



NZX Participant Guidance Note

NZX Adviser Designation

December 2020



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This Guidance Note has been issued by NZX Limited (**NZX**) to promote market certainty and assist NZX Participants. This Guidance Note sets out NZX's general approach to the subject, but is not to be regarded as a definitive statement of the application of the Participant Rules or Derivatives Market Rules in every situation. Examples set out in this Guidance Note are limited and are not designed to cover all eventualities. NZX may replace Guidance Notes and Practice Notes at any time and an NZX Participant should ensure it has the most recent versions of these documents. Guidance Notes do not constitute legal advice. NZX recommends that NZX Participants take advice from qualified persons.



1. Introduction

The purpose of this Guidance Note is to provide information for Participants on the designation of Advisers, including NZX Advisers, NZDX Advisers, and NZX Derivatives Advisers.¹

1.1 Scope of this Guidance Note

This Guidance Note relates to Adviser designations under both the Participant Rules and the Derivatives Market Rules (**Rules**), including:

- The types of Adviser categories under the Rules;
- The process for applying for designation as an Adviser; and
- The requirements imposed on Advisers.

Where relevant, examples of required education or experience are set out in this Guidance Note. These examples are provided for illustrative purposes only, and are not designed to cover all eventualities. All applications to NZX for Adviser designation are considered on a case-by-case basis, and determined based on their particular facts.

References to NZX Participants in this Guidance Note include:

- Participants, Advisers and Dealers as defined in the Derivatives Market Rules; and
- Market Participants, Advisers and Dealers as defined in the Participant Rules,

as specified in each relevant Rule.

Capitalised terms which are not defined in this Guidance Note have the same meanings given to them in the Rules.

Under Participant Rule 21.4.1 and Derivatives Market Rule 14.14.1, NZX may act by and through NZX Regulation Limited (**NZ RegCo**) in performing any function or discharging any power set out in the Rules. References in this Guidance Note to NZX therefore also include NZ RegCo in relation to any regulatory activity or discretion.

2. Adviser Types

NZX Participant Rule 5.2 outlines the requirement for each person providing advice on transactions relating to NZX Listed Products to be designated by NZX as an Adviser. This applies to the NZX Main Board (NZSX), the NXT Market, the NZX Alternative Market (NZAX), the NZX Debt Market (NZDX) and the NZX Derivatives Market. NZX Derivatives Market Rule 6.7 outlines

¹ NZX Derivatives Advisers refers to Advisers designated under the NZX Derivatives Market Rules, who are designated only in respect of advice relating to Derivatives Contracts

the requirement for any person providing advice on transactions relating to Derivatives Contracts to be approved as an NZX Derivatives Adviser.

To avoid confusion, a NXT Advisor is a Market Participant who supports a company listing on the NXT Market and is not addressed in this guidance.

2.1 NZX Adviser

An NZX Adviser is an individual who has been designated and approved by NZX and who may provide advice to clients, or deal in any market operated or provided by NZX on behalf of clients, on transactions relating to NZX Listed Products (except those Quoted on the NZX Derivatives Market for which separate designation is required) under Participant Rule 5.2.

2.2 NZDX Adviser

An NZDX Adviser is a person who is designated and approved to only provide advice to clients on transactions in relation to Financial Instruments or any other instrument Quoted on the NZDX under Participant Rule 5.3 and may not provide advice or deal in respect of any other NZX market.

2.3 NZX Derivatives Adviser

An NZX Derivatives Adviser is a person who is designated and approved to provide advice to Clients on Derivatives Contracts and Dealing in Derivatives Contracts as per Derivatives Market Rule 2.4.1.

3. Applying for Designation as an Adviser

Application for designation as an Adviser requires the applicant to complete the application forms in:

- Appendix 9 of the Participant Rules for NZX Advisers;
- Appendix 10 of the Participant Rules for NZDX Advisers; or
- Appendix 6 of the Derivatives Market Rules for Derivative Advisers.

Application forms must be accompanied by the relevant supporting documentation required as set out in the application forms. Supporting information must evidence how the applicant meets the requirements for education and experience and include the applicant's CV, details of any registrations or licences and any other relevant information. Evidence can be provided in a variety of forms, including (but not limited to) certificates, academic transcripts or, in some cases, a letter of nomination and support from the Participant. It is recommended that applicants provide as much supporting evidence as possible.

NZX may, at its sole discretion, consider and accept evidence of experience or qualifications, either for an exemption from the educational or experience requirements set out in this Guidance Note.



4. Designation requirements

The requirements in order to be recognised as an NZX Adviser, NZDX Adviser and NZX Derivatives Adviser are set out in Participant Rules 5.2 to 5.5, Derivatives Rule 3.6 and this Guidance Note.

An applicant is able to attain the requisite educational and experience requirements while employed at a Participant, in advance of an application for designation being made.

In order to meet the education and experience requirements to be designated as one of the categories of NZX Adviser, as set out in Participant Rules 5.4.2 or 5.5.2 or Derivatives Market Rule 3.6, the applicant will need to provide evidence of the following:

1. Education that provides:
 - a. Knowledge of the relevant NZX Rules and guidance;
 - b. Understanding of trading, clearing and settlement;
 - c. Understanding of financial markets (in particular stock markets or derivatives markets, as applicable) more generally; and
 - d. Understanding of the NZ legislative context.
2. Experience - 2 years' relevant financial markets experience or other equivalent experience (to be determined by NZX at its discretion), obtained over the 5 years preceding the application.

4.1 NZX Rules Test

As part of the education requirement, an applicant must have a working knowledge of the NZX Participant Rules or the Derivative Market Rules. In order to demonstrate this knowledge of the relevant NZX Rules and Guidance, applicants are required to complete and pass an online NZX Rules test facilitated by NZX.

A Rules test can be arranged by contacting NZX. This can be completed before commencing the application process or as part of the process.

4.2 Education

In addition to the NZX Rules test, applicants will need to provide evidence of education that provides:

- Understanding of trading, clearing and settlement;
- Understanding of financial markets (in particular stock markets) more generally; and
- Understanding of the New Zealand legislative context.



These components can be achieved through various means, including:

- a. A degree or diploma in a relevant discipline;
- b. Kaplan papers 508N 'Securities Law and Market Regulation in New Zealand' and:
 - 405N 'The New Zealand Stockmarket' for NZX Adviser or NZDX Adviser; or
 - FIN351 'The Derivatives Market' for NZX Derivatives Adviser;
- c. NZ Certificate in Financial services Level 5 with the Investment strand included (or successor qualifications);
- d. Overseas recognised qualifications relating to markets (e.g. U.S. Series 7); or
- e. A significant level of relevant experience directly related to the NZX markets (or similar overseas markets).

When choosing to use a degree or diploma (other than the NZX Diploma) to meet one or more of the education components, information that demonstrates the relevance of the degree or diploma to the component must be provided.

Understanding of the New Zealand legislative context can also be achieved through internal training provided by the Participant. Evidence and scope of the training will need to be provided as supporting documentation with the application.

If a candidate wishes to rely on their previous experience (as detailed in (e) above) rather than any of the other education options, they will need a minimum of five years' experience in the eight years preceding their application, and their application will need to be supported by a written submission from the Participant to support the application. The submission should provide details as to why the Participant thinks the candidate has appropriate knowledge and skills.

4.3 Experience

The minimum experience requirement is two years of relevant financial markets experience obtained over the preceding five years. This can include various categories of experience within financial markets, including for example operational or support roles where the candidate gained broader market related experience. The application should outline how the applicant's experience is relevant and meets the NZX's requirements to be designated. NZX may request additional information from the Participant regarding how the applicant's experience is relevant to their role as an Adviser.

In order to be relevant, the experience will need to support the specific category of Adviser designation that is sought. For example, two years' experience that is specific to cash markets is unlikely to be sufficient to meet the requirements for recognition as an NZX Derivatives Adviser, or vice versa.

Similarly a candidate who has only had experience in FX markets or banking will also require experience in capital markets to be recognised as an NZX Adviser.



A candidate with extensive experience as an Authorised Financial Adviser, would also need to have experience in capital markets and direct investment in listed products to be recognised as an NZX Adviser.

4.4 Supervision of Advisers yet to be designated

The criteria to become designated by NZX as an Adviser include both academic qualifications and experience. A person new to the market will generally be expected to gain at least some of the experience required to become a designated Adviser by working under the supervision of an NZX Adviser, although they could also gain some of their experience in operational or support roles where they are exposed to broader market experience. NZX's policy is that such supervision should include a reasonable level of oversight in order to provide the level of training required to become designated. NZX considers that, at a minimum, a reasonable level of oversight by a designated Adviser will involve the following:

- as NZX does not consider that supervision can be achieved remotely from another office, the supervisor should be seated in close proximity, ideally beside or opposite one another, to the supervised person in order to provide regular guidance and to be able to listen to telephone conversations the supervised person has with clients;
- as any advice of the supervised person on transactions relating to NZX Listed Products is effectively being provided by the supervisor, any advice and recommendations to clients must be reviewed by the supervisor in advance;
- written communications must also be reviewed and approved by the supervisor before being sent; and
- where the supervisor is away from his/her desk, another NZX Adviser must be designated to supervise any interaction with clients.

5. NZX Adviser Transition Arrangements

5.1 Participant Rules

This section has been prepared in contemplation of the revised Participant Rules which will become effective on 1 December 2017 and will be removed following the transition to those Rules.

NZX will engage with Participants to confirm the status of each of their current NZX Advisors and NZX Associate Advisors and the approach required for them to be transitioned to the new NZX Adviser designation. There will be three approaches depending on the status of each person:

1 NZX Advisors

Current NZX Advisors will be automatically transitioned to the NZX Adviser designation.

2 NZX Associate Advisors with two years' relevant experience

Current NZX Associate Advisors who have been accredited for two or more years will be automatically transitioned to the NZX Adviser designation.



3 NZX Associate Advisors with less than two years' relevant experience

Current NZX Associate Advisors who have been accredited for less than two years will be required to complete and pass the NZX Rules test in order to be transitioned to the NZX Adviser designation.

Where a Participant is of the view that an NZX Associate Advisor in this category has more than two years' relevant experience that is applicable so should be automatically recognised, they will be able to raise those individual situations with NZX for consideration.

5.2 Derivatives Market Rules

This section has been prepared in contemplation of the update to the Derivatives Market Rules which will become effective on a later date and will be removed following the transition to those Rules.

NZX will adopt a similar process of engagement with Participants to confirm the status of each of their current Advisors under the Derivatives Market Rules and the approach required for them to be transitioned to the new NZX Derivatives Adviser designation. There will be two approaches depending on the status of each person:

1 Advisors with two years' relevant experience

Current Advisors under the Derivatives Market Rules (at the time of the Rule changes) who have been accredited for two or more years will be automatically transitioned to the NZX Derivatives Adviser designation.

2 Advisors with less than two years' relevant experience

Current Advisors under the Derivatives Market Rules (at the time of the Rule changes) who have been accredited for less than two years will be required to complete and pass the NZX Rules test in order to be transitioned to the NZX Adviser designation.

Where a Participant is of the view that an NZX Associate Advisor in this category has more than two years' relevant experience that is applicable so should be automatically recognised, they will be able to raise those individual situations with NZX for consideration.

