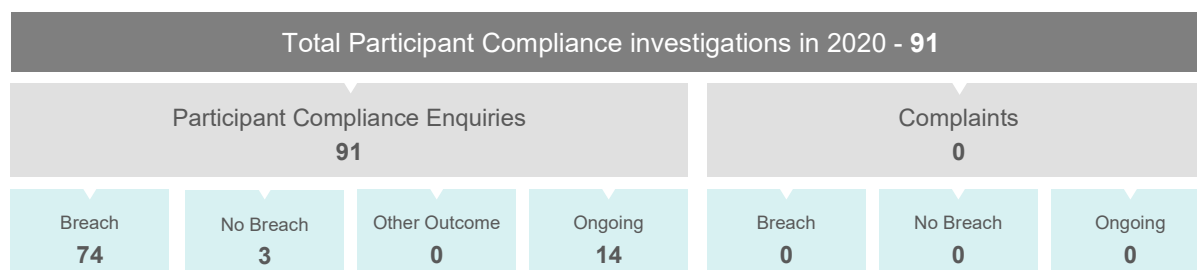
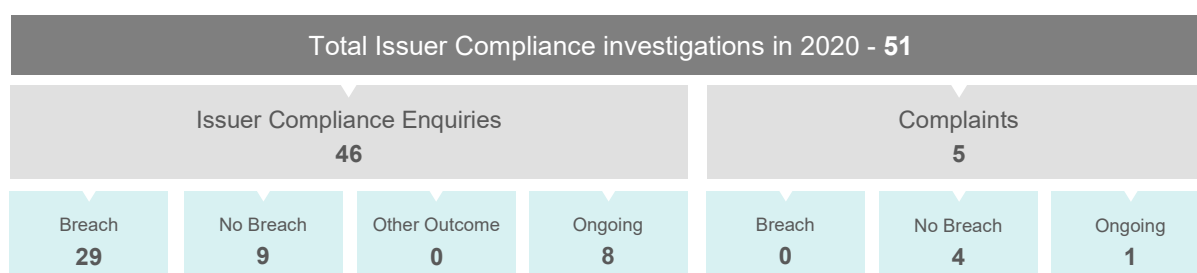
We become aware of matters that may require investigation in a number of ways. Usually this results from our own compliance monitoring and surveillance work, on-site inspections, capital adequacy reviews and targeted investigations. We also receive enquiries and complaints from members of the public, and referrals from other regulators.

We do not commence an enquiry into every matter that comes to our attention. It depends on a number of factors, including NZ RegCo’s enforcement priorities, the severity of the alleged breach and the impacts it may have on investors and the market, the available evidence, relevant precedent, whether other regulators have jurisdiction over the conduct, and the regulatory outcome that we may achieve if we took enforcement action.

During the year ended 31 December 2020, the Surveillance team conducted 315 investigations resulting in a number of internal and external referrals. Further details are set out on pages 6 to 13.



The Issuer Compliance and Participant Compliance teams conducted 142 investigations, representing a reduction from the 267 investigations conducted by those teams in 2020. Further details are set out on pages 14 to 21.



Surveillance

The Surveillance team conducts front-line monitoring and investigation of trading on NZX’s listed markets, through a combination of real-time operational oversight of orders and trades, and post-trade reviews. This oversight enables the Surveillance team to:

- identify and respond to situations as they arise during a trading day, for example trading errors, market queries and price enquiries; and
- monitor activity that may indicate market misconduct, which can include anything from technical rule breaches to potentially unlawful conduct such as market manipulation and insider trading.

Surveillance monitoring and investigations

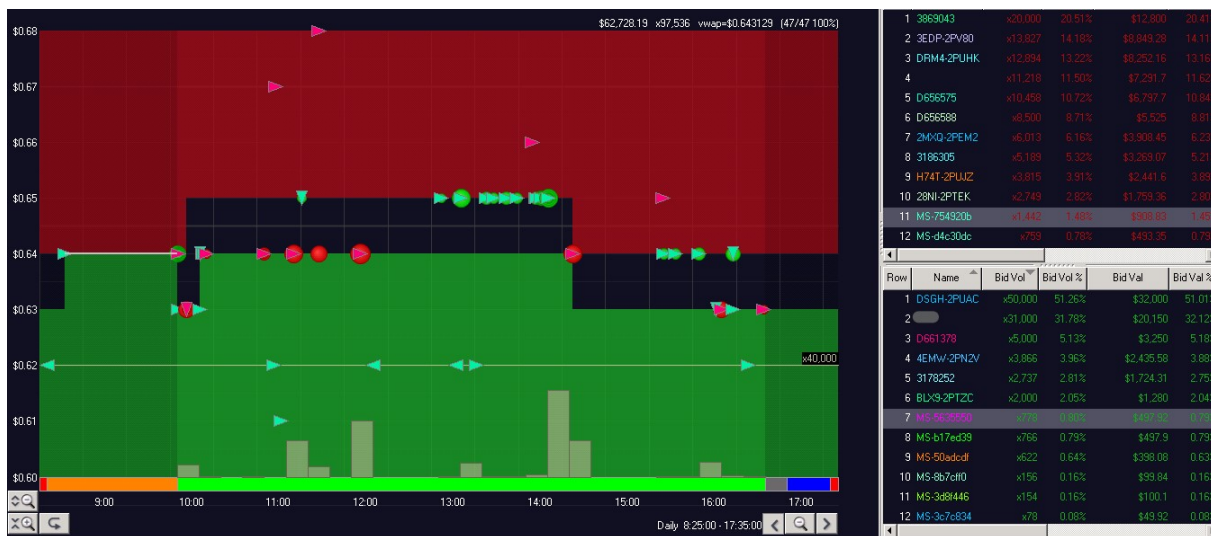
To support its monitoring and oversight work, the Surveillance team draws on a number of sources including:

- system generated alerts from its SMARTS Surveillance software;
- market feedback from members of the public and market participants;
- referrals made by the Financial Markets Authority (FMA), and the Issuer Compliance and Participant Compliance teams;
- ongoing/continuous observation (including media and social media sources) and trade monitoring; and
- systematic post-trade review of trading ahead of market announcements by Issuers.

SMARTS Surveillance

SMARTS Surveillance software is a purpose-built surveillance and market analytics tool, used globally by a number of exchanges, market regulators and trading firms. Its modular system provides detailed quantitative and graphic data, and is configured to highlight potentially anomalous orders or trades, by comparing market volume or price movements, for example, against

user configurable criteria. In addition to market-based criteria (price, volume etc) it also highlights potentially anomalous trading situations where, for example, the same client may be quoting on both sides of the market, or the same client may have multiple bids or offers at multiple prices in the market. These “alerts” are then investigated.



This is an example of one of the graphic screens that Surveillance uses when analysing an alert. This example, of a relatively infrequently traded stock for clarity, shows a full day’s trading, but the time period can be expanded or contracted as necessary. It shows all the orders placed, amended or cancelled (the triangles) and all trades executed (the circles), both colour coded for buy (green) and sell (red). While Surveillance can also access this information in a more detailed tabular format, the panels to the right give a basic overview of each individual client’s activity in the stock on this day. These panels can also be sorted by Participant, or by Common Shareholder Number (CSN). The histogram at the bottom of the chart shows volume traded in (in this case) each 15 minute interval.

2020 SMARTS Alerts Upgrade

In 2020, the Surveillance team undertook a detailed review of its existing SMARTS alerts framework.

This review was undertaken with the aim of:

- addressing the increased number of “false positive” alerts - generated in large part as a result of the increase in small retail on-market orders which commenced during the COVID-19 period;
- ensuring that Surveillance’s existing alerts suite remain fit for purpose given observed changes in the market environment; and
- supporting the planned implementation of the NZX trading system upgrade (NASDAQ ME), and introduction of the mid-market order book (NZX Dark).

This SMARTS upgrade was completed in July 2020. The upgrade resulted in a number of new parameters being applied to existing alerts, the retirement of a number of alerts, and the introduction of numerous new alerts. The upgrade enhances the Surveillance team’s ability to detect potentially anomalous trading.

Historically, the Surveillance team’s real-time monitoring function occupied approximately 25% of each analyst’s workday. In March 2020, before the rollout of the new alerts package, and at the peak of COVID-19-induced market volatility, this function occupied approximately 75% of analysts’ time.

After the upgrade was rolled out in July, the number of alerts, measured as a function of market turnover, fell by approximately 67% to bring the analyst-hours proportion back in to line with historical averages.

The Surveillance team is confident that, despite the reduction in the number of (false positive) alerts, the new alerts package has improved its ability to detect market misconduct and other anomalous trading.

SMARTS Alerts Analysis

If a SMARTS alert is triggered, the Surveillance team undertakes an initial review. This is primarily to identify, and discard, false positive alerts. The remaining alerts are then subjected to a more in-depth assessment process.

The action that is taken in respect of a SMARTS alert, or any other matter identified by the Surveillance team directly, is dependent on the circumstances of the alert. Surveillance considers a number of factors when deciding whether to conduct an in-depth review or commence an investigation. These factors include:

Liquidity

The liquidity of securities trading on the market varies significantly. The levels of liquidity in smaller issuers will often explain abnormal and/or short term price movements.

Underlying client orders and their intentions

Surveillance is interested in alerts that evidence an abnormal trading pattern for a single client. It will seek to understand the motivation for that trading, and investigate the client and its order instructions.

Volume, value and frequency of trades

Surveillance seeks to understand the reason for orders for small quantities being entered over an extended duration, or being entered at or near market close. It also reviews abnormal trading activity around corporate events or key dates, such as month-, quarter- and year-end.

Orders at close

Surveillance monitors the timing and nature of orders entered in the pre-close session, as well as trading activity near the end of each day's regular trading session for activity that has the potential to influence the closing price of a security. It takes particular interest in large orders and orders entered late in the pre-close session, as well as orders entered or cancelled which have an outsize effect on the simulated clearing price of the upcoming closing auction.

Change of beneficial ownership

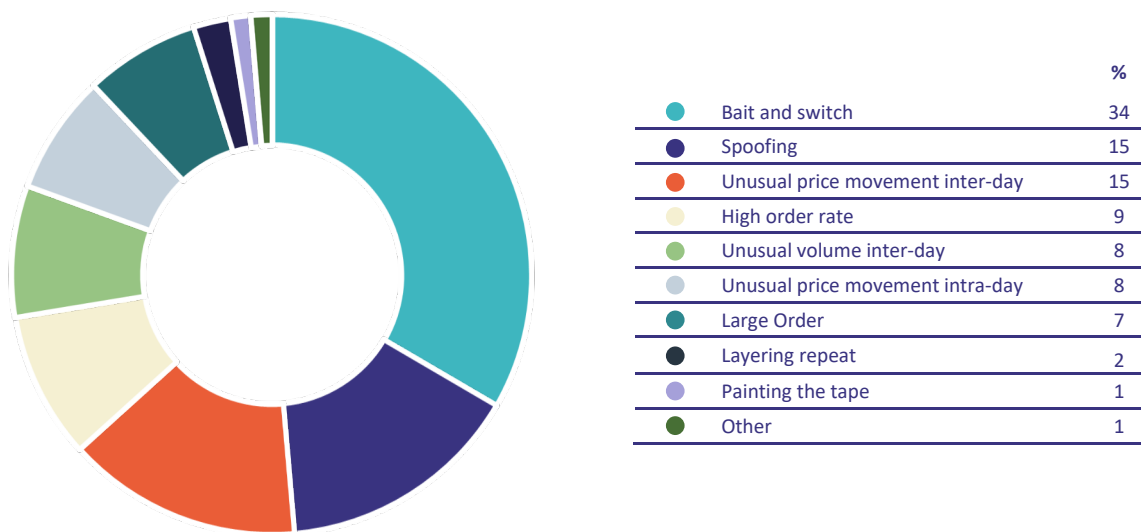
Surveillance will review trading that appears not to result in a change of beneficial ownership in the relevant security.

Materiality

The following factors will be considered in assessing materiality:

- a (usually volatility-based) benchmark of the past trading history of a specific security;
- the absolute value of a price impact;
- the percentage price or volume movement;
- the market capitalisation of the issuer; and
- any subsequent market reaction.

The following graph represents the different types of alerts reviewed during 2020.



Bait and switch	This alert identifies accounts entering large orders on both sides of the order book which may potentially influence the best buying (or selling) price of other participants. This alert has now been retired and effectively replaced by the Spoofing alert, which highlights similar behaviour, but more comprehensively.
Unusual price movement intra-day	This alert identifies unusual price movements against security specific, volatility-based, benchmarks for multiple intra-day time ranges.
Unusual price movement inter-day	This alert identifies unusual price movements against security specific, volatility-based, benchmarks for multiple inter-day time ranges.
Spoofing	This alert was introduced in July 2020 as part of the upgrade, and comes in multiple “flavours”, all designed to highlight orders which appear not to be genuine attempts to trade, but instead appear to be placed with the intent to influence the market higher or lower to benefit either existing positions, or orders placed on the opposite side of the market.
High order rate	Identifies and highlights accounts which enter a larger than usual number of orders in a stock, potentially indicating an attempt to influence other participants by suggesting an increase of interest in the stock. This alert has now been retired and effectively replaced with the Spoofing Alert, which monitors similar behaviour, but more comprehensively.
Unusual volume	This alert identifies unusual levels of trading volume against security specific benchmarks.
Large order	Highlights participants and clients who enter unusually large orders.
Layering Repeat	This alert highlights accounts that enter multiple orders at multiple price steps on one side of the order book, effectively influencing the market in the desired direction, and then trades against any orders so influenced.

Painting the tape	Highlights accounts which enter orders to execute trades at sequentially higher prices—thus “painting the tape”—and which then attempt to unwind or reverse their position by selling stock. This alert also works in reverse.
Other	Other alerts, which fire relatively infrequently, include Pump and Dump; Trash and Cash; Phishing; Marking the Close; Pinging; and Insider alerts.

When the Surveillance team investigates trading on NZX’s markets, it generally engages directly with NZX Participants to request information such as details of order records, order instructions, phone recordings, electronic communications, and end client information.

In 2020, the Surveillance team conducted 315 investigations arising out of its monitoring and oversight activity, compared to 157 in 2019.

While some of this increase related to the general uplift in market activity - expected to continue for the foreseeable future - the vast majority was a direct result of the COVID 19-related volatility seen in the first half of the year. Fully 70% of these investigations occurred in the first half of the year.

If an investigation warrants escalation, the Surveillance team may refer the investigation to:

- the FMA, if the matter relates to misconduct prohibited under the FMC Act;
- the Participant Compliance team, if the matter relates to misconduct by accredited market Participants under NZX Participant Rules; and
- the Special Division of the NZ Markets Disciplinary Tribunal (Tribunal), if the matter relates to trading in the securities of, or any related entity of, NZX.

FMA Referrals

The FMA has primary responsibility for investigation and prosecution of alleged breaches of the insider trading and market manipulation provisions of the FMC Act.

If, as a result of its investigations, the Surveillance team identifies trading behaviour that indicates potential insider trading or market manipulation, it refers that trading to the FMA. This may include trading in advance of market announcements, or trading behaviour that suggests an attempt to influence the price of a security.

NZ RegCo Surveillance referred 22 matters to the FMA for further investigation in 2020. Eighteen referrals related to potential insider trading and four related to potential market manipulation. Surveillance liaises closely with the FMA, both pre- and post-referral, providing it with analytical and quantitative information.

One of these referrals resulted in the FMA issuing a formal warning, in December 2020, to an individual for conduct that was likely to have amounted to market manipulation.

In-depth investigations are on-going in a number of the other matters referred to the FMA.

Special Division referrals

The Special Division of the NZ Markets Disciplinary Tribunal exercises the powers and functions of NZ RegCo as they apply to NZX Limited and any related entity of NZX. This includes Smartshares, as the issuer of Exchange Traded Funds (ETFs) listed on the NZX Main Board. The Special Division's role is to foster market confidence that the market rules are applied to NZX and any related entity in an impartial and independent manner.

Alerts triggered in the SMARTS surveillance system in relation to the securities of NZX and Smartshares, and other potentially abnormal trading activity in those securities detected by the Surveillance team, are forwarded to the Special Division for further analysis. In 2020, the Surveillance team referred 195 matters for further investigation compared to 75 referrals in 2019. The increase in alerts generated largely reflects a substantial increase in trading activity across NZX-listed ETFs.

The Special Division reports annually on the outcome of its investigations into matters referred to it.

Surveillance and the Special Division have in place operating protocols to support referrals and reporting. As part of a 2020 review, amendments were made to those protocols to ensure more effective engagement relating to alerts generated in relation to the creation and redemption of Smartshares ETFs by a specific group of accounts owned by Smartshares itself, or which arise from market-making activities in these ETFs.

Participant Compliance referrals

Daily trade surveillance may also identify potential breaches of NZX Participant Rules by accredited NZX Participants. This may include disorderly trading or trading which is in breach of certain timing or reporting rules.

Such matters may be referred to the Participant Compliance team for investigation. In 2020, the Surveillance team referred 43 matters to Participant Compliance, compared with nine referrals in 2019.

Many of these referrals related to potential “disorderly markets” events, in many cases during the periods of increased volatility experienced in the first half of the year.

Surveillance liaises closely with Participant Compliance, both pre- and post-referral, providing it with analytical and quantitative information in support of investigations.

Price Enquiries

Surveillance may issue a price enquiry to an Issuer if there has been trading in that Issuer’s securities that cannot be explained to NZ RegCo’s satisfaction by reference to publicly available information or market data.

In determining whether to issue a price enquiry, the Surveillance team assesses:

- the size of the price increase or decrease;
- any company announcements;
- historic volatility of the stock;
- whether the price movement was gradual or sudden; and
- any industry data, broker recommendations or research analysis.

As a result, not every material price movement warrants a price enquiry.

In 2020, Surveillance issued 12 issuer price enquiries, compared to 11 in 2019.

Price enquiries are initiated by the Surveillance team when there is a material and persistent change in an Issuer’s share price that cannot reasonably be explained by information that is generally available to the market.

The price enquiry process incorporates two key steps: a public enquiry and a confidential enquiry. The additional information received under the confidential enquiry will assist NZ RegCo in determining whether the Issuer remains in compliance with its continuous disclosure obligations, while maintaining confidentiality of the Issuer’s information.

NZ RegCo reiterates that confirmation by an Issuer that it is in compliance with its continuous disclosure obligations does not mean that the Issuer does not hold Material Information. Issuers may confirm compliance, and be relying on an exception from immediate disclosure under the Listing Rules – such as where the information relates to an incomplete transaction or proposal.

Public Enquiry

Surveillance issues a price enquiry to the Issuer, seeking confirmation of whether that Issuer remains in compliance with its continuous disclosure obligations. This price enquiry letter, and the Issuer’s response, are released to the market via the NZX markets announcement platform.

Confidential Enquiry

Surveillance also issues a confidential request for information to the Issuer. That request asks the Issuer to provide more detailed information about its compliance with its continuous disclosure obligations on a confidential basis.

In this confidential request, Issuers are specifically asked to:

- Confirm whether they are in possession of Material Information (as defined in the NZX Listing Rules);
- If so, confirm whether or not it is relying on an exception from immediate disclosure; and
- If so, explain the basis on which it is relying on that exception.

NZ RegCo is particularly interested in how the Issuer has maintained confidentiality, as this is expected to inform an assessment of the risk that an information imbalance has developed in the market for an Issuer’s securities.

Algorithmic Trading

Given the marked increase in the volume of algorithmic trading over the past two years, Surveillance continued to apply significant focus to this area in 2020. Most NZX Participants now use execution algorithms themselves, and also provide Direct Market Access (DMA) to their onshore institutional clients and offshore institutional and broker clients, many of which use their own algorithms to trade on NZX.

Surveillance works closely with NZX Participants whenever it identifies instances of execution algorithms not operating optimally. This proactive engagement is intended to minimise the potential for operational matters inadvertently escalating into trading conduct matters under the NZX market rules or law. Most operating issues encountered with algorithms in 2020 related to “stale data”, where algorithmic orders and amendments/cancellations were responding to bid and offer data that had been superseded. On some occasions this resulted in hundreds of unintended trade initiation and amendment messages. Surveillance also identified a number of situations where algorithms were not configured

with parameters appropriate for the New Zealand market.

Surveillance found end user clients (frequently an offshore broker) were open to constructive engagement on these issues and, in each case, changes were made to the code underlying the relevant algorithm.

One of the features of trading in 2020 was the significant increase in retail and institutional participation, across both the NZX and ASX. This participation resulted in a marked increase in liquidity on both sides of the Tasman, presenting more opportunities for High Frequency Trading (HFT) firms – on NZX, HFT activity is heavily dominated by arbitrage trading in NZX/ASX dual listed securities. The value of HFT trading more than doubled in absolute terms in 2020, and increased from 10.0% to 17.3% of total on market trading, measured by value.

Surveillance monitoring throughout 2020 did not identify any instances of market disorder as a result of this HFT algorithmic trading.



Issuer Compliance

The Issuer Compliance team administers the Listing Rules, and supervises compliance by listed Issuers with those rules. Principal activities undertaken by the Issuer Compliance team include:

- engaging with Issuers concerning continuous disclosure and market releases;
- general assistance and guidance in relation to the Listing Rules, both externally and as internal subject matter experts for other teams within NZX;
- considering applications for waivers and rulings from Listing Rules;
- market monitoring and investigating any suspected rule breaches; and
- undertaking enforcement work through its market conduct function for NZ RegCo.

Issuer investigations

In 2020, Issuer Compliance conducted 51 enquiries and investigations, which included five initiated as a result of complaints. There were nine investigations ongoing at year end.

Issuer Compliance's engagement with Issuers included matters where the conduct involved did not amount to a breach, and where Issuer Compliance considered that best practice guidance would be useful or engagement would otherwise benefit NZX's regulatory function.

The focus of the Issuer Compliance team's investigation activity during 2020 was heavily weighted towards disclosure practices and compliance with the updated NZX Listing Rules (which were subject to a transitional implementation period until 1 July 2019).

Again, as with 2019, the majority of our investigations (30 of 51, or 59%) related to the release of administrative information. Breaches in this category tend to be of a less serious nature.

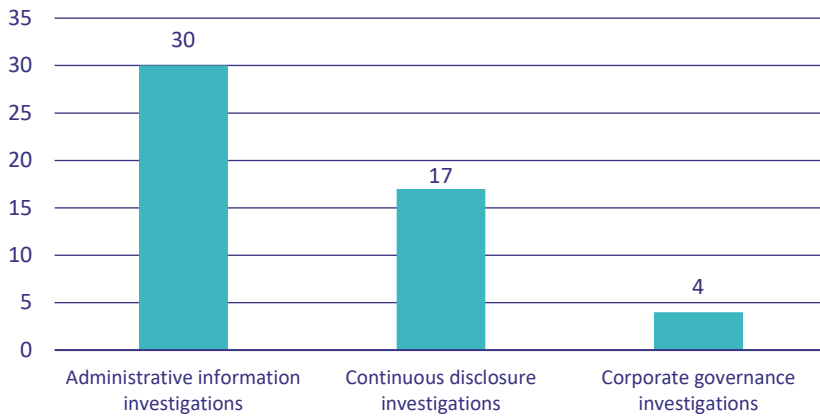
The Listing Rules provide that information must be released to market through the MAP data entry

system, and in accordance with any specific forms required by NZX. In many cases administrative breaches occurred in circumstances where the relevant information was disclosed to the market, albeit not in a manner that met the MAP data entry requirements.

In 2020, NZ RegCo worked with NZX Product Operations to reduce the number of such administrative breaches. These steps are discussed in more detail below, but account for the marked reduction in the number of investigations for administrative information matters in 2020 as compared to 2019.

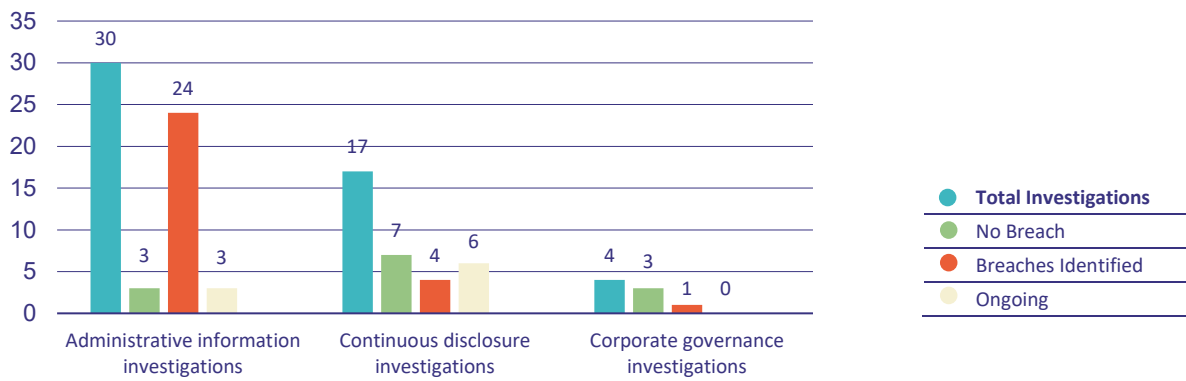
Continuous disclosure investigations were the second largest group, with a total of 17 investigations, which was 33% of the total investigations by Issuer Compliance. While the number of these continuous disclosure investigations has decreased from the previous year (2019: 34 investigations), the complexity of those investigations has continued to increase.

Issuer Investigations



Of the 42 investigations conducted and concluded during 2020, 29 resulted in breaches being identified.

Investigation Outcomes



Continuous disclosure

Continuous disclosure continues to remain a priority for NZ RegCo, reflecting the importance of timely disclosure of material information, and access to information to enable investors to make informed investment decisions.

NZ RegCo notes that the number of continuous disclosure investigations continued to decline, with 17 investigations in 2020, down from 34 in 2019. As noted above, however, the complexity of these investigations has continued to increase.

NZ RegCo continues to work to enhance its processes in relation to these investigations. These procedural steps include: revising NZ RegCo's procedures to ensure greater consistency across investigations; focussing on more effective liaison with the FMA given our overlapping jurisdictions; and documenting investigations to provide the highest appropriate level of evidentiary sufficiency.

Administrative announcements

Administrative announcements are required to be released at particular times and contain specific information, and accordingly a number of

breaches related to the timing of administrative announcements or to inadvertently omitted content (particularly data not being entered into the Market Announcements Platform (MAP)).

In 2020, NZ RegCo and NZX Products Operations amended the internal procedures for the escalation of administrative information compliance issues. Under the new arrangements, a quantitative materiality threshold is applied to minor MAP data issues before referral to NZ RegCo.

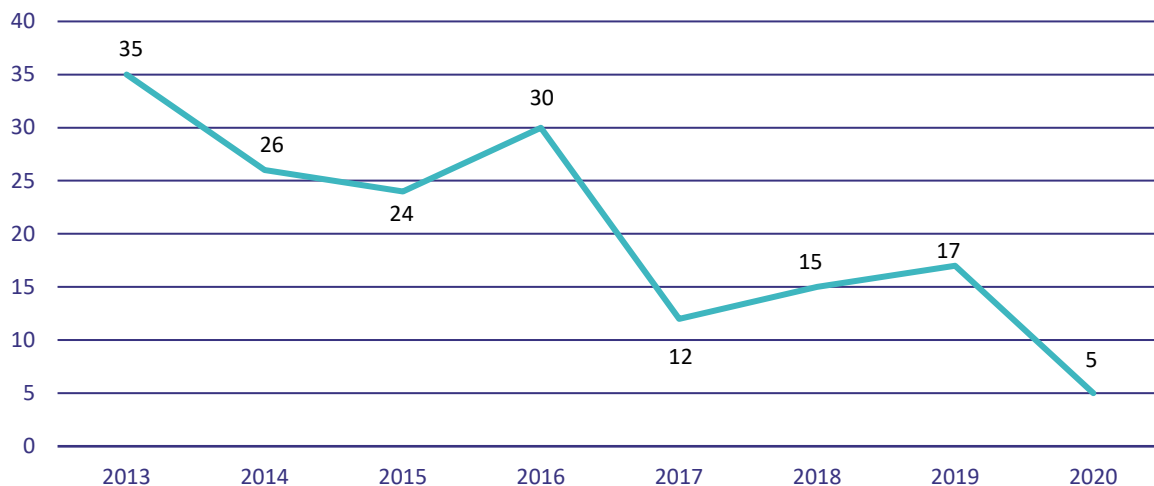
As a result of this approach the overall number of investigations undertaken by the Issuer Compliance team reduced considerably during 2020 as opposed to 2019.

NZ RegCo actively works with the NZX Product Operations team to support compliance, with additional MAP training being offered to Issuers on their second strike, and requiring it as an obligation in the event of a third strike.



Issuer Compliance Complaints

Complaints



NZ RegCo received five complaints in relation to Issuers in 2020, significantly down from 17 in 2019. Of these, three related to continuous disclosure, and two complaints related to corporate governance matters.

Complaints received by NZ RegCo which allege a breach of the market rules are investigated in accordance with NZ RegCo’s enforcement policy. None of the complaints received in 2020 gave rise to breaches of the Listing Rules being identified.

If NZ RegCo receives a complaint alleging matters which are not regulated by the Listing Rules (for example, an Issuer’s application of corporate law or obligations under the FMC Act), NZ RegCo will refer it to the regulator with the appropriate regulatory mandate. In some cases, there is no further action that can be taken.

Participant Compliance

The Participant Compliance team administers the NZX Participant Rules and NZX Derivatives Market Rules, and supervises compliance with those Rules, together with the Clearing and Settlement Rules and Depository Operating Rules. Principal activities include:

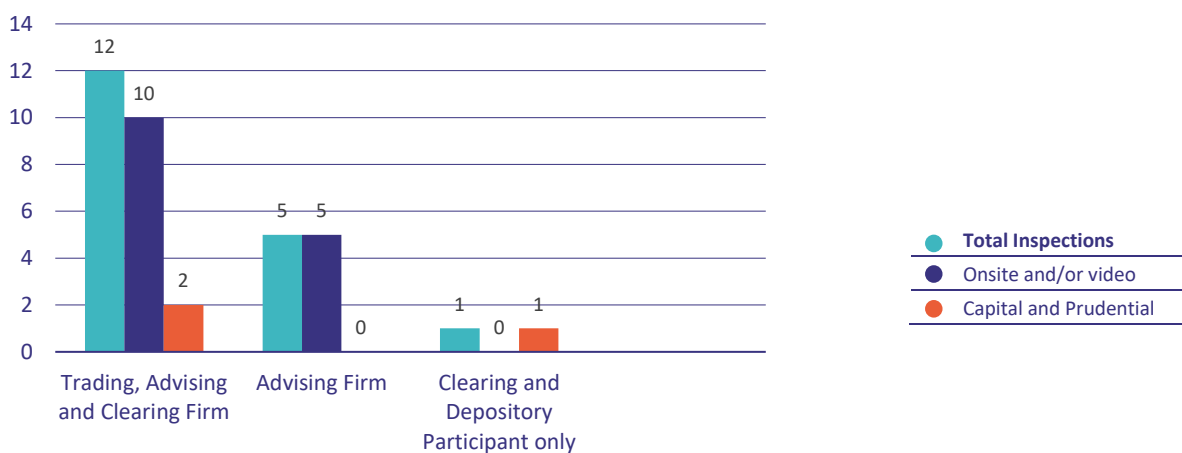
- Capital and prudential and onsite inspections; and
- Investigating suspected rule breaches.

Inspection Regime

In 2020, the Participant Compliance team conducted inspections of 18 Participants. The targeted inspection programme focussed on a few fundamental topics, but allowed time to test these in more depth. The inspection programme maintained a compliance monitoring focus,

identifying industry trends and key risks specific to the Participant’s business and compliance history. Topics covered included trading conduct, direct market access, risk management practices and compliance monitoring. NZ RegCo also conducted inspections of other key areas such as capital adequacy, client assets and clearing & settlement processes, where relevant to the Participant.

Inspections 2020



The inspection process provides an opportunity to engage with Participants and discuss concerns that NZ RegCo or the Participant may have. The 2020 inspections were made more complex by restrictions caused by COVID-19, which reduced the number of inspections that could be carried out onsite. However, NZ RegCo and Participants used available technology to facilitate live discussions of matters where in person visits were not possible. During the 2020 inspections, NZ RegCo continued to work with Participants in support of their meeting best practice compliance standards.

NZ RegCo identified five breaches during the 2020 inspection programme and made 12 good practice recommendations.

Participant investigations

The Participant Compliance team investigated 91 matters during 2020, relating to a broad range of compliance issues. 14 of these matters were ongoing at the end of 2020.

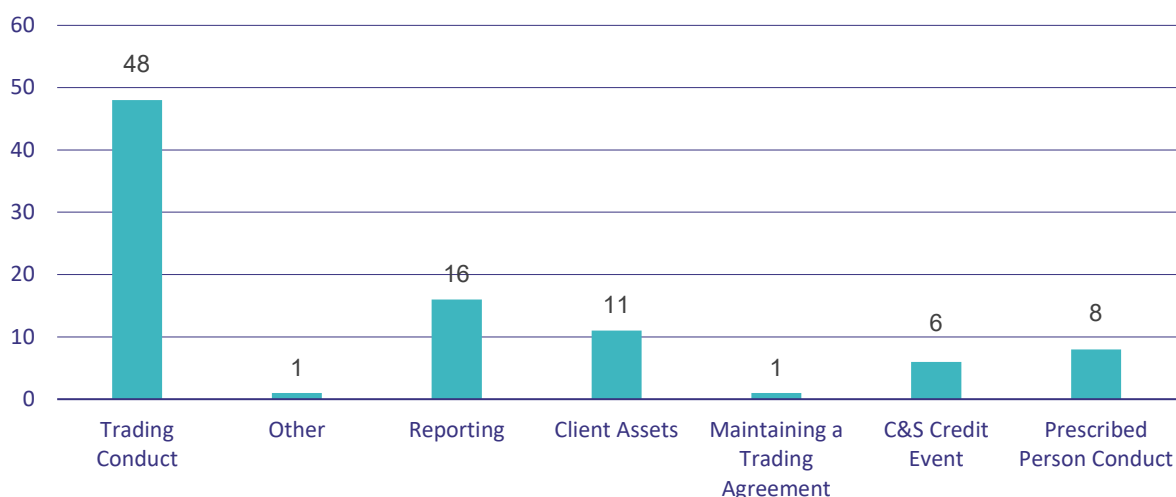
Of the 91 investigations conducted, one was specific to the Derivatives Market Rules, six specific to the Clearing & Settlement Rules and 81 were specific to the Participant Rules. The remaining three investigations related to multiple rule sets.

Of these:

- one reporting matter related to both the Participant and Derivatives Market Rules; and
- two reporting matters related to the Participant and Clearing & Settlement Rules.

NZ RegCo continued to actively engage with Participants throughout 2020, with a focus on the correct application of the Rules, timely reporting of potential breaches and assisting Participants to improve policies and controls in order to support best practice.

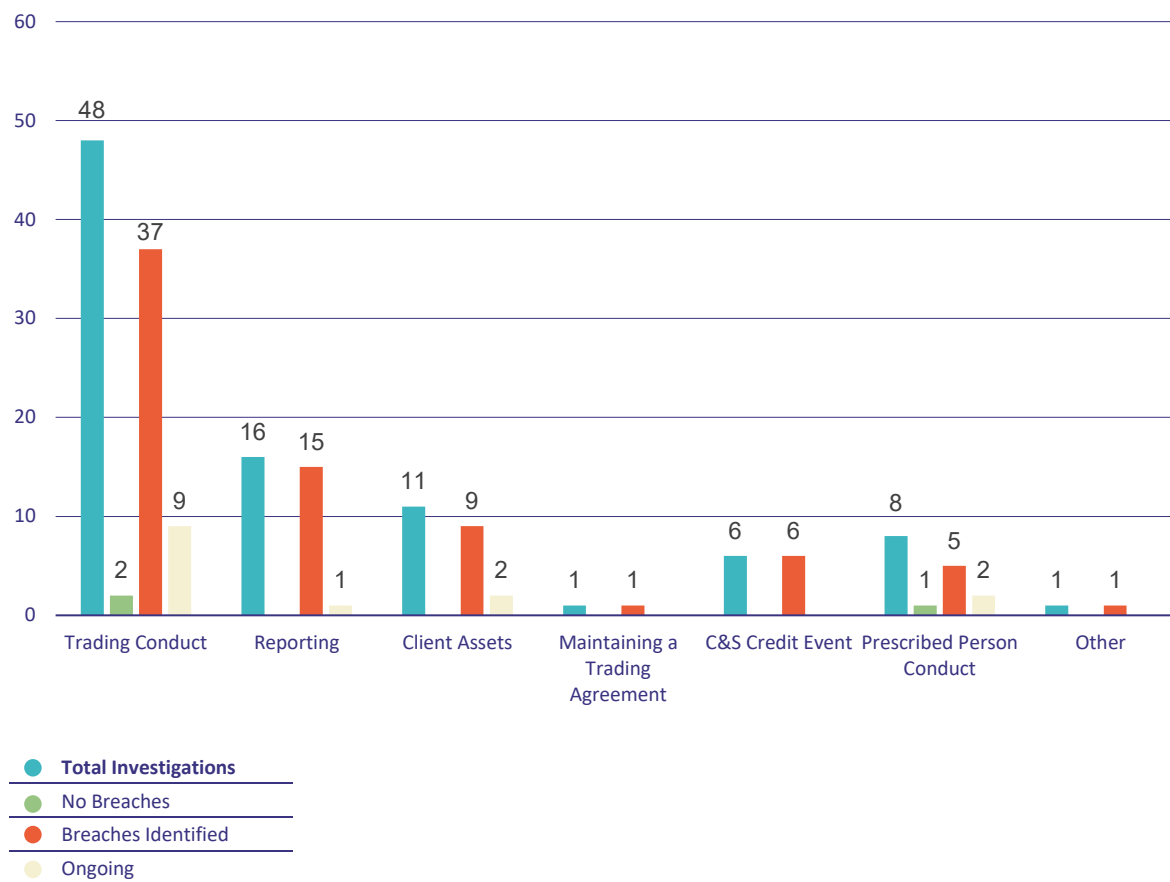
Participant Investigations



Similarly to previous years, a large proportion of the investigations for 2020 related to trading conduct, client assets and credit events, reflecting the complexity and importance placed on these areas. In addition, there were a number of investigations relating to late reporting of mandatory information. Engagement with Participants regarding breaches of the rules continues to be appropriate, particularly in areas such as client assets, late reporting, prescribed person trading and even trading conduct, where NZ RegCo experienced a proactive approach by a number of Participants reporting potential breaches.

Of the 77 investigations concluded in 2020, 74 breaches were identified. Of the three investigations that did not result in a breach being identified, two related to trading conduct matters and one to a prescribed person trading matter.

Participant Investigations Outcomes



Trading Conduct

Trading conduct continued to be an area of focus for NZ RegCo in 2020, reflecting the importance of this area to the fair, orderly and transparent operation of the markets. There was a significant increase in the number of investigations that related to trading conduct, however, this increase was consistent with the significant increase in trading and market volatility experienced in 2020.

The significant majority of breaches in relation to trading conduct represented relatively minor breaches of the rules; however, one instance was referred to the Tribunal for more significant enforcement outcomes and two were combined and an Infringement Notice issued. A further 21 resulted in obligations letters being issued, formally recording details of the relevant breach, reminding the Participant of its compliance obligations, and requiring improvements to their processes.

Client Assets

The number of breaches identified in 2020 relating to client assets were consistent with the previous year. Breaches identified were primarily caused by inadvertent operational errors by a Participant or their bank, leading to a client funds account or ledger being temporarily overdrawn. Such breaches were usually of very short duration and the Participant would self-report the breach to NZ RegCo promptly. In these instances, as the Participants involved held aggregate asset balances that were greater than their payment obligations, clients were not exposed to actual risk and all payment obligations were met. There were three instances where NZ RegCo issued obligations letters to Participants requiring that specific enhancements be made to their processes. There was one matter that NZ RegCo referred to the Financial Markets Authority and one matter that was commenced in 2019 and concluded in 2020, which was referred to the Tribunal for a more significant enforcement outcome.

Clearing and Settlement: Credit Events

These investigations included one investigation that was commenced in 2019 and concluded in 2020. A credit event is generally declared when a Clearing Participant has not met one of its margin or settlement obligations. This could be due to a range of reasons and does not necessarily indicate an issue with liquidity, however credit events are a key focus for NZ RegCo due to the potential risk to the market.

NZ RegCo engaged with Participants to ensure that they reviewed and amended their existing processes to reduce the potential for similar credit events going forward and issued one Participant an obligations letter directing specific enhancements be made to their processes.

Reporting

NZ RegCo saw a number of breaches relating to late reporting of mandatory information. Such information includes notification of changes in capital position, corporate and personnel, and financial filings. The vast majority of the breaches identified were primarily caused by inadvertent oversight by a Participant and were self-reported by the Participants. NZ RegCo requires timely reporting of certain information as part of its oversight of Participants. NZ RegCo issued obligations letters to a number of Participants requiring improvements to their processes.

Complaints about Participants

Participant Compliance received no complaints during 2020.

Prescribed Person Trading

NZ RegCo received a number of self-reports from Participants relating to prescribed persons of the Participant maintaining trading accounts with other Participants without the requisite notifications or permissions. One of these was determined not to be a breach and the remaining matters were primarily caused by inadvertent oversight or misunderstanding of the specific requirements by a Participant. Given the increase observed in such prescribed person breaches, NZ RegCo sent a reminder to all Participants in 2020 clarifying the specific requirements.

Maintaining a Trading Agreement

NZ RegCo requires all Advising Participants to maintain a trading agreement with a Trading Participant in order to enable trading by their clients. One Participant did not meet this requirement. NZ RegCo issued an obligations letter requiring the Participant to resolve the situation. When the Participant was unable to do this within the designated timeframe, the Participant was suspended. As at the date of this report, that Participant remains in suspension.

Enforcement

NZ RegCo takes into account a number of factors when considering what outcome is appropriate if we identify a breach of NZX’s market rules. While not an exhaustive list, such factors include the:

- Nature of the breach and whether it relates to an enforcement priority;
- Impact of the breach;
- Market rule that has been breached and precedent;
- Person or entity that has breached the rule;
- Respondent’s level of cooperation with NZ RegCo’s investigation; and
- Effect that enforcement action could have on the market, the regulatory outcome we would seek to achieve by taking enforcement action, and whether other remedial action is possible or has been taken

Overview of key NZ RegCo enforcement activity in 2020

Enforcement activity	Market Participants	Issuers	Total
Matters where breaches were referred to the Tribunal	2	1	3
Infringement notices issued	1	0	1

Referrals to the Tribunal

NZ RegCo referred three Rule breaches to the Tribunal in 2020. This was a decrease from 2019 (ten referrals) and 2018 (seven), but the same number as 2017. Referral numbers will tend to fluctuate from year to year, with the relatively small numbers involved making for more volatility.

Of these referrals, two were for Participant conduct matters (one each concerned with access to client records and client funds) while the third was an Issuer conduct matter, dealing with continuous disclosure.

During January and February 2020, the Tribunal also released four determinations from matters referred late in 2019. Two of these referrals were for late annual reports, one for non-compliance with financial reporting standards, and the fourth was a foreign exempt Issuer which had failed to release announcements on NZX that it had released on its home exchange.

Key Learnings from Tribunal determinations

Issuer / Participant	Summary of Case	Key Learnings
ASB Securities Limited NZMDT 1/2020	<p>Security of Trading System</p> <p>Failure to maintain appropriate security procedures to prevent unauthorized entry into Trading System</p> <p>ASB Securities breached NZX Participant Rules 4.5.5, 9.1.1(c), 10.6.1(d), 10.7.1 and 10.8.1(a), relating to the security of access to the trading system, protecting the confidentiality of client information, and maintaining appropriate restrictions on Direct Market Access.</p> <p>The breaches stemmed from client online share trading accounts that were vulnerable to unauthorised viewing or to Orders being placed by individuals who no longer had authority to access or transact on those accounts.</p> <p>The Tribunal approved a settlement agreement, including a public censure, \$80,000 penalty, and costs award.</p>	<p>Breaches of the NZX Participant Rules relating to client account security and integrity of NZX’s trading system (Trading System) are breaches of fundamental obligations, usually subject to determination under Penalty Band 2 of the Tribunal Procedures (which have a maximum penalty of \$500,000). Compliance with these rules by NZX Participants is essential in maintaining market integrity and investor confidence.</p> <p>Trading Participants have obligations to:</p> <ul style="list-style-type: none"> ensure the accuracy, integrity and bona fides of all trading messages that are entered into the Trading System; have appropriate filters, screens and security measures in place in allowing access to that system via Direct Market Access; maintain appropriate security procedures designed to prevent unauthorised entry into the Trading System; and ensure that only authorised dealers or other persons authorised by the Participant may enter or submit orders into the Trading System. <p>Participants should implement effective auditing or compliance testing processes to ensure that internal processes are being adhered to.</p>
Tiger Brokers (NZ) Limited NZMDT 2/2020	<p>Client Trust Account</p> <p>Failure to follow NZX directions - operation of client fund accounts</p> <p>Tiger Brokers breached NZX Participant Rules 3.9, 8.1.1(c), 18.4.1, 18.4.2, 18.6.1(a)(i) and 18.6.1(b), relating to its client fund accounts.</p> <p>The breaches stemmed from Tiger Brokers:</p> <ul style="list-style-type: none"> depositing Client Funds in an account which was not a Client Funds Account under the Rules due to the relevant bank not being recognised under the NZX Participant Rules, and failing to comply with a direction from NZX to cease using that account. <p>The Tribunal ordered a public censure, \$160,000 penalty, and costs award.</p>	<p>The requirement for Market Participants to only deposit client funds in qualifying Client Funds Accounts is a fundamental obligation under the Rules.</p> <p>Any Market Participant holding client funds in a manner which does not comply with the Rules has the potential to damage investor confidence in the transparency and integrity of the NZX Markets.</p> <p>The purpose of the client funds Rules is investor protection – this includes the requirement that client funds accounts are named in way that reflects their trust status, and that that status is acknowledged by the relevant bank in which client funds are deposited. The acknowledgement should make it clear that the bank is aware that the account is a trust account so that there is no prospect of the bank claiming on funds in the account in the event of the Market Participant’s insolvency. Investors should not be in a position of potentially having to prove an account is a trust account in those circumstances.</p> <p>Market Participants are required to comply with directions made by NZX under the Rules, even if the Participant might seek to reserve their position on the application or interpretation of the Rules.</p>
Air New Zealand Limited NZMDT 3/2020	<p>Continuous Disclosure</p> <p>Obligation to release Material Information promptly and without delay - release of Material Information through means other than MAP</p> <p>The breach stemmed from the public release of Material Information by Air New Zealand without first having released that information to NZX via the Market Announcements Platform, in breach of Listing Rule 3.1.1.</p> <p>The Tribunal approved a settlement agreement, including a public censure, \$40,000 penalty, and costs award.</p>	<p>Breaches of the NZX Listing Rules relating to continuous disclosure are breaches of a fundamental obligation.</p> <p>Compliance with the continuous disclosure Rules by issuers are essential in maintaining market integrity and investor confidence.</p> <p>When issuers are considering a public communication strategy they must consider whether the relevant information is Material Information under the NZX Listing Rules.</p> <p>Issuers should also observe their own continuous disclosure policies when dealing with information, which are intended to mitigate the risk of information not being released in accordance with the Rules. Appropriate internal decision makers or external advisers should be consulted to help issuers manage this risk.</p> <p>Recommendation 4.1 of the NZX Corporate Governance Code provides that an issuer should have a written policy that explains how it complies with its continuous disclosure obligations to ensure all investors have access to relevant information.</p>

Infringement notice regime

Under the infringement notice regime, NZ RegCo can issue fines of up to \$10,000 for minor breaches of the market rules.¹ These are an effective enforcement tool for NZ RegCo, and avoid the cost and time that might otherwise be incurred if the breach required a formal Tribunal determination, but still permit a financial penalty to be imposed.

Other enforcement tools

NZ RegCo has other enforcement tools available to it, in addition to Tribunal referrals and infringement notices. The enforcement tool NZ RegCo may use if there is a Rule breach depends on the circumstances of the breach and the regulatory outcome we want to achieve. The full range of enforcement tools utilised by NZ RegCo is set out on the [website](#).

NZ RegCo issued one notice in 2020, down from two in 2019. The infringement notice related to two breaches of the NZX Participant Rules by dealers from the same firm. In each case dealers made human errors dealing in listed financial products, giving rise to a disorderly market on both occasions.

During the year, NZ RegCo issued a number of obligations letters to Issuers and Participants.

¹ Penalty Band 1 breaches under the NZ Markets Disciplinary Tribunal Rules.

Obligations letters are a standalone enforcement outcome. They formally record details of the relevant breach, remind the Issuer or Participant of its compliance obligations, and may impose a requirement for review or amendment of specific policies or processes. If NZ RegCo imposes such a requirement, it will be time-bound and implementation is subject to NZ RegCo evaluation.

NZ RegCo, and the Tribunal, have a low tolerance for repeat rule breaches by Issuers and Participants. NZ RegCo's approach is to escalate enforcement outcomes if it observes repeat breaches by an Issuer or Participant. This includes instances where NZ RegCo identifies a rule breach in circumstances that were previously addressed through the issue of an obligations letter.

In the period 2018 to 2020, NZ RegCo issued 65 obligations letters to Issuers and Participants. Of those, NZ RegCo observed only three instances where there occurred repeat breaches:

1. A Participant provided late notification of a change in its capital ratio. The Participant was issued an obligations letter, which recommended the Participant consider introducing additional controls. Following a further incident, NZ RegCo issued a further obligations letter directing the Participant to take action to prevent a further breach and noting that disciplinary action would be considered on any re-occurrence. NZ RegCo further tested the Participant's controls as part of the Participant's subsequent on-site inspection.
2. A Participant was found to have breached its orderly market obligations due to genuine Dealer error. An obligations letter was issued requiring the Participant to take action to improve its controls, procedures and monitoring to prevent a recurrence of the specific factors giving rise to the breach. The Participant subsequently breached the orderly market requirements on two further occasions, albeit in very different circumstances. Those subsequent breaches also resulted in obligations letters, requiring additional action be taken in relation to the specific circumstances. Following a further breach of the Participant's orderly market requirements - again as a result of genuine Dealer error - NZ RegCo imposed an Infringement Notice and \$9,000 fine.
3. A Participant was found to have breached its orderly market obligations in respect of Dealer errors that resulted from reliance on an internal alert filter that had been incorrectly set. This was subsequently corrected, but not before additional trades had occurred on the same basis. An obligations letter was issued requiring the Participant to take actions to improve its controls and monitoring to prevent a recurrence. The Participant subsequently committed further breaches of the orderly market requirements in different circumstances, but where a common factor was a filter - in that case a Direct Market Access filter - that was not correctly set. This matter has been escalated internally for enforcement action assessment - in part on the basis of the prior issues that the Participant had experienced which were the subject of the initial obligations letter. This matter remains ongoing at the time of this report.

Engagement

Surveillance

2020 Participant and FMA engagement

The Surveillance team interacts with NZX Participants on a daily basis, generally on real-time issues related to the Participant’s orders and trading. There was a significant uplift in frontline trading support provided during 2020, largely attributable to the market volatility and trading volumes experienced.

In 2020, Surveillance continued to enhance its engagement with key counterparts at the FMA on its core monitoring and referral work.

The Surveillance team has developed an educative programme targeted at the trading desks and client advisors of NZX Participants and domestic institutions. That programme provides insight into Surveillance infrastructure, monitoring practices and the approach to referrals of suspected misconduct. COVID-19 impacted this activity in 2020, however sessions were held with the Australasian Investor Relations Association (AIRA), and the newly appointed CEO of the New Zealand Shareholders Association.

Indications of Interest (IOIs) – NZ RegCo Market Review

In 2019, Surveillance undertook a survey of NZX Participants and institutional investors to obtain their views on the current use of IOIs in the New Zealand market. This review led to a recommendation by Surveillance that NZX adopt global best practice and require Participants to flag their IOIs as either “natural” or “non-natural” and as either “agency” or “principal”.

NZX Policy is currently working on incorporating this recommendation in to the NZX Trading Conduct Guidance Note.



Issuer Compliance

In addition to its market monitoring, oversight and enforcement work, Issuer Compliance engages with issuers and the market if it:

- receives an application under the Listing Rules; and
- provides guidance and support to issuers and advisers in their understanding and application of the Listing Rules.

Applications and transactions

NZ RegCo is required to review various documents under the Rules, and also has the power to grant waivers and rulings. This type of transactional work makes up a relatively large proportion of the day to day work of the Issuer Compliance team, and is important for ensuring that:

- Our markets are fair, orderly and transparent (for example, by ensuring investors receive all the information they require before making a decision); and
- The Rules do not unduly inhibit an Issuer’s business activity, by allowing NZ RegCo to consider the underlying principles of the rules and to provide effective waiver relief, where appropriate.

In 2020, Issuer Compliance undertook the following application and transactional work:

Category – approvals and non-objections	Number ²
Notices of meeting and other miscellaneous documents	25
Approvals to act as an appraiser and provide an appraisal report	8
Applications by Issuers for waivers and/or rulings	37
Offer documents	13
New listings	10
De-listings	4
Trading Halt applications	66
Suspensions of Quotation	4

During 2020, NZ RegCo exercised its powers to halt trading in, or suspend quotation of, various Issuers’ securities. NZ RegCo considered 66 trading halt applications, and four suspensions. This represented an increase from 2019 (50 trading halt requests). In many cases trading halts were requested by Issuers when raising capital, consistent with the increase in capital raising activity during 2020.

² During the year (i) three waiver applications were declined or withdrawn, and (ii) two offer documents were withdrawn.

Issuer engagement initiatives

NZ RegCo continued to engage with Issuers, including providing training sessions for Issuers and their external legal counsel. This engagement included topics such as amended requirements under the revised NZX Listing Rules, MAP data entry requirements, changes to forms and templates under the NZX Listing Rules, and other key issuer requirements such as continuous disclosure. With the increased pipeline of new listings, NZ RegCo has worked with the NZX Issuer Relationships team to revise training materials and further engage with Issuers through the listing lifecycle (including prior to listing, as part of an induction programme).

NZ RegCo also worked to grant class waivers in response to the unprecedented impacts arising from COVID-19. Three class waivers were granted, extending deadlines for periodic reporting and facilitating capital raisings:

- Class waiver and ruling in relation to Listing Rules 4.1 and 4.4 (permitting the use of Accelerated Non-Renounceable Entitlement Offers, and implementing price protection mechanisms for retail shareholders by enabling differentiated pricing between the institutional and retail components of all accelerated entitlement offer structures);
- Class waiver and ruling in relation to Listing Rule 4.5 and the definition of “Share Purchase Plan” (facilitating urgent capital raisings, through an increase in placement capacity and the Share Purchase Plan cap, and adjusting equity capital raising timetable requirements); and
- Class waiver from Listing Rules 3.5, 3.6 and 3.12, extending deadlines for periodic reporting obligations (for the release of results announcements and annual reports).

Any class waiver involves a balance of competing considerations, and as these waivers were intended as a response to the uncertainty caused by COVID-19, they were time limited in their duration, expiring towards the end of 2020. NZ RegCo engaged with the FMA and Takeovers Panel (as appropriate) on the class instruments.

NZ RegCo was also proactive in publishing additional guidance to the market on the approach to managing continuous disclosure obligations in light of COVID-19. That included support for Issuers in relation to:

- Assessing materiality in a volatile market;
- Assessing “material deviations” from financial projections or market expectations;
- Actual or potential covenant breaches;
- The obligations relating to proposed cancellation or deferral of dividends or interest payments;
- Assessing the extent to which information was “generally available to the public” arising from Government or other third party announcements; and
- Administrative requirements for the release and timing of Issuer announcements.

Queries

Issuers, advisors and wider capital markets stakeholders continue to engage with Issuer Compliance. Over 2020, Issuer Compliance received 254 total queries regarding application of the Listing Rules, of which 199 were from Issuers and other external stakeholders. This was a

marked decrease from the level of queries addressed in 2019, but more in line with previous years. The number of queries addressed by the Issuer Compliance team in 2019 queries was driven primarily by the implantation of the revised NZX Listing Rules.

Category of Query	Count
NZX Issuer or prospective Issuer	88
Law firm	69
Member of the public	26
Other regulator	1
Other (for example market participants or accountancy firms)	15
Internal NZX query (for example seeking subject matter expertise on the Listing Rules from NZ RegCo)	55

Responding to queries is an important aspect of NZ RegCo’s market engagement. Queries provide an insight into how the market is interpreting certain Listing Rules and also whether, during the recent changes to the Listing Rules, there were any unintended consequences of the changes. NZ

RegCo is pragmatic with its responses to queries, either responding with guidance or considering whether a wider response is needed (for example by way of confirming interpretation of a rule in a market publication, or by issuing a class waiver or ruling decision).

Participant Compliance

Accreditations and Designations

Participant Compliance received 64 applications for accreditations and designations in 2020.

The team considered 61 applications for designation from individuals. These designations included various categories of:

- advisers, which allow the designated individuals to provide advice regarding NZX listed products;
- dealers, which allow the designated individuals to enter orders directly into the exchange’s trading system; and

- management designation, which allow the designated individuals to hold a particular position of responsibility within a Participant.

An individual can hold more than one designation at any time therefore the number of applications considered does not necessarily reflect the number of individuals who received designations during 2020.

Approved Designation Applications



NZX Advisor	37
Dealer	15
FSM Dealer	7
Derivatives Dealer	2
Other	6
Derivatives Adviser	0

NZ RegCo considers an individual’s education and experience, and their relevance to our markets, when assessing an application.

NZ RegCo received three applications for corporate accreditation from new or potential Participants in 2020. One for a single category of participation, which was approved, one for multiple categories of participation for which consideration is ongoing and one for recognition of an additional Direct Market Access (DMA) system for which consideration is ongoing.

NZ RegCo notes that applications for accreditation as an NZX Market Participant require applicants to demonstrate a number of areas of capability, aligned with the obligations that apply to the category of participation being applied for. Those include financial strength, appropriate controls and processes, management arrangements, good compliance history and practices, adequate resourcing and suitable technology. Accreditation is at the discretion of the exchange, and may be withheld if the applicant does not meet all of the necessarily high requirements.

Participant Accreditation Applications



Trading and Advising Firm*	1
NZX Sponsor	1
Individual Clearing Participant*	1
Depository Participant*	1
New DMA System^	1

* relate to single entity application which was ongoing at FY2020 year end
 ^ ongoing

Regulatory applications

Regulatory applications cover approvals, exemptions, permissions, rulings and waivers. In 2020 Participant Compliance considered 51

applications. Of those, 47 were approved, three applications were withdrawn and one application was declined.

Participant Accreditation Applications



Approval	2
Subordinated debt	32
Permission	11
Ruling	1
Waiver	5

The number of regulatory applications received in 2020 was consistent with 2019.

Participant Compliance considered the following four class applications that apply to all Participants in 2020:

- A class ruling was granted relating to changes to the settlement operational timetable for a specified day in order to accommodate the Reserve Bank of New Zealand’s payment system replacement;
- An application for approval for designation of a certain overseas financial institution as a Bank for the purposes of the rules, was declined;

- A class waiver was granted arising out of COVID-19, providing relief in respect of the notification requirements for “broking offices”, to accommodate Participant employees working remotely; and
- A class waiver was granted relating to reporting and settlement of off-market NZX Debt Market transactions in particular circumstances.

Discipline Fund

This section details the use of the proceeds of the Discipline Fund, as set out in the Discipline Fund accounts.

Proceeds of the Discipline Fund may be used in accordance with Tribunal Rule 9.5.1. These uses of the Discipline Fund include:

- seminars and other education initiatives in respect of regulation of NZX’s markets;
- redrafting NZX’s markets rules and any other rules and regulations of NZX, the Clearing House or the Depository;
- enforcement of NZX’s markets rules and any other rules and regulations of NZX, the Clearing House or the Depository;
- the costs and expenses of the Tribunal; and

- any other use with the prior written consent of the Financial Markets Authority.

In 2020, NZX utilised approximately \$15,000 of the Discipline Fund in relation to Rule amendments, arising from the implementation of the NZ RegCo model and preliminary work associated with recovery and resolution enhancements under the NZX Clearing and Settlement Rules.

Spend relating to external legal support was up in 2020, with support for a number of complex matters referred to the Tribunal as well as matters which remained ongoing at FY2020 year end.

Expenditure from the Discipline Fund must return a commensurate value to the market. Our work on engagement and market education in 2021 will continue to be informed by that philosophy.

	12 Months to				
	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20
Fines and costs	437,808	213,226	440,988	202,386	559,401
Expenses of NZ Markets Disciplinary Tribunal					
Executive Counsel costs	46,236	73,110	80,841	51,801	62,991
NZ Markets Disciplinary Tribunal Member costs	103,670	103,703	145,066	73,031	107,717
Legal Advisory costs	10,066	31,489	35,891		102,541
Rules Review costs	103,076	64,660	232,502	68,847	15,151
Disbursements	1,202	4,830	934	1,199	1,519
Educational Expenditure		26,702	22,057	53,164	14,699
Other Incidentals	5	1,052	6	32	
Market Education	18,708	20,785	8,083	4,269	232
Investigations		25,871	5,674	1,052	
Ongoing procedures				19,935	2,251
Bad/Doubtful Debts			19,000	- 19,000	
Bank fees					5
Total Expenses	282,963	352,202	550,054	254,330	307,106
Interest Income	9,237	5,605	5,744	3,528	2,507
Tax expense	132,663	36,971	29,112	13,551	51,320
Surplus (Deficit) for the period	31,419	(96,400)	(74,211)	(34,865)	203,483
Accumulated Surplus (Deficit)	543,724	447,324	373,113	338,248	541,731