NZX Limited

Derivatives Market Rules

~~16 April 2015~~

Table of Contents

Section 1: General Provisions and Interpretation **9**

1.1 Definitions 9

1.2 Interpretation 36

1.3 Notification 40

1.4 Status of Rules 40

1.5 Amendment 41

1.6 Procedures 42

1.7 Effect of amendment 42

Section 2: Classes of Participants **44**

2.1 Participants 44

2.2 Trading Participants 44

2.3 Advising Participants 47

2.4 Advisors 48

Section 3: Application, Designation and Accreditation, Responsible Executives and Compliance Managers **50**

3.1 Application for designation as a Participant 50

3.2 Applicant to satisfy NZX 50

3.3 Additional application requirements for becoming a TCF 51

3.4 Additional application requirements for being a Participant (other than an Advisor) 51

3.5 Application requirements for Direct Market Access for a Trading Participant, being a Dealer and/or a DMA Dealer 54

3.6 Application requirements for being an Advisor 54

3.7 Appointment and resignation of Directors 55

3.8 Management structures 55

3.9 Responsible Executives 56

3.10 Appointment of Compliance Managers 58

3.11 Notification of appointment, resignation or change of Compliance Manager 58

3.12 Prohibition on Compliance Manager Dealings 59

3.13 Overseas Applicants 59

3.14 Undertakings from Overseas Applicants 60

3.15 Overseas Activities 61

3.16 Inquiry by NZX 62

3.17 NZX decision 62

3.18 Designation may be conditional 62
3.19 Notice of decision 62
3.20 Application approved 62
3.21 Application declined 63
3.22 Grouping provision 63

Section 4: Business Conduct of Participants 66
4.1 Rules 66
4.2 General 66
4.3 Market manipulation 66
4.4 Obligations of Participants 68
4.5 Notification and provision of information to NZX 69
4.6 Filings 71
4.7 Dealing information to be provided to NZX 71
4.8 Corporate/trust structure information 72
4.9 NZX may require further information 72
4.10 Information provided to be correct and certified by Authorised Signatory 72
4.11 Information provided confidential 73
4.12 Request for non-disclosure 74
4.13 Record keeping 74
4.14 Inspection of records 74
4.15 Business continuity plan and emergency procedures 74
4.16 Insurance 75
4.17 Advertising 76
4.18 Employee Trading 76
4.19 Prescribed Person accounts 78
4.20 Prohibition on Trading for Prescribed Persons of another Participant 78
4.21 Insider Trading 78
4.22 Conflict management procedures 78
4.23 Mandatory recording of Client instructions 79
4.24 Client complaints 81
~~4.25 Minimum capital required 81~~
~~4.26 Capital adequacy requirements 82~~
~~4.27 Other prudential supervision regime 82~~
~~4.28 Capital adequacy reporting 83~~

~~4.29 NTCA calculation 84~~
~~4.30 Total Risk Requirement calculation 84~~

Section 5: Additional Requirements for Technology Connecting Facilities 85

5.1 TCF register 85
5.2 Client Agreements 85

Section 6: Business Conduct of Advising Participants and Advisors 86

6.1 Application of Section 6 86
6.2 Internal compliance procedures 86
6.3 Advising Participant's general requirements 86
6.4 Trading Agreements 87
6.5 Client Agreements 88
6.6 Accepting prospective Clients 90
6.7 Requirement to be an Advisor to advise Clients 91
6.8 Duty of care 91
6.9 Know your Client procedures 91
6.10 Information required for prospective Clients that are natural Persons 92
6.11 Information required for prospective clients that are trusts 94
6.12 Information required for prospective clients that are not natural Persons or trusts 95
6.13 Intermediaries 96
6.14 Exemption to information required for winding up estates 97
6.15 Winding up estates 97

Section 7: Clearing and Settlement 99

7.1 Appropriate clearing and settlement arrangements 99
7.2 Third party clearing arrangements 99
7.3 C&S Agreements 100
7.4 General 101
7.5 Suspension of Clearing Arrangements 101
7.6 Settlement arrangements 102
7.7 Give-up & Take-up Transactions 102

Section 8: Trading Participants – General obligations when Trading on the Market 103

8.1 Price Limits 103
8.2 Obligations of all Trading Participants 103

8.3 Requirement to have designated Dealers, DMA Dealers or DMA Authorised Persons 104
8.4 Direct Market Access 104
8.5 Direct Client Order Processing and Direct Principal Order Processing 105
8.6 Revocation of DMA access 106
8.7 Trading operations for the Market 107
8.8 Errors and Trade and Cross Transactions cancellation 108
8.9 Cancellation fee 110
8.10 Disputes in relation to Trades 110
8.11 Trading Halts and Suspensions of Trading 110

Section 9: Trading with a Client – General Trading obligations when Trading on the Market 113
9.1 Relationship with other sections 113
9.2 Allocation Policy 113
9.3 Risk Warnings 113
9.4 Bringing Orders to Market 113
9.5 Client Clearing and Settlement Disclosures 114
9.6 Client Agreements 115
9.7 Order records 117
9.8 Client order priority 118
9.9 Contract notes and monthly statements 118
9.10 Margin liability of Clients 120
9.11 Voluntary additional calls 120
9.12 Compulsory additional calls 120
9.13 Compulsory calls regarding Options 121
9.14 Circumstances when call need not be made 121
9.15 Call requirements 122
9.16 Closing positions of a Client 122
9.17 Adjustment on closing a Contract of a Client 122
9.18 Retention of margins 122
9.19 Trading Participant to deposit shortfall of calls on Clients 122

Section 10: Requirements for Trading on the Market 124
10.1 Trading operations of the Market 124
10.2 Trading against Client Orders 125
10.3 Transactions deemed not to be Cross Transactions 125

10.4 Transactions in respect of Discretionary Accounts 125
10.5 Orders allowing for price / time discretion 125
10.6 Trading after the Close of the Open (Normal) Session State 125
10.7 Trading priorities on the Trading System 126

Section 11: Accepting and Holding Client Funds 127
11.1 Scope 127
11.2 Introducing Broker 127
11.3 Client Funds Regulations, Reporting Act and other legal requirements 127
11.4 Accounts 127
11.5 Discretionary Accounts register 127
11.6 Opening a Discretionary Account for a Client 128
11.7 Separation of Discretionary Accounts 128
11.8 Review of Discretionary Account Transactions 128
11.9 Excessive trading 128
11.10 Reporting to Clients with Discretionary Accounts 129
11.11 Timing of Discretionary Accounts reports 130
11.12 Internal policies required for Discretionary Accounts 130
11.13 Request for a "Hold Mail" Account 130
11.14 Hold Mail Account register 130
11.15 Contract notes 131

Section 12: Placing F&O Orders and Facilitating Trades Off-Exchange 132
12.1 Relationship with other sections 132
12.2 General obligations for trading Derivatives Contracts on a F&O Exchange or Off-Exchange 132
12.3 Placing F&O Orders on a F&O Exchange 133
12.4 Facilitating Trading of Derivatives Contracts Off-Exchange 133
12.5 Client priority – F&O Orders and Instructions 133
12.6 F&O Exchange and Off-Exchange Allocation Policy 134
12.7 Disclosure to Clients 134
12.8 Initial Margin liability of Clients 134
12.9 Voluntary additional calls 135
12.10 Compulsory additional calls 135
12.11 Compulsory calls regarding Options 136
12.12 Circumstances when call need not be made 136

12.13 Call requirements 136
12.14 Closing positions of a Client 137
12.15 Adjustment on closing a Derivatives Contract of a Client 137
12.16 Retention of margins 137
12.17 Participant to deposit shortfall of a margin 137
12.18 Maintenance of records – F&O Orders and Off-Exchange trades 137

Section 13: Accounts, Records, Audits and Reporting 140
13.1 General requirements for books of accounts and records 140
13.2 Reporting requirements 140
13.3 Records to be maintained 142
13.4 Financial Statements 142
13.5 Accounting systems 142
13.6 Audit certificate and report 142
13.7 Maintenance of records and internal systems 143
13.8 Additional requirements for records, reports and internal controls 143
13.9 Penalties for late filing of returns or records 145

Section 14: NZX Powers, Default and Resignation 146
14.1 Powers are additional 146
14.2 Waivers and rulings 146
14.3 Market Maker Programme 146
14.4 Complaints and investigations 146
14.5 Referral to the NZ Markets Disciplinary Tribunal 147
14.6 Participant's obligation to report and facilitate enquiries 148
14.7 NZX to investigate 148
14.8 NZX powers to inspect and investigate 149
14.9 Disclosure of Information from inspection or investigation 150
14.10 Participant's liability for NZX costs 151
14.11 Fees and charges 151
14.12 Currency conversions and overdue interest 152
14.13 General powers 152
14.14 Delegation of powers 153
14.15 Defaulting Participants 153
14.16 Powers on default 156
14.17 Suspension 156
14.18 Application to lift suspension 157

14.19 Termination of Participant Status by NZX or the NZ Markets Disciplinary Tribunal 157
14.20 Resignation 158
14.21 General provisions relating to resignation, suspension and termination of designation as a Participant 158
14.22 Conditions for re-designation as a Participant 159

Section 15: Miscellaneous 161
15.1 Liability of NZX 161
15.2 General Provisions 162

~~**Appendix 1: Capital Adequacy 176**~~
~~1.1 Definitions 176~~
~~2.1 Valuation and Foreign Currencies 179~~
~~2.2 Items excluded from NTCA 181~~
~~2.3 Items included in NTCA 181~~
~~2.4 Subordinated Debt 181~~
~~2.5 Operational Risk Requirement 182~~
~~2.6 Netting 182~~
~~2.7 Counterparty Risk Requirement 183~~
~~2.8 Large Position Risk Requirement 183~~
~~2.9 Position Risk Requirement Calculation 184~~
~~2.10 Currency Risk Requirement 185~~
~~2.11 Primary Market Risk Requirement 185~~
~~2.12 Market Risk Requirement 186~~

Section 1: General Provisions and Interpretation

Procedures Reference

1.1 Definitions

In these Rules:

Acting as Principal means in respect of a Trade where a Trading Participant is acting on its own account or for the account of an Associated Person of that Trading Participant.

Acting in Concert means a group of Persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition (directly or indirectly) of shares in another Person, to obtain or consolidate Control of that Person.

Advising Firm means a Participant who has been designated by NZX as an Advising Firm.

Advising Participant means any Person that is so designated by NZX and includes an Advising Firm and an Introducing Broker and shall be construed to include a Bank Only Participant, a Trading and Advising Firm and/or other Trading Participant in accordance with Rule 6.1.1.

Advisor means a natural Person that provides investment and product advice to Clients on Derivatives Contracts and who is designated and approved by NZX as an Advisor in accordance with Rule 3.17.

AFSL means an Australian Financial Services Licence issued to financial planners and financial services industry corporations by the Australian Securities and Investment Commission;

Allocation Policy has the meaning given to that term in Rule 9.2.

Alternative Regulator means a regulatory~~ed~~ body, other than NZX, that is established under New Zealand law or the law of another jurisdiction, and whose function is, or includes, prudential supervision.

Anti-Money Laundering Act means the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.

Appendix means any appendix to the Rules or Procedures, as the context requires.

Applicant has the meaning given to that term in Rule 3.1.1.

Application Form means the relevant application form contained in Appendix Six to the Procedures.

Associated Person has the meaning set out in Rule 1.2.3 and **Associated** has the corresponding meaning.

AUD means the lawful currency of Australia from time to time.

Authorised Signatory means, in relation to a Participant or Responsible Executive, a natural Person who is authorised to sign documents in connection with that Participant's business as a Participant and these Rules on behalf of that Participant and/or its Responsible Executive.

Bank means:

(a) a registered bank under the RBNZ Act;

(b) a bank or financial institution which has a rating for its long-term unsecured and non-credit enhanced debt obligations of A- or higher by Standard & Poor's Rating Services or Fitch Ratings Limited or A3 or higher by Moody's Investor Services Limited or a comparable rating from an internationally recognised credit rating agency acceptable to NZX; or

(c) any other bank or financial institution approved by NZX from time to time.

Bank Only Participant means a Bank which has been designated and approved by NZX as a Trading and Advising Firm in accordance with Rule 3.17.

Base Currency means NZ$.

Beneficial Owner means the Person who directly or indirectly is the ultimate economic owner of an asset, or in respect of a Derivatives Contract, the Person on whose account that Derivatives Contract was Traded or traded, entered into or held, such ownership being **Beneficial Ownership**.

Best Execution means using best endeavours to obtain for a Client the best available price for the size and kind of transaction concerned relative to the instructions received from that Client.

Bid or **Buy Order** means an Order to enter into a Contract as a Buyer.

Block Trade Order means an Order that utilises the Block Trading Facility.

Block Trading Facility means the common trading facility as specified by the Procedures to allow the bulk sale or purchase of Contracts.

Procedure 9.1

Business Day means a day on which the Market is open for Trading.

Buyer means:

(a) in relation to a Contract or a Trade which is an Option, the party with the exercisable rights under the terms of the Option; and

(b) in relation to a Contract or a Trade which is a Futures Contract, the party who entered the Order to buy and is specified as buyer under the terms of the Futures Contract.

Buying Clearing Participant means the Clearing Participant providing clearing and settlement services to the Buyer under a Trade.

C&S Agreement means a clearing and settlement agreement that a Trading Participant must enter into and maintain at all times with each of its Clearing Participants (except in respect of itself where the Trading Participant is also a Clearing Participant) that meets the requirements of the C&S Rules.

C&S Obligation means an obligation imposed on a Clearing Participant under the C&S Rules.

C&S Rules means the Clearing and Settlement Rules of CHO.

Call or **Call Option** means an Option where the buyer has the right (but not the obligation) to acquire or notionally acquire a Commodity or Futures Contract.

Candidate means an applicant for approval from NZX to act as an Advisor, a Dealer, a DMA Dealer, a Responsible Executive or a Compliance Manager.

Capital Adequacy means the requirement to maintain capital ~~contained in Rule 4.25~~set out in Section 16.

Capital Adequacy Calculations has the meaning given to that term in Rule 16.3.2~~4.28.1~~.

CDO means New Zealand Depository Limited.

CHO means New Zealand Clearing Limited.

Class of Contract means all those Contracts which have the same Individual Contract Specifications, regardless of whether those Contracts have Contract Units that differ in terms of the number, class or the issuing Company of the underlying Security, index, Commodity or Derivatives Contract.

Clearing and Settlement Terms means the rights and obligations of the Buyer or the Seller (as applicable) to a Trade as principal.

Clearing House means the central counterparty clearing house operated by CHO in accordance with the C&S Rules, including its functions, facilities and systems.

Clearing Participant means a Person that CHO has allowed to be a participant in the Clearing House in accordance with the C&S Rules and includes a "General Clearing Participant", a "Default Clearing Participant" and an "Individual Clearing Participant" but does not include a "Lending Clearing Participant" (as each of those terms is defined in the C&S Rules).

Client means a Person who has executed a Client Agreement with a Participant, a TCF Client and any other Person who NZX deems would be a client of a Participant but for the failure of that Participant to enter into a Client Agreement with that Person.

Client Agreement means a written agreement containing provisions describing the relationship between a Participant and a client.

Client Funds means "client money" and "client property" or "derivatives investor money" and "derivatives investor property" as those terms are defined in the Client Funds Regulations and for the avoidance of doubt does not include any funds held in a Settlement Account for the purposes of settlement or as a result of settlement of a Settlement Transaction in accordance with the C&S Rules or Depository Rules.

Client Funds Regulations means the Futures Industry (Client Funds) Regulations 1990 or regulations 238 to 250 of the FMC Regulations (whichever is applicable).

Client Reporting Period has the meaning given to that term in Rule 11.10.1.

Client Risk Disclosure Statement means that form, containing as a minimum the provisions set out in Appendix Two to the Procedures, completed and executed by a prospective client in accordance with Rule 6.6.1.

Appendix Two the Procedures

Close means the time that the central order book for Trades in a Contract closes for the entry of Bids and Offers as determined from time to time by NZX, including pursuant to Rule 8.11 and Rule 10.1.4. The actual time for the Close for a Contract is as specified for a Contract in that Contract's Individual Contract Specification from time to time and subject to the exercise by NZX of its powers to vary that time under the Rules.

Individual Contract Specification

Close Session State means the Session State of that name described by the Procedures.

Procedure 10.1

Commodity means any property, right (present or future of any kind or description) or asset and includes a Security, an Emission Unit, electricity and money in any currency but excludes any property or right in a Derivatives Contract.

Company means "company" or "overseas company" within the meaning of the Companies Act 1993, or an entity which NZX determines has a comparable status under the laws of any other jurisdiction nominated from time to time by NZX.

Compliance Manager means a natural Person appointed to such position by a Participant in accordance with Rule 3.10.

Contingent Liabilities has the meaning determined in accordance with Generally Accepted Accounting Practice.

Contract means a Derivatives Contract designated by NZX as such which reflects any Contract Specifications and Underlying Contract determined by NZX, and which is entered into, acquired and/or disposed of on the Market or capable of being entered into, acquired, or disposed of on the Market or as determined to be available for Trading by NZX.

Contract Month means the contract or delivery month specified for a Contract as recorded in the Individual Contract Specification and/or the Underlying Contract for that Contract.

Individual Contract Specification

Contract Specifications means all of the Individual Contract Specifications for all Classes of Contract as amended and/or supplemented from time to time.

Contract Trading Hours means the Trading Hours for each Contract recorded in the relevant Individual Contract Specification for that Contract.

Individual Contract Specification

Contract Unit means the amount of the underlying Security, index, Commodity, Futures Contract or other asset in respect of which the parties to a Contract make an agreement.

Control means the ability of one Person or group of Persons Acting in Concert (Person A) (whether or not exercised and whether or not exercisable with or without the consent or concurrence of any other Person) to:

(a) control, including control the appointment and/or removal of, 25% or more of the Persons who have the capacity to determine the outcome of decisions concerning the financial and operating policies of another Person (Person B) and, where Person B is a Company, includes the ability of Person A to control, including control the appointment and/or removal of, 25% or more of the Directors of Person B; and/or

(b) exercise, or control the exercise of, 50% or more of the legal or beneficial ownership rights in respect of that Person (Person B) and, where Person B is a Company, includes the ability of Person A to control Persons who hold or control 50% or more of the equity securities or voting rights in Person B,

and **Controlled** should be construed accordingly.

Counterparty means, in respect of a transaction to which a Participant Requiring Capital is a party, another party to that transaction.

Counterparty Risk Requirement means the amount calculated under Rule 16.7.

~~**Counterparty Risk Requirement** has the meaning given to that term in Appendix 1 to these Rules.~~

Cross Transaction means any pre-negotiated business in respect of a Contract or a Class of Contracts executed by a Participant through the central order book as determined, and specified, by the Procedures.

Procedure 10.2

Currency Risk Requirement means the amount calculated under Rule 16.10

~~**Currency Risk Requirement** has the meaning given to that term in Appendix 1 to these Rules.~~

Current Market Price means the latest traded price of a Contract at any given time or as adjusted to be the current market price by NZX.

Daily Settlement Price means the settlement price calculated in respect of a Contract in accordance with the Procedures.

Procedures 8.3 to 8.7

Dealer means a natural Person who has been designated by NZX as a Dealer to use the trading functionality of the Trading System, including entering, withdrawing or amending Orders, Bids and/or Offers on behalf of a Trading Participant.

Defaulter means a Participant whom NZX has declared to be a "Defaulter" in accordance with Rule 14.15.

Depository means the central securities depository operated by CDO in accordance with the Depository Rules.

Depository Participant means a Person that CDO has designated as a Depository Participant in accordance with the Depository Rules.

Depository Rules means the Depository Operating Rules of CDO.

Derivatives Contract means a Futures Contract and/or an Option.

Direct Client Order Processing or **DCOP** means the process by which a DMA Authorised Person submits an Order directly into the Trading System via the order entry system of a Trading Participant who has an agreement with that DMA Authorised Person to submit Orders without being accepted or re-keyed by a DMA Dealer of that Trading Participant.

Direct Market Access or **DMA** is the automatic entering of Orders directly into the Trading System, including those Orders submitted via Direct Client Order Processing or Direct Principal Order Processing.

Direct Principal Order Processing or **DPOP** means the process by which an Order from a DMA Authorised Person is registered in the order entry system of a Trading Participant who has an agreement with a DMA Authorised Person to register Orders and, if accepted for submission into the Trading System by that Trading Participant, is submitted into the Trading System by a DMA Dealer of that Trading Participant.

Director means:

(a) in relation to a Company, any Person occupying the position of director of the Company, by whatever name called;

(b) a partner of a partnership; or

(c) in relation to any other entity, any Person occupying a position of management and control in that entity that is comparable with that of a director, by whatever name called (including, in the context of a Limited Partnership, a general partner or a director or officer thereof),

and, in relation to a Participant, includes a Person in accordance with the directions or instructions of whom the Participant, or any Person referred to in (a), (b) or (c) is accustomed or required to act.

Disclosure Statement means a disclosure statement that NZX has specified in respect of a Contract in that Contract's Individual Contract Specifications.

Discretionary Account means an account for which the Client holding such account gives an Advising Participant written authority to buy or sell Derivatives Contracts and to manage that Discretionary Account either absolutely or subject to certain conditions without reference to that Client.

Discretionary Client means a Client for whom a Participant operates a Discretionary Account.

DMA Authorised Person means a natural Person who has proper authority from a Trading Participant and is Employed by or acts for, or has an arrangement with, that Trading Participant to submit Orders into that Trading Participant's order entry system for Direct Market Access, in any of the following capabilities:

(a) in its own right as a Client of that Trading Participant;

(b) as an agent for a Client of that Trading Participant or as an agent for that Trading Participant (where that Trading Participant is trading as principal); and/or

(c) as an Employee of that Trading Participant Employed for the purpose of Trading or ~~D~~dealing in Contracts.

DMA Dealer means a natural Person who has been designated by NZX as a DMA Dealer to use the trading functionality of the Trading System, including entering, withdrawing or amending Orders, Bids and/or Offers on behalf of a Trading Participant or a DMA Authorised Person.

Emission Unit means:

(a) "unit" as defined in the section 4(i) of the Climate Change Response Act 2002; or

(b) personal property that:

(i) is created by, or in accordance with, any enactment (whether of New Zealand, another country, or any jurisdiction of any country), rule of law, contractual provision, or international treaty or protocol as:

- one of a fixed number of units issued by reference to a specified amount of greenhouse gas; or

- evidence of a specified amount of reductions, removals, avoidance, storage, sequestration, or any other form of mitigation of greenhouse gas emissions; and

(ii) can be surrendered, retired, cancelled, or otherwise used to:

- offset greenhouse gas emissions under or otherwise in compliance with any enactment (whether of New Zealand, another country, or any jurisdiction of any country), rule of law, contractual provision or international treaty or protocol; or

- enable a Person who surrenders, retires, cancels, or otherwise uses it to claim an environmental benefit.

Employed means to be hired or rewarded under a contract of service to do any work for a Person. For the avoidance of doubt, a Person is Employed by a Participant if that Person is an Employee of that Participant and **Employment** has a corresponding meaning.

Employee has the meaning given to that term in the Employment Relations Act 2000 and includes Advisors, agents, consultants, investment analysts, contractors or officers of a Participant (other than an Advisor).

Enquiry Session State means the Session State of that name described by the Procedures. Procedure 10.1.

Equity Security has the meaning given to that term in the NZSX Listing Rules;

Error means, in relation to a Trade or a Cross Transaction:

(a) an error by a Trading Participant, including:

(i) in relation to a Trade, an error in a Bid or Offer or an error in an amendment of a Bid or Offer, entered into the Trading System;

(ii) in relation to a Cross Transaction, an error in executing that Cross Transaction, or reporting the same,

through the Trading System,

involving a mistake by the Trading Participant as to:

(i) the identity or other fundamental characteristic of the relevant Contract;

(ii) the volume or quantity of an Order that the Trading Participant has executed, entered, amended or cancelled; or

(iii) the matching of, or correspondence between, the price or value referred to in the Order and the Contract or Contracts referred to in the Order; or

(b) an error by NZX or an error arising from a delay, breakdown or malfunction of or in NZX's systems (including the Trading System) or processes.

Error Trade means a Trade or a Cross Transaction in respect of which an Error has occurred.

Error Trade Register means a register of all Error Trades with a value in NZ$ (or its equivalent in foreign currencies) or more as specified by the Procedures.

Procedure 8.16.4

Exchange for Physicals Facility or **EFP Facility** has the meaning given to that term in the Procedures.

Procedure 9.2.1

Exchange for Swaps Facility or **EFS Facility** has the meaning given to that term in the Procedures.

Procedure 9.2.1

Executive Trustee means a trustee (including a Trustee Company within the meaning of the Trustee Companies Act 1967) authorised by a trust deed to invest monies belonging to the trust established by that trust deed.

Family Company means a Company that is Controlled by a natural Person or that Person's Immediate Family, or a Company in which a Person or that Person's Immediate Family or a combination thereof is beneficially entitled to more than 50% of the issued voting capital in that Company.

Family Trust means a trust in respect of which a Person or the Immediate Family of that Person is the sole or major beneficiary.

F&O Clearing Participant means a Person who is authorised by a F&O Exchange to provide clearing and settlement services for that F&O Exchange.

F&O Client Agreement means a written agreement containing provisions describing the relationship between a Participant and a client, in respect of Derivatives Contracts traded on an F&O Exchange or faciliated Off-Exchange.

F&O Exchange means a market (other than the Market) for trading Derivatives Contracts which is recognised by NZX and as specified by NZX from time to time by Website Notice or by the Procedures. For the avoidance of doubt, NZX is not a F&O Exchange.

Procedure 1.3

F&O Exchange and Off-Exchange Allocation Policy has the meaning given to that term in Rule 12.6.1.

F&O Executing Participant means a Person who is authorised by a F&O Exchange to directly (and not through another participant of that F&O Exchange) enter F&O Orders in that F&O Exchange.

F&O Order means an order to buy or sell a Derivatives Contract placed by a Participant with a F&O Executing Participant of the relevant F&O Exchange for, or on behalf of, a Client as a result of instructions received by that Participant from that Client.

F&O Post Trade Agreement means a clearing and settlement agreement that an Advising Participant or Trading Participant who is, or whose Advisors are, placing F&O Orders through an F&O Executing Participant on a F&O Exchange, must enter into and maintain at all times with each of its F&O Clearing Participants.

F&O Trading Agreement means a written agreement between a Participant and either a Trading Participant or a F&O Executing Participant, as the context requires, in respect of the performance of that Participant's F&O Orders by that Trading Participant or F&O Executing Participant, as the context requires.

Final Daily Settlement Price means the final Daily Settlement Price for a Contract calculated by an NZX Designated Person and Notified to the Market in accordance with the Procedures.

Procedures 8.3 to 8.7

Financial Asset and **Financial Liability** have the meaning determined in accordance with Generally Accepted Accounting Practice.

Financial Instrument means a Commodity, a Derivatives Contract or any other instrument prescribed by NZX by Notice from time to time.

Financial Reporting Legislation means, as applicable, the Financial Reporting Act 1993, the Financial Reporting Act 2013 and Part 7 of the FMC Act.

FMA means the Financial Markets Authority established under the Financial Markets Authority Act 2011.

FMC Act means the Financial Markets Conduct Act 2013.

FMC Regulations means the Financial Markets Conduct Regulations 2014.

Forward Rate Agreement means an agreement in which two parties agree that:

(a) one party will make payments to the other party of an amount of interest for a specified period in respect of an agreed principal amount;

(b) no commitment is made to lend or borrow the principal amount; and

(c) the exposure is limited to the difference between the agreed and actual market interest rates at settlement.

Full Hearing Procedure has the meaning given to that term by the NZ Markets Disciplinary Tribunal Rules.

Futures Contract means:

(a) a “derivative” as that term is defined in Section 8(4) of the FMC Act; and

(b) any other agreement or transaction entered into in connection with protection against fluctuation in any rate, price, index or volume or any other financial product or agreement which is declared by NZX to be a futures contract that is approved for clearing and settlement on the Clearing House as an Approved Product (as defined in the C&S Rules).

Generally Accepted Accounting Practice has the meaning set out in the Financial Reporting Legislation.

Give-Up Agreement means an agreement between a Trading Participant and its Client, in which the Client permits the Clearing Participant of the Trading Participant to novate its obligations to an alternate Clearing Participant.

Good Broking Practice means conduct that is, at the discretion of NZX, in the wider interests of the markets provided by NZX, the New Zealand securities markets and investors and which complies with the spirit and intent of the practices, procedures and requirements as set by NZX in:

(a) these Rules; and/or

(b) any procedure, guidance note, practice note, documents, policy statement or direction (including the Procedures, Guidance Notes and Practice Notes) issued from time to time by NZX in respect of the Rules,

and for the avoidance of doubt, common industry practices and/or historical practices, especially in areas where no policy statement has been issued by NZX, do not necessarily constitute Good Broking Practice.

Group means a Holding Company or entity and its subsidiaries, and **member of a Group** means any one of them.

Guidance Note means a guidance note in respect of these Rules as issued from time to time by NZX.

Holding Company means a Company that is a holding company for the purposes of the Companies Act 1993.

Immediate Family means the parent, spouse, de facto partner, widow or widower, former spouse, lineal descendants (including those adopted as well as those who are natural born), brother or sister, or the issue of a brother or sister, as the context requires, of a natural Person.

Individual Contract Specifications

Individual Contract Specification means the terms of a Class of Contracts notified by NZX to the Market, from time to time.

Initial Margin means:

(a) in relation to a Contract, the amount that is the Daily Settlement Price in respect of the Contract multiplied by the Initial Margin Rate;

(b) in relation to a Derivatives Contract which has arisen from a F&O Order placed with a F&O Executing Participant, such initial margin amount (howsoever described) as determined by the rules and regulations of the relevant F&O Exchange with whom the F&O Order was placed; or

(c) in relation to a Derivatives Contract which has arisen from the facilitation of that Derivatives Contract Off-Exchange, such initial margin amount (howsoever described) as determined by the terms of such contract.

Initial Margin Capital Requirement means ~~(with all terms used in this definition bearing the same meaning as in the NZX Derivatives Market Rules)~~:

(a) in relation to a Contract which has arisen from an Order by a Trading Participant, such initial margin amount as determined by CHO;

(b) in relation to a Derivatives Contract which has arisen from a F&O Order placed with a F&O Executing Participant, such initial margin amount (howsoever described) as determined by the rules and regulations of the relevant F&O Exchange with whom the F&O Order was placed; or

(c) in relation to a Derivatives Contract not captured under (a) or (b), such initial margin as determined by NZX or CHO in any Guidance Note.

Initial Margin Rate means the margin rate published by CHO from time to time, in respect of a specific Contract, to be used to calculate Initial Margin.

Insider Trading means conduct in relation to Derivatives Contracts that is prohibited by Subpart 2 of Part 5 of the FMC Act.

Insolvent means, in respect of a Person, the occurrence of any of the following:

(a) an application or order is made, or a resolution is passed or proposed, for the appointment of an administrator or in respect the bankruptcy, liquidation, dissolution or winding up of the Person or the removal from the relevant register of the Person or any corporate action, legal proceeding or other step is taken in relation to the same;

(b) a liquidator, receiver, manager, statutory manager, trustee, administrator, inspector, or similar official is appointed in respect of a Person or any of its assets, whether by a court, by the Person, by its creditors or otherwise, or the Person is declared to be at risk in accordance with section 30 of the Corporations (Investigation and Management) Act 1989 or any corporate action, legal proceeding or the step is taken in relation to the same;

(c) a direction is given to the Person under section 113 of the RBNZ Act, or a recommendation is made by the Reserve Bank of New Zealand, in respect of the Person, in accordance with Section 117 of the RBNZ Act;

(d) any corporate action, legal proceedings or other procedure or step is taken in relation to:

(i) the suspension of payments, a stay or moratorium on payment or any recovery of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Person;

(ii) a composition, assignment or arrangement with any creditor or class of creditors of the Person;

(iii) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of the Person or any of its assets; or

(iv) enforcement of any Security Interest over any assets of the Person;

(e) any procedure or step analogous to any procedure or step referred to in paragraphs (a), (b), (c) or (d) above is taken in respect of the Person in any jurisdiction;

(f) a moratorium or administration is proposed, ordered or arranged;

(g) a Person is unable to, or admits inability to pay, its debts as they fall due or is deemed, declared or presumed by law to be unable to pay its debts as they fall due;

(h) a Person suspends, stops or threatens to suspend or stop making payments on any indebtedness;

(i) a Person ceases, or threatens to cease, to carry on all or a material part of its business;

(j) the value of the assets of a Person is less than its liabilities (taking into account contingent and prospective assets and liabilities);

(k) any holder of a Security Interest in any asset of a Person enters into or takes possession of that asset or takes any other step to realise or enforce that Security Interest;

(l) a distress, execution, attachment or other legal process is claimed or issued against any of the assets of a Person;

(m) a natural Person is declared or adjudged bankrupt; and/or

(n) any of the Person's assets, or shares in the Person, are compulsorily acquired, or ordered sold, vested or divested, by or by order of any governmental authority or by law, or any steps are taken to effect any of the same,

and the term "**Insolvency**" shall be interpreted accordingly.

Intangible Assets has the meaning determined in accordance with Generally Accepted Accounting Practice.

Institutional Client means a Client whose principal business is the investment of money or who, in the course of, and for the purpose of, their business, habitually invests money.

Intellectual Property means all intellectual property rights and interests (including common law rights and interests) in any jurisdiction including:

(a) patents, trade marks, trade names, service marks, registered designs and all goodwill rights associated with such works, copyright, domain names, symbols and logos;

(b) patent applications and applications to register trade marks, service marks and designs; and

(c) know-how, ideas, concepts, tools, techniques, computer program code, data, inventions, discoveries, developments, trade secrets, information and logical sequences (whether or not reduced to writing or other machine or human readable form).

Intermediary means a Person that intermediates between a Client and an Advising Participant but does not include those individuals or entities granted authority to act on behalf of the Client by virtue of any of the forms of authority referred to in Rule 6.13.2(a).

Introducing Broker means any Person that is an Advising Participant that is designated by NZX as having “Introducing Broker” status.

Investment Grade means a Security with a credit rating that is BBB- or higher by Standard & Poor's or Baa3 or higher by Moody's or BBB (low) or higher by DBRS.

Investment Objectives means those criteria established for a Client against which investment decisions for that Client are to be considered, and which include as a minimum that Client’s:

(a) investment goals and investment needs; and

(b) investment risk profile.

In the Money means:

(a) in relation to Call Options, that the current market price of the underlying instrument is greater than the exercise price; and

(b) in relation to Put Options, that the current market price of the underlying instrument is less than the exercise price.

In the Money Amount means, in relation to an Option or right that is In the Money, the absolute value of the difference between the current market price of the underlying instrument and the exercise price.

Issuer means a Person who is an issuer of a Security for the purposes of the Securities Act 1978 or who is an issuer for the purposes of section 11 of the FMC Act (as applicable) and includes any Person who, in respect of a Security, has entered into a listing agreement with an exchange.

Large Position Counterparty Risk Requirement means the amount calculated under Rule 16.8.2

Large Position Issuer Risk Requirement means the amount calculated under Rule 16.8.3

Large Position Risk Requirement means the amount calculated under Rule 16.8.

~~**Large Position Risk Requirement** has the meaning given to that term in Appendix 1 to these Rules.~~

Last Trading Day means the last Trading Day on which a Contract may be Traded as specified in the Individual Contract Specification or Contract, as the context requires.

Limit Order has the meaning given to that term in the Procedures.

Procedures 1.4 and 8.13.5

Limited Partnership means a "limited partnership" or "overseas limited partnership" within the meaning of the Limited Partnerships Act 2008.

~~**Listed** means, in relation to Securities of an Issuer, those Securities of the Issuer that are approved for trading on the relevant Registered Exchange's Securities Market (and, for the avoidance of doubt, Securities do not cease to be Listed merely because trading in those Securities is suspended)~~

Major Transaction means a "major transaction" as defined in the Companies Act 1993.

Management means the Directors, principals or other senior executive staff of a Participant.

Market means the derivatives market operated by NZX and conducted in accordance with these Rules.

Market Impact in relation to an Error means that, in the absence of NZX intervention, an Error that would, or would be likely to:

(a) have a severe and/or adverse impact on the functions of NZX or the Clearing House, the integrity or certainty of NZX markets (including the Market) or the Trading System;

(b) have a severe and adverse impact on one or more Participants, including a financial loss of $25,000 (or its equivalent in any foreign currency) or more; and/or

(c) result in a movement of 10% or greater in the Current Market Price of a Contract.

~~**Market Risk Requirement** means the amount calculated under Rule 16.12.~~

Market Maker means a Participant acting as a market maker in accordance with a Market Maker Programme.

Market Maker Programme means a market maker programme approved by NZX pursuant to Rule 14.3.

Market Order has the meaning given to that term in the Procedures.

Procedures 1.5 and 8.13.4

Market Risk Requirement means the amount calculated under Rule 16.12.~~has the meaning given to that term in Appendix 1 to these Rules.~~

Markets Act means the Securities Markets Act 1988.

Material Adverse Effect means, in the opinion of NZX, a material adverse effect on:

(a) the business, operations, property, condition (financial or otherwise) or prospects of the Participant or taken as a whole, the Participant and its Related Companies;

(b) the ability of the Participant to comply with the Rules;

(c) the rights and remedies of NZX under the Rules;

(d) the capacity of the Participant to meet its obligations to any of NZX, CHO, the Clearing House, CDO, the Depository, other Participants generally under these Rules, its Relevant Clearing Participant, any F&O Executing Participant, F&O Clearing Participant or that Participant's Clients generally; or

(e) the reputation, integrity or stability of the Market, any Underlying Market, the Clearing House, the Depository or that Participant.

Minimum NTCA means the minimum net tangible current asset level prescribed in Rule 16.2~~ 4.26~~.

Net Tangible Current Assets or **NTCA** means the amount calculated in accordance with Rule 16.4~~Appendix 1 to these Rules~~.

Net Underwriting Commitment means the aggregate of underwriting, sub-underwriting and firm allocation commitments of the Participant Requiring Capital in respect of a particular Security less any sub-underwriting commitment, or firm allocation commitment or legally binding applications from clients or other third parties in relation to that commitment.

Nominee means New Zealand Depository Nominee Limited.

Notice means a notification, approval, consent or other communication given in accordance with Rule 1.3.

NZ Markets Disciplinary Tribunal means the body constituted by NZX under the NZ Markets Disciplinary Tribunal Rules, and being the body which has jurisdiction pursuant to Rule 14.5 for the determination of disciplinary matters relating to Participants, and where the context permits includes the chairperson, deputy chairperson, any division or duly authorised delegate of the NZ Markets Disciplinary Tribunal, and shall include any successive body to the NZ Markets Disciplinary Tribunal from time to time.

NZ Markets Disciplinary Tribunal Rules means the rules of the NZ Markets Disciplinary Tribunal that apply to Participants.

NZCDC means New Zealand Clearing and Depository Corporation Limited.

NZX means NZX Limited and includes its predecessors, successors and assigns and as the context permits includes any duly authorised delegate of NZX.

NZX Designated Person means a Person or Persons Employed by NZX designated from time to time by NZX as responsible for decisions on membership, rules and/or trading (including Trading) in relation to the Market and Participants, including the Head of Market Supervision of NZX.

NZX Market means a market, exchange or facility for the trading of financial products, Derivatives Contracts and/or Commodities operated by NZX or a Subsidiary of NZX.

OECD means the Organisation for Economic Co-operation and Development.

Off-Exchange means a market for trading a Derivatives Contract when that Derivatives Contract is not Traded through the Market or traded through a F&O Exchange and includes over-the-counter Derivatives Contracts, contracts for difference, foreign exchange products, forward rate agreements and exchange for physicals **but does not include**

(a) any Contract (whether Traded through the Market, reported as a Cross Transaction or involving a Block Trade Facility, Exchange for Physicals Facility or an Exchange for Swaps Facility or otherwise);

(b) a currency swap agreement to which a registered bank is a party;

(c) an interest rate swap agreement to which a registered bank is a party;

(d) a forward exchange rate contract to which a registered bank is a party; or

(e) a forward interest rate contract to which a registered bank is a party.

Offer or **Sell Order** means an Order to sell a Contract or Class of Contracts and/or to enter into such Contract or Class of Contracts as a Seller.

Open Position means the total net position in any Contract which is owned by any Beneficial Owner, whether long or short.

Open (Normal) Session State means the Session State of that name described in the Procedures during which time the central order book for a Contract remains open.

Procedure 10.1

Operational Risk Requirement means the amount calculated under Rule 16.6~~16.5~~.

~~**Operational Risk Requirement** has the meaning given to that term in Appendix 1 to these Rules.~~

Option means an agreement that confers on the holder the right (but not the obligation) to:

(a) acquire or dispose of a Commodity or an interest in a Commodity; or

(b) require the other party to the Option to enter into a Futures Contract; or

(c) be paid an amount of money on exercise.

Order means an instruction to purchase or sell Contracts or an instruction to amend or cancel a previous instruction to purchase or sell Contracts as specified by the Procedures.

Procedures 1.6 and 8.13

Overdue means where an unconditional obligation of a Counterparty remains unpaid after the date on which the obligation was due for payment under the terms of the transaction, except that:

(a) for trades in Financial Instruments, the transaction shall be considered overdue if unsettled 10 Business Days after the date on which ~~S~~settlement was due;

(b) for a written Option, the transaction shall be considered overdue if the Counterparty has not paid the premium on the due date; and

(c) for transactions where the Participant holds on trust as security for the amount outstanding, Securities with a current market value of at least 140% of the amount payable, shall not be considered overdue.

Overseas Activity means, in relation to a Participant:

(a) any part of that Participant's business as a Participant that is located outside New Zealand; or

(b) any of that Participant's Personnel located outside New Zealand who are engaged in, and to the extent it relates to, the Participant's business as a Participant.

Overseas Applicant means an Applicant that is domiciled, resident or incorporated in a jurisdiction outside of New Zealand.

Overseas Participant means a Participant that is domiciled, resident or incorporated in a jurisdiction outside of New Zealand.

Participant means a Trading Participant, an Advising Participant (including an Introducing Broker) or an Advisor designated and approved by NZX as such in accordance with these Rules or any Person acting on that Person's behalf.

Participant Requiring Capital means a Participant who must comply with the Capital Adequacy requirements of these Rules ~~including those contained in Appendix 1 to these Rules~~, being all Participants other than ~~Principal Book Only Dealers~~ (unless a condition of ~~designation~~accreditation ~~as a Principal Book Only Dealer requires compliance with Capital Adequacy requirements) and~~ Advisors.

Person includes any individual natural person, Company, corporation, corporation sole, partnership, Limited Partnership, joint venture, association (whether incorporated or unincorporated), trust, government department or other instrument of government, Minister of the Crown, state or agency of a state (in each case, whether or not having separate legal personality).

Personnel means, in relation to a particular Person, an employee of that Person, as defined under the Employment Relations Act 2000 (or, in the case of a Person who is not subject to the Employment Relations Act 2000, applied as if the Person was subject to the Employment Relations Act 2000), and includes any individual employed by, contracted, seconded or providing consulting services to, the Person whether it be on a permanent, part-time, casual or temporary basis.

Position Limits has the meaning given to that term in Rule 8.1.2.

Position Risk Requirement means the amount calculated under Rule 16.9.

~~**Position Risk Requirement** has the meaning given to that term in Appendix 1 to these Rules.~~

Positive Credit Exposure means an exposure to a Counterparty where, if the Counterparty were to default, the Participant Requiring Capital would suffer financial loss and includes a Counterparty's aggregate gross liabilities to deliver Securities and cash.

Practice Note means a practice note in respect of these Rules as issued from time to time by NZX.

Pre-Open Session State means the Session State of that name described in the Procedures.

Prescribed Minimum Capital Adequacy has the meaning given to that term in Rule 16.1.1~~means the minimum capital requirements contained in Rule 16.14.25 to and including Rule 4.30~~.

Prescribed Person means:

(a) a Participant;

(b) a Director, a Responsible Executive, shareholder or Employee of a Participant (the **"restricted group**"), and includes:

(iii) any one of the restricted group acting under a discretion conferred by any of the Persons referred to in paragraphs (c) to and including (e);

(iv) any Person over whom any one of the restricted group has influence for that Person's investment decisions except in the ordinary course of a Client advising relationship; and

(v) any Person where any one of the restricted group has a direct or indirect beneficial interest in, or effective control over the Beneficial Ownership of, that Person's assets;

(c) the Immediate Family of a Person referred to in paragraphs (a) and/or (b);

(d) a Family Company and/or a Family Trust of a Person referred to in paragraphs (a) and/or (b); and

(e) where a Participant or a Person referred to in paragraphs (a) and/or (b) is a body corporate, any body corporate or other entity Controlled by that body corporate,

and for the purposes of this definition, shareholders of a Participant will not be Prescribed Persons if that Participant is an Issuer listed on a Registered Exchange.

Price Limits has the meaning given to that term in Rule 8.1.

~~**Primary Market Risk Requirement** has the meaning given to that term in Appendix 1 to these Rules.~~**Primary Market Risk Requirement** means the amount calculated under Rule 16.11.

Principal Book Only Dealer means a Trading Participant designated by NZX as a Principal Book Only Dealer.

Procedure means a procedure relating to the operation of the Market and activities of Participants as approved and amended from time to time by NZX in accordance with Rule 1.6, as published on the NZX website, and includes any administrative procedures as approved and amended from time to time by NZX in respect of the Underlying Contract in accordance with Rule 1.6.

Property, Plant and Equipment has the meaning determined in accordance with Generally Accepted Accounting Practice.

Provisional Daily Settlement Price means the Daily Settlement Price provisionally set by NZX in accordance with the Procedures.

Procedures 8.3 to 8.7

Put or **Put Option** means an Option where the buyer has the right (but not the obligation) to dispose of or notionally dispose of, a Commodity or Futures Contract.

Quoted means, in relation to Securities of an Issuer, those Securities of the Issuer that are approved for trading on a market operated or provided by the relevant Recognised Securities Exchange (and for the avoidance of doubt, Securities do not cease to be Quoted merely because trading in those Securities is suspended).

RBNZ Act means the Reserve Bank of New Zealand Act 1989.

Reciprocal Arrangement means any agreement, arrangement or understanding between NZX, CHO and/or CDO and any governmental agency or Regulatory Authority (including a securities exchange, NZX or a subsidiary of NZX) in New Zealand or elsewhere whose functions include the prudential supervision and/or the regulation of trading in Securities, Derivatives Contracts and/or Commodities (in New Zealand or elsewhere) which provides for the disclosure of information between NZX, CHO or CDO, as the context requires, and that governmental agency or Regulatory Authority in relation to Dealings in Securities, Derivatives Contracts and/or Commodities (in New Zealand or elsewhere).

Recognised Market means a market specified in the Procedures;

Recognised Market Index means an index specified in the Procedures;

Recognised Securities Exchange means a Person who is:

(a) a Securities exchange recognised and approved by the World Federation of Exchanges; or

(b) a Registered Exchange;

and includes NZX.

Registered Exchange means a Person who is:

(a) a licensed market operator within the meaning of section 6 of the FMC Act; or

(b) an existing exchange within the meaning of clause 42, Part 3 of Schedule 4 to the FMC Act; or

~~(i)~~

(c) an entity with comparable status under the laws of any other jurisdiction as NZX may approve.

Regulatory Authority means any authority, body or Person having responsibility for or in connection with the regulation of or supervision of Dealing in Derivatives Contracts and/or a Participant as the context requires, or for the enforcement of any law or regulation applicable to Dealing in Derivatives Contracts or a Participant.

Related Company has the meaning set out in the Companies Act 1993 provided that the definition of "company" for this purpose includes a company wherever incorporated.

Related Person means a Person who Controls, is Controlled by, or is under common Control with, another Person.

Relevant Clearing Participant means, in relation to a Trading Participant and a Trade or a Contract, means:

(a) the Person identified in the Trading System as the Clearing Participant for the purposes of the clearing and settlement of that Trade; and

(b) if there has been give up take up or transfer of a Settlement Transaction under the C&S Rules, the Clearing Participant to whom the Settlement Transaction has been novated or transferred.

Relevant Settlement Transaction means, in relation to the Settlement Transactions resulting from any Trade:

(a) if the Trading Participant was the Buyer under that Trade, the Settlement Transaction between the Buying Clearing Participant and CHO; or

(b) if the Trading Participant was the Seller under that Trade, the Settlement Transaction between the Selling Clearing Participant and CHO.

Reporting Act means the Financial Transactions Reporting Act 1996.

Responsible Executive means a natural Person appointed by a Participant (other than an Advisor) to represent that Participant and perform the functions of a Responsible Executive in accordance with the Rules and includes a delegate of the Responsible Executive.

Retail Client means a Client who is not an Institutional Client.

Right means a right of any kind and includes authorities, discretions, remedies, powers and causes of action.

Risk Warning means the requirement for a Participant to inform its Client appropriately of any relevant risks involved with investing or Trading in any Contract or Class of Contracts.

Rules mean these Derivatives Market Rules.

Securities Legislation means the Securities Act 1978, the Securities Regulations 2009, the FMC Act, the FMC Regulations, the Anti-Money Laundering Act, the Companies Act 1993, the Financial Advisors Act 2008, the Client Funds Regulations, the Reporting Act and the RBNZ Act as that legislation relates to a Participant and, in relation to an Overseas Participant (or Prescribed Person of such an Overseas Participant), includes any equivalent or analogous law, regulation or directive in any other jurisdiction binding on or applicable to the Participant or that Prescribed Person.

Security or **Securities** means, in all Sections of these Rules other than Section 16, a "security" as defined in the FMC Act and includes any right or option to acquire any Security or benefit of any kind, whether conditional or not and whether renounceable or not and any other agreement or arrangement having a similar effect but does not include a Derivatives Contract or an Emission Unit and, in Section 16 of these Rules and in definitions when applied for the purposes of Section 16, means a "financial product" within the meaning of section 7(1) of the FMC Act and includes any right or option to acquire any Security or benefit of any kind, whether conditional or not and whether renounceable or not;.

Security Interest has the meaning given to that term by the Personal Property Securities Act 1999.

Seller means:

(a) in relation to a Contract or a Trade which is an Option, the party with the obligation to acquire or dispose of (or notionally acquire or dispose of) a specified Commodity or interest in a Commodity, to enter into a Futures Contract or to pay an amount on exercise; and

(b) in relation to a Contract or Trade which is a Futures Contract, the party who entered the Order to sell and is specified as seller under the terms of the Futures Contract.

Selling Clearing Participant means the Clearing Participant providing clearing and settlement services to the Seller under a Trade.

Session State means a session state specified by NZX during which Trading will take place in Contracts or Classes of Contracts in accordance with the parameters specified by NZX in the Procedures. Unless otherwise specified, the parameters specified in the Procedures will apply.

Settlement Account has the meaning given to that term in the Depository Rules.

Settlement System means the facilities and/or systems used by CHO and CDO to effect the clearing and settlement of transactions and includes the Clearing House System (as defined in the C&S Rules) and the Depository System (as defined in the Depository Rules).

Settlement Transaction means a contract between a Clearing Participant and CHO arising in respect of a novation of a Trade under the C&S Rules.

Structured Finance Product means a Security that has been issued in respect of an asset pool or as part of any asset-backed or mortgage-backed Securities transaction and includes residential mortgage-backed Securities, collateralised or credit enhanced debt obligations (including synthetic and hybrid collateralised or credit enhanced debt obligations), collateralised loan or fund obligations, credit derivatives, perpetual debt obligations and any other Security or class of Security specified in the Procedures.

Subordinated Debt means, in respect of a Person, any indebtedness of that Person that, in terms of priority for payment and otherwise, would, on a winding up, dissolution or liquidation of that Person, rank behind claims in respect of general unsecured unsubordinated indebtedness of the Person and the terms "**Subordinated**" and "**Unsubordinated**" shall be interpreted accordingly.

Subsidiary means a subsidiary as defined in the Companies Act 1993 and includes an "in substance subsidiary" and any other company treated as a subsidiary of a company in accordance with Generally Accepted Accounting Practice, provided that the definition of "company" in this case includes a company wherever incorporated.

Summary Hearing Procedure has the meaning given to that term by the NZ Markets Disciplinary Tribunal Rules.

Swap means a transaction in which two parties agree to exchange streams of payments over time on a pre-determined basis.

TCF Client means a Person who is:

(a) regulated by an Alternative Regulator approved by NZX; and/or

(b) subject to a TCF Client Exemption,

and an **Institutional TCF Client** is a TCF Client whose principal business is the investment of money or who, in the course of, and for the purpose of, their business, habitually invests money.

TCF Client Exemption means an exemption from the requirement to be regulated by an Alternative Regulator in respect of a TCF Client, that NZX has deemed to be a TCF Client Exemption on application from a TCF.

Technology Connecting Facility or **TCF** means a Trading Participant who has been designated by NZX as a Technology Connecting Facility for the purpose of facilitating Trades on the Market on behalf of TCF Clients.

Total Risk Requirement means the amount calculated in accordance with Rule 16.5~~4.30~~.

Trade or **Trades** means any resulting transaction or a linked series of transactions where an Order to buy Contracts is matched in the Trading System with an Order to sell Contracts. **To Trade** and **Trading** have corresponding meanings.

Trading Agreement means a written agreement between a Trading Participant and an Advising Participant for the performance of that Advising Participant's Trades by that Trading Participant.

Trading and Advising Firm means a Participant who has been designated by NZX as a Trading and Advising Firm.

Trading Day means a Business Day on which a Contract may be Traded on the Market.

Trading Halt means an exercise by NZX of its power under Rule 8.11.3(a).

Trading Hours means the hours the Market is open for Trading in a Contract as specified in its Individual Contract Specification.

Individual Contract Specification

Trading Participant means:

(a) a Trading and Advising Firm;

(b) a Principal Book Only Dealer;

(c) a Bank Only Participant;

(d) a TCF; and

(e) any other Person designated and approved by NZX as a Trading Participant from time to time pursuant to Rule 2.2.1(e).

Trading System means the systems, facilities and services provided by NZX for lodging quotations and Orders for trading and reporting Trades and any other replacement system provided by or on behalf of NZX to perform the same or similar functions.

Trustee Certificate means the certificate issued by a trustee of a trust which confers on that trust the power to invest in Securities and/or Commodities, as the context requires, and records the Persons/trustees authorised to act on behalf of that trust.

Underlying Contract means the legal terms and conditions applicable to a Contract as designated by NZX from time to time.

Underlying Market means, in relation to a Contract, the market for the Commodity, or the index to which the Contract or Commodity relates.

Unprofessional Conduct includes:

(a) conduct which amounts to dishonesty or impropriety affecting professional character and which is indicative of a failure either to understand or to practice the principles of honesty or fair dealing; and/or

(b) unsatisfactory professional conduct where the conduct involves a substantial or consistent failure to reach and/or maintain reasonable standards of competence and diligence; and/or

(c) conduct which is, or would reasonably be likely to be, prejudicial to the interests of a Participant's Clients, the Market and/or other Participants generally,

by a Participant or its respective Directors, any Personnel, agent or any other Person who acts (or purports to act) on behalf of that Participant, whether in the conduct of that Participant's business or in the conduct of any other business in which that Participant, Director, Personnel, agent or other Person is involved.

USD means the lawful currency of the United States of America from time to time.

Variation Margin means:

(a) in relation to a Contract, the variation margin requirement for that transaction determined, from time to time under the C&S Rules;

(b) in relation to a Derivatives Contract which has arisen from a F&O Order placed with a F&O Executing Participant, such variation margin amount (howsoever described) as determined by the rules and regulations of the relevant F&O Exchange with whom the F&O Order was placed; or

(c) in relation to a Derivatives Contract which has arisen from the facilitation of that Derivatives Contract Off-Exchange, such variation margin amount (howsoever described) as determined by the terms of such contract.

Website Notice means a Notice given by NZX to the Market generally via NZX's website, www.nzx.com, or such other website address as NZX may specify from time to time.

1.2 Interpretation

1.2.1 In these Rules, unless the context otherwise requires:

~~1.2.2~~(a) headings to sections, Rules and clauses are for reference only and are not an aid in interpretation;

~~(a)~~(b) references to a statutory provision of law will be construed as references to that statutory provision of law as amended or re-enacted or as is modified by other statutory provisions from time to time;

~~(b)~~(c) words importing the singular include the plural and vice versa;

~~(c)~~(d) words that are gender neutral or gender specific include each gender;

~~(d)~~(e) other parts of speech and grammatical forms of a word or phrase defined in these Rules have a corresponding meaning;

~~(e)~~(f) a reference to:

~~(f)~~(i) an "**agreement**" includes a contract, deed, licence, franchise undertaking or other documents (in each case oral or written) and includes that agreement as modified, supplemented, novated or substituted from time to time;

~~(i)~~(ii) "**assets**" or "**property**" includes present and future properties, revenues and rights of every description and the whole or any part of the relevant Person's business, undertaking, property revenues and rights (in each case present and future) and reference to an asset includes any legal or equitable interest in it;

~~(ii)~~(iii) "**conduct**" or "**engaging in conduct**" includes a reference to doing, refusing to do or omitting to do any thing, or any act, including the making of, or the giving effect to, a provision of an agreement, unless the contrary intention appears, a reference to doing, refusing or omitting to do any act or any thing, includes a reference to causing, permitting, suffering or authorising the act or thing to be done, or the refusal or omission to occur;

~~(iii)~~(iv) "**consent**" includes an approval, authorisation, exemption, filing, licence, order, permit, researching and registration (and references to obtaining consents are to be construed accordingly);

~~(iv)~~(v) "**currency**" or "**$**" or "**NZ$**" shall be references to the lawful currency of New Zealand from time to time;

~~(v)~~(vi) a Person "**Dealing**" or "**Deal**" is a reference to a Person dealing in relation to a Derivatives Contract or Contract within the meaning of section 6 of the FMC Act as if that Derivatives Contract or Contract were a financial product within the meaning of section 7 of the FMCA, but only where the Person is dealing on behalf of or advising or assisting another person;

~~(vi)~~(vii) ;

~~(vii)~~(viii) a "**directive**" includes any present or future directive, regulation, request, requirement, externally imposed voluntary credit restraint programme or notification by whatsoever means, or a change in interpretation or application of any law by any agency of any state or any self-regulating organisation or any Person or body charged with the administration of any law (in each case, whether or not having the force of law but, if not having the force of law, compliance with which is in accordance with the general practice of Persons to whom the directive is addressed);

~~(viii)~~(ix) a "**document**" includes all amendments or supplements to that document, or replacements or novations of it;

~~(ix)~~(x) "**guarantee**" includes any indemnity and also includes any other obligation (whatever called) of any Person to pay, purchase, provide funds (whether by the advance of money, the purchase or subscription of shares or other Securities, the purchase of assets or services, or otherwise) for the payment of, or otherwise be responsible for, any indebtedness of any other Person;

~~(x)~~(xi) "**indebtedness**" includes an obligation (whether present or future, actual or contingent, secured or unsecured, joint or several, as principal, surety or otherwise) relating to the payment of money;

~~(xi)~~(xii) "**including**" and "**includes**" means including or includes without limitation;

~~(xii)~~(xiii) "**in writing**" includes representing or reproducing words, figures or symbols:

~~(xiii)~~(A) in a visible and tangible form by any means and in any medium;

~~(A)~~(B) in a visible form in any medium by electronic means that enables them to be stored in permanent form and to be retrieved and read,

~~(B)~~(C) and "**written**" has a corresponding meaning.

~~(C)~~(xiv) a "**law**" or "**regulation**" includes a constitutional provision, treaty, decree, official directive, convention, statute, regulation, or the legislative measure ordinance, by-law, judgement, rule of common law or equity or a rule of an exchange in each case of any relevant jurisdiction and is a reference to that law as amended, re-enacted, consolidated or replaced or modified by other provisions of law from time to time and "**lawful**" and "**unlawful**" shall be construed accordingly;

~~(xiv)~~(xv) "**NZX**", "**CHO**", "**CDO**", "**NZCDC**" or "**Nominee**" includes its successors, permitted assigns, permitted transferees and delegates;

~~(xv)~~(xvi) a "Participant", an "Advisor", an "Advising Participant", a "Bank Only Participant", an "Introducing Broker", a "Trading Participant", a "Principal Book Only Dealer", a "TCF" and a "Trading and Advising Firm" includes its successors, permitted assigns and permitted transferees;

~~(xvi)~~(xvii) a "**Person**" includes that Person's successors and permitted assigns, executors and administrators, as the context requires;

~~(xvii)~~(xviii) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

~~(xviii)~~(xix) "**rights**" includes authorities, discretions, remedies, powers and causes of action;

~~(xix)~~(xx) these "**Rules**", the "**Procedures**", an "**Appendix**", the "**C&S Rules**", the "**Depository Rules**" or the "**NZ Markets Disciplinary Tribunal Rules**" is a reference to any such rules or procedures or appendix, as the context requires, as amended, varied, supplemented, consolidated, replaced or novated from time to time;

~~(xx)~~(xxi) a "**Section**", "**Schedule**", "**Attachment"** or "**Appendix"** is a reference to a section, schedule or attachment or appendix to, these Rules or the Procedures;

~~(xxi)~~(xxii) "**tax**" includes any present or future tax, levy, impost, duty, rate, charge, fee, deduction or withholding imposed, assessed or levied by any governmental agency (whether state or local), and any interest, penalties, fines, costs, charges, and other liabilities arising from or payable in respect of such tax; and

~~(xxii)~~(g) words importing the plural include the singular and vice versa;

~~(g)~~(h) references to periods of time include the day on which the period commences and also the day on which the period ends and a reference to a time of day is a reference to Wellington time;

~~(h)~~(i) all warranties, representations, indemnities, covenants, agreements and obligations given or entered into by more than one Person (other than by NZX with another Person or Persons) will be deemed to have been given or entered into jointly and severally;

~~(i)~~(j) any statement in these Rules stated to be to the best of a Person's knowledge or to be so far as a Person is aware (or any similar expression) will be deemed to include an additional statement that it has been made after due and careful enquiry by that Person;

~~(j)~~(k) if a word or expression is given a particular meaning, another part of speech or grammatical form of that word or expression has a corresponding meaning;

~~(k)~~(l) a reference to a Rule (e.g. Rule 2.3) includes a reference to all sub-Rules included under that Rule (e.g. Rule 2.3.3) and a reference to a Section (e.g. Section 2) includes a reference to all Rules and sub-Rules within that Section; and

~~(l)~~(m) if the name of a body is changed in accordance with the law (whether or not the body is incorporated) or the name of an office is changed by law, then a reference in these Rules to the body or office under any former name, except in relation to matters that occurred before the change took effect, is taken as a reference to the body or office under the new name.

~~1.2.3~~1.2.2 Where the day on or by which something must be done is not a Business Day, that thing must be done on or by the following Business Day, unless otherwise stated.

~~1.2.4~~1.2.3 A Person (First Person) is deemed to be an "**Associated Person**" of another Person (Second Person) if the First Person is so connected with the Second Person by reason of any domestic or business relationship (other than because the Second Person is a customer of the First Person) that the First Person can reasonably be expected to have influence over the Second Person's judgment in investment matters or to be consulted by the Second Person before any such judgment is made and, if the First Person is deemed to be so Associated, the Second Person shall also be deemed to be Associated with the First Person.

~~1.2.5~~1.2.4 In these Rules, terms defined in the Procedures have the meanings contained in the Procedures unless otherwise defined in these Rules.

~~1.2.6~~1.2.5 An interpretation or construction that would promote the purpose or object underlying the Rules (whether that purpose or object is expressly stated in the Rules or not) is to be preferred to an interpretation or construction which would not promote that purpose or object.

1.3 Notification

1.3.1 In these Rules and the Procedures, a reference to notifying a Person or giving a Person notice (or Notice) includes a reference to:

~~1.3.2~~(a) giving notice of those matters to the Person; or

~~(a)~~(b) transmitting a message containing those matters to the Person.

~~1.3.3~~1.3.2 A Notice that is required or permitted by the Rules or Procedures to be "served", "given" or "sent", or any other expression that is used, may be given and will be deemed to have been received in the manner set out in the relevant Procedures. Save where specified otherwise in these Rules and the Procedures, a Notice must be in writing.

Procedures 1.7 and 1.8

~~1.3.4~~1.3.3 If any Rule or Procedure requires or permits giving of Notice of matters to a Person, the Rule or Procedure requires or permits the giving to that Person of a written document containing those matters.

~~1.3.5~~1.3.4 Nothing in this Rule or the Procedures prevents documents being sent, given to or served on a Person in any other manner permitted by law. Any document or Notice shall be deemed to have been received by the recipient of the document or Notice if the recipient has effectively received the document or Notice, notwithstanding any non-compliance with this Rule or the Procedures.

~~1.3.6~~1.3.5 If under these Rules NZX is to give any Notice to some or all Participants, accidental omission by NZX to give Notice to one or more Participants does not affect the validity and enforceability of any resolution, decision, proceeding or act in connection with which the Notice was to have been given.

~~1.3.7~~1.3.6 Without limiting any other provision of this Rule 1.3, any Notice to be given by a Participant to NZX under Rule 4.5 must be given to the Head of Market Supervision of NZX, in the manner prescribed by the Procedures.

Procedure 1.8

~~1.3.8~~1.3.7 A Participant must acquire and maintain an operating e-mail system for the purposes of receiving Notices under Rule 1.3.2.

1.4 Status of Rules

1.4.1 These Rules are business rules for the Derivatives Market for the purposes of the FMC Act.

1.4.2 These Rules and any Procedures made in accordance with Rule 1.6 (including as amended pursuant to Rule 1.5) constitute a binding contract between NZX and each:

~~1.4.3~~(a) Participant;

~~(a)~~(b) Responsible Executive;

~~(b)~~(c) Compliance Manager;

~~(c)~~(d) Dealer; and

~~(d)~~(e) DMA Dealer.

~~1.4.4~~1.4.3 Any agreement or Contract entered into between Participants pursuant to these Rules and Procedures constitutes a binding contract between those Participants, and is enforceable by NZX.

~~1.4.5~~1.4.4 Nothing in these Rules or any Procedure, or in the status of these Rules shall:

~~1.4.6~~(a) entitle a Participant, or any other Person to take action against NZX, whether to challenge the right of NZX to exercise or not exercise any of its respective powers under the Rules in such manner as it thinks fit, or for the consequences of any such exercise or non-exercise other than as expressly provided for in these Rules or the Procedures;

~~(a)~~(b) limit or affect the rights of NZX in respect of the Rules and the Procedures and in particular (but without limitation) the absolute discretion to make rulings and waivers and the right of NZX to amend (including replace, vary, remove or otherwise substitute) all or any of the Rules or the Procedures;

~~(b)~~(c) entitle any Person to prior notice (or any notice) of any exercise by NZX or the NZ Markets Disciplinary Tribunal of any power under, or in these Rules or Procedures, including, in respect of NZX, Notice of any ruling under these Rules in the manner provided for in these Rules or the Procedures;

~~(c)~~(d) entitle any Person to pursue any proceedings to enforce any provision of the Rules which is the subject of a current ruling, other than on the basis of, and in accordance with, such ruling; or

~~(d)~~(e) save where expressly provided for in these Rules (including Rule 15.1.4), confer or purport to confer, on any Person who is not a party to the Rules, a benefit under the Rules enforceable under the Contracts (Privity) Act 1982 or create an obligation enforceable at the suit of the Person.

~~1.4.7~~1.4.5 NZX is not acting as a fiduciary for, or adviser to, any Participant or any other Person.

1.5 Amendment

1.5.1 NZX may amend the Rules and the Procedures at any time. Subject to Rule 1.5.3, an amendment to the Rules and the Procedures under this Rule 1.5 shall be effective on the date specified by NZX in its Notice to all Participants of that amendment.

1.5.2 Unless specified otherwise by NZX, an amendment will apply to all Contracts whether entered into before or after the date of that amendment on the date specified by NZX under Rule 1.5.1.

1.5.3 FMA approval under section 331 of the FMC Act to any amendment to:

~~1.5.4~~(a) the Rules; and/or

~~(a)~~(b) the Procedures (to the extent that FMA approval to such amendment is required by the FMC Act),

will be required prior to an amendment becoming effective.

~~1.5.5~~1.5.4 Any transactions, including Trades to which these Rules apply, and which commenced prior to any amendments coming into force, may proceed pursuant to the previously applicable Rules, provided that a waiver from any amended Rules applicable to such a transaction is granted by NZX on or before the expiry of three months after the coming into force of the amendments.

1.6 Procedures

1.6.1 NZX may prepare and approve Procedures from time to time.

1.6.2 If there is any inconsistency between any Rule and any Procedure, the Rules will prevail.

1.6.3 The Procedures do not form part of the Rules. However, if a Rule requires a Person to comply with any part of the Procedures, failure by that Person to comply with that part of the Procedures is a contravention of the Rule.

1.7 Effect of amendment

1.7.1 Unless expressly stated otherwise, where a Rule or Procedure is amended, deleted or lapses or otherwise ceases to have effect, that circumstance does not:

~~1.7.2~~(a) revive anything not in force or existing at the time at which that circumstance takes effect;

~~(a)~~(b) affect the previous operation of that Rule or Procedure or anything done under that Rule or Procedure;

~~(b)~~(c) affect any right, privilege, obligation or liability acquired, accrued or incurred under that Rule or Procedure;

~~(c)~~(d) affect any penalty, forfeiture, suspension, termination or disciplinary action taken or incurred in respect of that Rule or Procedure (including in respect of any contravention of that Rule or Procedure); or

~~(d)~~(e) affect any investigation, disciplinary proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, suspension, termination or disciplinary action, in respect of that Rule or Procedure (including in respect of any contravention of that Rule or Procedure),

and any such investigation, disciplinary proceeding or remedy may be instituted, continued or enforced, and any such penalty, forfeiture,

suspension, termination or disciplinary action may be imposed as if the circumstance had not taken effect.

Section 2: Classes of Participants

2.1 Participants

2.1.1 There are the following classes of Participants:

~~2.1.2~~(a) Trading Participants;

~~(a)~~(b) Advising Participants; and

~~(b)~~(c) Advisors.

2.2 Trading Participants

2.2.1 There are the following classes of Trading Participants:

~~2.2.2~~(a) a Trading and Advising Firm. A Trading and Advising Firm (other than a Bank Only Participant):

~~(a)~~(i) may Trade on the Market through its Dealers, DMA Dealers and/or DMA Authorised Persons in its own name or on behalf of its Clients, or as otherwise permitted by the Rules;

~~(i)~~(ii) may use the Trading System to facilitate Trades on the Market either Acting as Principal or for and on behalf of Clients;

~~(ii)~~(iii) may advise Clients (including investment advice, product advice and/or recommendations to Clients) through its Advisors;

~~(iii)~~(iv) must enter into Client Agreements with its clients;

~~(iv)~~(v) may accept and hold Client Funds for Clients for the purpose of investing and Dealing in Derivatives Contracts;

~~(v)~~(vi) may facilitate the trade of a Derivatives Contract on a F&O Exchange on its own behalf or, upon receipt of instructions from a Client, an Introducing Broker or an Advisor Employed by it, place a F&O Order based on those instructions with a Person authorised to enter F&O Orders into a F&O Exchange for entry into that F&O Exchange;

~~(vi)~~(vii) may facilitate the trade of a Derivatives Contract Off-Exchange on its own behalf or, upon receipt of instructions from a Client, an Introducing Broker or an Advisor Employed by it, facilitate the trade of a Derivatives Contract Off-Exchange based on those instructions;

~~(vii)~~(viii) is responsible for all Orders entered into the Trading System by it or on its behalf and must become a party to each Trade;

~~(viii)~~(ix) subject to these Rules and any applicable legislation,

including the Client Funds Regulations (if applicable), may Deal in Derivatives Contracts with Clients;

~~(ix)~~(x) may permit entry of Orders into the Trading System by means of terminals:

~~(x)~~(A) in such number as shall be approved by NZX; and

~~(A)~~(B) in such location as shall be approved by NZX;

~~(B)~~(xi) may enter into Trading Agreements with Advising Participants;

~~(xi)~~(xii) must enter into a C&S Agreement with a Clearing Participant if it is not itself a Clearing Participant;

~~(xii)~~(b) a Principal Book Only Dealer. A Principal Book Only Dealer:

~~(b)~~(i) may Trade as principal on the Market through its Dealers, DMA Dealers and/or DMA Authorised Persons, or as otherwise permitted by the Rules;

~~(i)~~(ii) must be responsible for all Orders entered into the Trading System by it or on its behalf and must become a party to each Trade as principal;

~~(ii)~~(iii) may allow the entry of Orders into the Trading System by means of terminals:

~~(iii)~~(A) in such number as shall be approved by NZX; and

~~(A)~~(B) in such location as shall be approved by NZX;

~~(B)~~(iv) may use the Trading System to Trade on the Market Acting as Principal;

~~(iv)~~(v) must enter into a C&S Agreement with a Clearing Participant if it is not itself a Clearing Participant;

~~(v)~~(vi) may place a F&O Order with an F&O Executing Participant or other Person authorised to enter F&O Orders into a F&O Exchange for entry into that F&O Exchange; and

~~(vi)~~(vii) may trade a Derivatives Contract Off-Exchange.

~~(vii)~~(c) a Bank Only Participant. A Bank Only Participant:

~~(c)~~(i) must be a Bank;

~~(i)~~(ii) may Trade on the Market through its Dealers, DMA Dealers and/or DMA Authorised Persons in its own name or on behalf of its Clients, or as otherwise permitted by the Rules;

~~(ii)~~(iii) must enter into Client Agreements with its clients (if any);

~~(iii)~~(iv) may advise Clients through its Advisors;

~~(iv)~~(v) may accept and hold Client Funds for Clients for the purpose of investing and Dealing in Derivatives Contracts;

~~(v)~~(vi) may use the Trading System to Trade on the Market either Acting as Principal or for and on behalf of its Clients;

~~(vi)~~(vii) is responsible for all Orders entered into the Trading System by it or on its behalf and must become a party to each Trade;

~~(vii)~~(viii) subject to these Rules and any applicable legislation including the Client Funds Regulations (if applicable), may Deal in Derivatives Contracts with Clients;

~~(viii)~~(ix) may permit the entry of Orders into the Trading System by means of terminals:

~~(ix)~~(A) in such number as shall be approved by NZX; and

~~(A)~~(B) in such location as shall be approved by NZX;

~~(B)~~(x) must enter into a C&S Agreement with a Clearing Participant if it is not itself a Clearing Participant;

~~(x)~~(xi) may facilitate the trade of a Derivatives Contract on a F&O Exchange on its own behalf or, upon receipt of instructions from a Client, an Introducing Broker or an Advisor Employed by it, place a F&O Order based on those instructions with a F&O Executing Participant or other Person authorised to enter F&O Orders into a F&O Exchange for entry into that F&O Exchange;

~~(xi)~~(xii) may facilitate the trade of a Derivatives Contract Off-Exchange on its own behalf, or upon receipt of instructions from a Client, an Introducing Broker or an Advisor Employed by it, facilitate the trade of a Derivatives Contract Off-Exchange based on those instructions;

~~(xii)~~(d) a TCF. A TCF:

~~(d)~~(i) may only Trade on the Market through its DMA Authorised Persons on behalf of a TCF Client;

~~(i)~~(ii) must not Trade Acting as Principal, or on behalf of any Client that does not meet the requirement of a TCF Client;

~~(ii)~~(iii) must not provide advice to a Client;

~~(iii)~~(iv) must not accept or hold Client Funds;

~~(iv)~~(v) must not have Dealers or DMA Dealers;

~~(v)~~(vi) must enter into a Client Agreement with a TCF Client;

~~(vi)~~(vii) must be responsible for all Orders entered into the Trading System through its DMA Authorised Person and become a party to each Trade;

~~(vii)~~(viii) may allow the entry of Orders into the Trading System by means of terminals:

~~(viii)~~(A) in such number as shall be approved by NZX;

~~(A)~~(B) in such location as shall be approved by NZX; and

~~(B)~~(ix) may use the Trading System; and

~~(ix)~~(x) must enter into a C&S Agreement with a Clearing Participant if it is not itself a Clearing Participant; and

~~(x)~~(e) any other Person approved by NZX as a Trading Participant, which Person shall have such rights and obligations as NZX shall deem appropriate for such Person.

2.3 Advising Participants

2.3.1 There are the following classes of Advising Participants:

~~2.3.2~~(a) an Advising Firm. An Advising Firm:

~~(a)~~(i) must enter into Client Agreements with its clients;

~~(i)~~(ii) may advise Clients through its Advisors;

~~(ii)~~(iii) may, upon receipt of instructions from a Client, an Introducing Broker or an Advisor Employed by that Advising Participant, place either an Order based on those instructions with a Trading Participant or, as the context requires, a F&O Order based on those instructions with a F&O Executing Participant or other Person authorised to enter F&O Orders into that F&O Exchange for entry into that F&O Exchange;

~~(iii)~~(iv) may, upon receipt of instructions from a Client, an Introducing Broker or an Advisor Employed by it, facilitate the trade of a Derivatives Contract Off-Exchange based on those instructions with a Trading Participant;

~~(iv)~~(v) must enter into a Trading Agreement with a Trading Participant; and

~~(v)~~(vi) may accept and hold Client Funds for Clients for the purpose of investing or Dealing in Derivatives Contracts; and

~~(vi)~~(b) an Introducing Broker. An Introducing Broker:

~~(b)~~(i) may advise Clients through its Advisors;

~~(i)~~(ii) must enter into Client Agreements with its clients;

~~(ii)~~(iii) may, upon receipt of instructions from a Client or an Advisor Employed by that Introducing Broker:

~~(iii)~~(A) place an Order based on those instructions with a Trading Participant (other than a Principal Book Only Dealer or TCF); or

~~(A)~~(B) communicate that instruction to another Advising Participant who will place the Order based on that instruction with a Trading Participant (other than a Principal Book Only Dealer or TCF); or

~~(B)~~(C) place a F&O Order based on those instructions with a F&O Executing Participant or other Person authorised to enter F&O Orders into that F&O Exchange for entry into that F&O Exchange;

~~(C)~~(D) communicate that instruction to another Advising Participant who will place the F&O Order based on that instruction with a F&O Executing Participant or other Person authorised to enter F&O Orders into that F&O Exchange for entry into that F&O Exchange;

~~(D)~~(E) facilitate the trade of a Derivatives Contract Off-Exchange based on those instructions;

~~(E)~~(iv) must not accept or hold Client Funds, except as set out in Rule 11.2.1; and

~~(iv)~~(v) must:

~~(v)~~(A) enter into a Trading Agreement with a Trading Participant; or

~~(A)~~(B) if it is communicating a Client instruction to an Advising Participant, ensure that the Advising Participant has entered into a Trading Agreement with a Trading Participant.

2.4 Advisors

2.4.1 An Advisor:

~~2.4.2~~(a) must be a natural Person;

~~(a)~~(b) may advise Clients generally or specifically on Derivatives Contracts and Dealing in Derivatives Contracts;

~~(b)~~(c) may accept instructions from a Client to buy or sell a Contract on the Market and may place that Order, on behalf of the Advising Participant that Employs it, with a Person authorised to enter Orders into the Market; and

~~(c)~~(d) may accept instructions from a Client to buy or sell a Derivatives Contract on a F&O Exchange and may place that F&O Order, on behalf of the Advising Participant that Employs it, with a F&O Executing Participant (or other Person authorised to enter F&O Orders into that F&O Exchange) for entry into that F&O Exchange; ~~and~~

~~(d)~~(e) may accept instructions from a Client to buy or sell a Derivatives Contract to be traded Off-Exchange and may facilitate that trade on behalf of the Advising Participant that Employs it; and

~~(e)~~(f) must not accept or hold Client Funds on its own behalf.

Section 3: Application, Designation and Accreditation, Responsible Executives and Compliance Managers

Procedures Reference

3.1 Application for designation as a Participant

3.1.1 An applicant for designation as a specified class of Participant ("**Applicant**") must:

Procedures 3.1 and 3.2 and 3.8.1

~~3.1.2~~(a) lodge with NZX for consideration a written application for designation as a particular class of Participant in the appropriate form and manner specified in the Procedures. An application constitutes an offer by the Applicant to be bound by the Rules and acceptance of an Applicant's application by NZX constitutes a binding contract between NZX and the Applicant to be bound by the Rules;

~~(a)~~(b) acknowledge in writing that it is aware of, and accepts to the extent that such obligations apply to the Applicant, the Securities Legislation (including any applicable legal obligations relating to the acceptance and holding of Client Funds), these Rules, the Procedures and all other laws governing its activities and agrees to be bound by them;

~~(b)~~(c) pay to NZX the prescribed non-refundable application and admission fee as are prescribed by NZX pursuant to Rule 14.11; and

~~(c)~~(d) provide such further information as NZX from time to time requests to enable it to consider that application.

~~(d)~~(e) NZX will treat all material received from an Applicant in relation to its application as Confidential Information in accordance with Rule 4.11.

3.2 Applicant to satisfy NZX

3.2.1 An Applicant must provide evidence to the satisfaction of NZX, in NZX's opinion, that it is a fit and proper Person to carry on the business of the kind and scale in respect of which that Applicant seeks designation, and in particular that:

~~3.2.2~~(a) it will meet all of the requirements of Good Broking Practice and of these Rules, Procedures, Guidance Notes, Practice Notes and any directions given from time to time by NZX applicable to the class of Participant in respect of which the Applicant has requested designation and any conditions imposed on that Applicant which NZX considers, in its sole discretion, appropriate to impose in the interests of maintaining a fair and orderly Market for Contracts and for markets in respect of other Derivatives Contracts in New Zealand;

~~(a)~~(b) it will carry out its responsibilities as a Participant honestly and diligently; and

~~(b)~~(c) it meets any other requirements for the time being specified by NZX for all applicants for designation as Participants, or that particular class of Participant or for that Applicant specifically, for the purpose of these Rules.

3.3 Additional application requirements for becoming a TCF

Procedure 3.1 and Appendix Six to the Procedures

3.3.1 In addition to the requirements set out in Rule 3.2, an Applicant seeking designation as a TCF must complete the appropriate Application Form, statutory declaration and undertaking prescribed by NZX from time to time by the Procedures and:

~~3.3.2~~(a) must notify NZX in writing of the identity of its TCF Clients;

~~(a)~~(b) must notify NZX of the Alternative Regulator of each TCF Client;

~~(b)~~(c) must, if applicable, notify NZX whether or not its TCF Client relies on an exemption from regulation by an Alternative Regulator and whether it is seeking to rely on a TCF Client Exemption for that Client; and

~~(c)~~(d) may request that a Regulatory Authority be approved by NZX to be an Alternative Regulator.

~~3.3.3~~3.3.2 NZX may deem, in its discretion, any exemption referred to in Rule 3.3.1(c) to be a TCF Client Exemption.

3.4 Additional application requirements for being a Participant (other than an Advisor)

Procedure 3.1 and Appendix Six to the Procedures

3.4.1 In addition to the requirements set out in Rule 3.2, an Applicant seeking designation as an Advising Participant or a Trading Participant must complete the appropriate Application Forms, statutory declarations and undertakings prescribed by NZX from time to time by the Procedures and satisfy NZX that:

~~3.4.2~~(a) its business integrity, financial probity and character are suitable for the class of Participant in respect of which it seeks designation;

~~(a)~~(b) if applicable, it has the means of ensuring that each Advisor in its Employment or under its control is a fit and proper Person to be an Advisor by virtue of their character, training and experience;

~~(b)~~(c) it will ensure, where applicable, that individuals in its Employment or under its control will, at all times, fully comply with these Rules, the Procedures, applicable Guidance Notes, Practice Notes, and any directions given from time to time by NZX;

~~(c)~~(d) it has capacity to connect to the Trading System and will ensure that it is able to meet its obligations under all applicable Rules, Procedures, Guidance Notes, Practice Notes and any directions given from time to time by NZX;

~~(d)~~(e) it complies with the operational, procedural and technical requirements of the Trading System as specified by the Procedures or otherwise by NZX from time to time;

Procedure 3.4

~~(e)~~(f) unless it is an Applicant for Principal Book Only Dealer status, it has in place a compliance plan that will ensure continuous compliance with all requirements imposed on it pursuant to these Rules as further specified by the Procedures;

Procedure 3.5

~~(f)~~(g) it holds all licences, consents and approvals and has completed all registrations as are necessary to enable it to carry on the business it proposes to carry on;

~~(g)~~(h) if the Applicant is an organisation, firm, partnership, Company or other business entity, that each Director of the Applicant or Person responsible for carrying out the duties of a Director for that Applicant (as the case may be) has delivered to NZX a statutory declaration as specified in the Procedures;

Appendix Six to the Procedures

~~(h)~~(i) it has in place insurances as required by Rule 4.16;

~~(i)~~(j) its management includes Persons who are sufficiently and demonstrably experienced and capable to enable that Applicant's business to be conducted in a way which will not place other Participants, Clients, the Market, and/or the investing public at unreasonable risk;

~~(j)~~(k) it maintains sufficient Personnel with adequate knowledge, experience, training and competence to ensure the Applicant's compliance with the Rules and performance of its obligations as a Participant under these Rules and for these purposes that it has in place a training plan that meets all requirements prescribed by the Procedures;

Procedure 3.6

~~(k)~~(l) it has in place a business continuity plan that meets all requirements of Rule 4.15 and as prescribed by the Procedures;

Procedure 3.7

~~(l)~~(m) it has paid to NZX the admission fee and other applicable fees prescribed by NZX under Rule 14.11;

~~(m)~~(n) it has provided details of all Directors, Personnel, agents and other Persons whom the Applicant proposes to give access to the Trading System on its behalf;

~~(n)~~(o) it has provided contact details of the Applicant, the Responsible Executive, its Compliance Manager (if applicable) and its Directors;

~~(o)~~(p) for any Applicant which is a Company, or in the case of a partnership, any of whose partners is a Company, has provided details of the Beneficial Ownership of shares, including:

~~(i)~~(ii) (i) a schedule of holders of its or the partners' voting Securities, which identifies the Beneficial Owners of such Securities and the number of voting Securities held by each Beneficial Owner; and

~~(iv)~~(v) (ii) such other information in connection with such share ownership (beneficial or otherwise) as NZX may reasonably request;

~~(vi)~~(q) for any Applicant which is a partnership, a list of names of its partners;

~~(q)~~(r) where the Applicant is a body corporate incorporated outside of New Zealand, that it has provided NZX with details and evidence of its incorporation, including a certificate of good standing from the appropriate authority in its home jurisdiction;

~~(r)~~(s) it has provided to NZX such information as NZX believes is necessary to enable NZX to comply with its obligations under the Reporting Act, the Anti-Money Laundering Act or any other law or regulation applicable to NZX in any jurisdiction;

~~(s)~~(t) it has provided to NZX the address of the location at which the Participant will store or maintain records required to be stored or maintained under these Rules; and

Procedure 3.1

~~(t)~~(u) it has provided any additional information prescribed by the Procedures or as required by NZX in connection with the application.

3.5 Application requirements for Direct Market Access for a Trading Participant, being a Dealer and/or a DMA Dealer

3.5.1 Each Trading Participant who wishes to offer Direct Market Access must apply for "DMA Status" on the relevant Application Form specified by the Procedures.

Procedure 3.8.1 and Appendix Six to the Procedures

3.5.2 A Candidate seeking designation as a Dealer or DMA Dealer must complete the appropriate Application Form, statutory declaration and undertaking as prescribed by NZX from time to time by the Procedures. The Candidate must be an Employee of a Trading Participant and any such application must provide all the information and supporting documentation required by the Procedures and satisfy NZX that the Candidate meets the standards set by the Procedures.

Procedures 3.8 and 3.9 Appendix Six to the Procedures

3.5.3 Each Trading Participant that has an Employee applying for designation as a Dealer and/or a DMA Dealer is responsible for ensuring that the Employee has the appropriate skills and experience, as set out in the Procedures, to act as a Dealer and/or a DMA Dealer.

Procedure 3.9

3.5.4 NZX may, in its discretion, approve or decline any application for Dealer or DMA Dealer status or following designation, revoke any such designation at any time.

3.6 Application requirements for being an Advisor

3.6.1 In addition to the requirements set out in Rule 3.2, an Applicant seeking designation as an Advisor must complete the appropriate Application Form, statutory declaration and undertaking as prescribed by NZX from time to time by the Procedures and must:

Procedure 3.2 and Appendix Six to the Procedures

~~3.6.2~~(a) supply evidence to NZX to the effect that:

~~(a)~~(i) the Applicant has obtained a pass or achieved such a grade or percentage as may be required from time to time by NZX in such examinations prescribed from time to time by NZX in the Procedures. NZX may consider and accept evidence of qualifications or experience and exempt an Applicant from the requirement set out in this Rule 3.6.1 and may, in respect of Overseas Applicants, specify in the Procedures alternative qualifications that will meet the requirements of this Rule;

Procedure 3.2 and 3.3

~~(i)~~(ii) the Applicant:

~~(ii)~~(A) is currently working full time under the supervision of an Advisor and has had such full time experience for a continuous period of at least six months; or

~~(A)~~(B) has had equivalent experience in the securities or derivatives markets industry (to be determined by NZX in its discretion);

~~(B)~~(iii) where the Applicant wishes to accept instructions from a Client to Deal in Contracts, the Applicant is currently Employed by an Advising Participant; and

~~(iii)~~(iv) where applicable, the Advising Participant or Introducing Broker that Employs that Applicant supports that Applicant's application for designation as an Advisor and confirms that the Applicant is Employed by them (such evidence to be provided in writing); and

~~(iv)~~(b) provide to NZX in writing or, if requested by NZX, by statutory declaration, such other information as NZX may in its discretion request.

3.7 Appointment and resignation of Directors

Appendix Six to the Procedures

3.7.1 Where a Director is appointed or as the case may be, admitted, in respect of a Participant, that Participant must promptly give NZX Notice of such appointment and deliver to NZX within five Business Days of the date of that appointment the documentation (including a statutory declaration made by that Director) specified by the Procedures.

3.7.2 A Participant must give NZX Notice within five Business Days of the earlier of (i) the date of a resignation of a Director of that Participant, and (ii) the date on which that Participant becomes aware of the effective date of such resignation.

3.8 Management structures

3.8.1 A Participant (other than an Advisor, a Principal Book Only Dealer, a sole trader or a natural Person) must:

~~3.8.2~~(a) establish appropriate management structures for its business, and subject to Rule 3.13.3, have a Compliance Manager ordinarily resident in New Zealand;

~~(a)~~(b) keep a record of, and provide NZX with a copy of, its management structures, including a record of the names of the Management team, when the members of that team were appointed and of any changes to that Management team; and

~~(b)~~(c) give NZX Notice of any change to that Management team as soon as is reasonably practicable and in any event, within five Business Days of that change.

~~(c)~~(d)

~~(d)~~(e)

~~(e)~~(f)

~~(f)~~(g)

~~(g)~~(h)

~~(h)~~(i)

3.9 Responsible Executives

Procedure 3.10 and Appendix Six to the Procedures

3.9.1 A Participant (other than an Advisor) must have a Responsible Executive at all times. Such Participant must nominate for approval by NZX an individual to be the Responsible Executive for that Participant. A Candidate may apply to be a Responsible Executive by completing the appropriate Application Form, statutory declaration and undertaking specified by the Procedures. NZX will not approve the nominated individual to be the Responsible Executive for that Participant unless NZX is satisfied (in its absolute discretion) that the individual satisfies the requirements set out in Rule 3.9.2.

3.9.2 A Responsible Executive must:

~~3.9.3~~(a) be of, and continue to be of, good reputation and character and high business integrity;

Procedure 3.11

~~(a)~~(b) have, and continue to have, skills, knowledge, expertise and experience and have completed qualifications or training, of a type specified by the Procedures;

~~(b)~~(c) have, and continue to have, sufficient power and authority within that Participant to fulfil the functions of a Responsible Executive;

~~(c)~~(d) have not engaged in, and must not engage in, Unprofessional Conduct;

~~(d)~~(e) where that Responsible Executive is not resident in New Zealand, irrevocably appoint one or more Persons resident or incorporated in New Zealand who are authorised to accept service in New Zealand of documents on behalf of the Responsible Executive and provide a physical address for each such Person and agree that failure by an agent for service to notify the Responsible Executive of the service of documents will not invalidate the proceedings;

~~(e)~~(f) immediately appoint another Person for the purpose of paragraph (e) if, for any reason, the Person is unable to act, and failing this, NZX is authorised by the Responsible Executive to appoint another Person for this purpose;

~~(f)~~(g) provide to NZX a written undertaking:

~~(g)~~(i) to comply with and be bound by the Rules and the Procedures and any decisions, directions and requirements of the Rules or the Procedures as they apply to a Responsible Executive;

~~(i)~~(ii) to procure the Participant to comply with the Rules, the Procedures and any decisions, directions and requirements of NZX under the Rules or the Procedures or of the NZ Markets Disciplinary Tribunal under the NZ Markets Disciplinary Tribunal Rules; and

~~(ii)~~(iii) submitting to the exclusive jurisdiction of the courts of New Zealand and waiving any objection arising at any time to the undertaking of proceedings in relation to the Rules and Procedures or the NZ Markets Disciplinary Tribunal Rules in New Zealand, any claim that such proceedings have been brought in an inconvenient forum and the right to object to such proceedings on the basis that the courts of New Zealand or the NZ Markets Disciplinary Tribunal do not have jurisdiction over him or her.

~~3.9.4~~3.9.3 A Responsible Executive must:

~~3.9.5~~(a) procure that the Participant who Employs him or her complies at all times with all applicable Rules, the Procedures, any Guidance Notes, Practice Notes and directions issued by NZX from time to time and that that Participant observes Good Broking Practice;

~~(a)~~(b) if requested by NZX, represent that Participant in any dealing with NZX and have full power to bind that Participant;

~~(b)~~(c) be responsible for the control, leadership, influence and supervision of that Participant's business as a Participant;

~~(c)~~(d) submit to NZX such reports or certifications in relation to that Participant's business as a Participant and/or its compliance with these Rules as prescribed by Rule 13.2;

~~(d)~~(e) notify NZX of details of any Authorised Signatories. Such details must include:

~~(e)~~(i) the name, title and function of the Authorised Signatory;

~~(i)~~(ii) the extent of that Authorised Signatory's authority;

~~(ii)~~(iii) specimen signature of that Authorised Signatory; and

~~(iii)~~(iv) the date on which that Authorised Signatory was appointed;

~~(iv)~~(f) promptly notify NZX of any changes to the details provided pursuant to Rule 3.9.3(e), including if any Authorised Signatory ceases to be so authorised or if any new Authorised Signatory is appointed;

~~(f)~~(g) procure that all information which the Responsible Executive gives to NZX is correct, accurate, complete and not misleading in any material respect and, if the Responsible Executive becomes aware that information which he or she has previously given to NZX was incorrect, inaccurate, incomplete or misleading in any material respect, promptly give NZX Notice of the same and submit the amended information together with an explanation; and

~~(g)~~(h) complete any training or continuing education requirements prescribed by the Procedures.

Procedure 3.12

3.9.63.9.4 NZX may, in its absolute discretion, withdraw its approval for an individual to be a Responsible Executive for a Participant by Notice to that Participant for any reason whatsoever, including if:

3.9.7(a) NZX considers that:

(a)(i) the Responsible Executive no longer satisfies any of the requirements set out in Rule 3.9.2;

(i)(ii) the Responsible Executive fails to comply with the obligations set out in the Rules, including Rule 3.9.3; or

(ii)(iii) the continuation of that individual as the Responsible Executive for the Participant who Employs him or her will have, or would be likely to have, a Material Adverse Effect; or

(iii)(b) the rights of the Participant are, or are to be, suspended under Rule 14.17 or terminated under Rule 14.19.

3.9.83.9.5 Where a Responsible Executive fails to comply with the obligations set out in the Rules or the Procedures, the Participant which Employs that Responsible Executive will also have contravened the Rules.

3.10 Appointment of Compliance Managers

3.10.1 Each Participant (other than an Advisor, a Principal Book Only Dealer, a sole trader or a natural Person) must appoint a Compliance Manager who shall be accountable to that Participant for:

3.10.2(a) overseeing the effective control of that Participant's business relating to Dealing in Derivatives Contracts;

(a)(b) ensuring that Participant complies with the Rules, the Procedures, any Guidance Notes, any Practice Notes and any directions given from time to time by NZX;

(b)(c) maintaining up-to-date, complete and accurate registers or records required by Rule 4.8, Rule 4.21, 4.22.2(d) and Rule 4.24; and

(c)(d) reporting to NZX all breaches and suspected breaches by that Participant of Good Broking Practice and of these Rules and the Procedures and any applicable directions given from time to time by NZX.

3.11 Notification of appointment, resignation or change of Compliance Manager

3.11.1 A Participant required to have a Compliance Manager under Rule 3.10 must:

3.11.2(a) give NZX Notice of the appointment, resignation or change of a Compliance Manager no later than 1 Business Day after that appointment, resignation or change is made;

~~(a)~~(b) give NZX Notice of the name and position of its Compliance Manager, and any other position held by that Compliance Manager;

~~(b)~~(c) if it is not a TCF, provide NZX with an undertaking from that Compliance Manager that it will not undertake any operational activity on the Participant's behalf in the form prescribed by the Procedures, signed by that Compliance Manager and that Participant; and

Appendix Six to the Procedures

~~(c)~~(d) if it is a TCF, provide NZX with an undertaking in the form prescribed by the Procedures signed by that Compliance Manager and that TCF.

Appendix Six to the Procedures

~~3.11.3~~3.11.2 A TCF's Compliance Manager may also be its Responsible Executive.

3.12 Prohibition on Compliance Manager Dealings

3.12.1 A Compliance Manager (of a Participant required to appoint a Compliance Manager under these Rules) must not undertake any operational activity, including recording, processing or receiving instructions from, or placing Orders or F&O Orders or facilitating trading of Derivatives Contracts Off-Exchange in response to instructions from, a Client of that Participant Employing that Compliance Manager and/or accounting entries relating to Derivatives Contracts, within or for that Participant's business.

3.13 Overseas Applicants

3.13.1 If an Applicant is an Overseas Applicant who wishes to receive the benefit of an exemption from the Rules under Rule 3.13.4, it must provide to NZX evidence that that Person is regulated by an Alternative Regulator acceptable to NZX. Alternatively the Overseas Applicant may apply for the Regulatory Authority that regulates the Applicant to be deemed to be an Alternative Regulator by NZX when completing the appropriate Application Form.

3.13.2 An Overseas Applicant must provide to NZX evidence that it is subject to appropriate regulation in respect of the acceptance and holding of Client Funds. NZX must be satisfied that an Overseas Applicant is subject to appropriate regulation in respect of the acceptance and holding of Client Funds prior to granting an Overseas Applicant status as an Overseas Participant.

3.13.3 An Overseas Applicant's Compliance Manager appointed under Rule 3.10 must be resident in the country that is the home jurisdiction of that Overseas Applicant in accordance with Rule 3.13.1 above.

3.13.4 These Rules shall apply to Overseas Applicants except to the extent that, in NZX's discretion, NZX determines that they conflict with any applicable statutory or regulatory requirement including those imposed by Alternative Regulators applicable to the Overseas Applicant in the Overseas Applicant's home jurisdiction. For the avoidance of doubt, NZX may, in its sole discretion, exempt (by way of a waiver or ruling) Overseas Applicants from any requirements contained in these Rules, and such exemption shall continue on the Overseas Applicant being granted Overseas Participant status.

3.14 Undertakings from Overseas Applicants

3.14.1 NZX may require an Overseas Applicant to do or provide any or all of the following:

~~3.14.2~~(a) give additional undertakings or assurances (governed by New Zealand law and subject to the jurisdiction of the New Zealand courts) in respect of any matter which NZX considers reasonable or in the interests of NZX, NZX Markets, the Market or other Participants and/or Clients of the Overseas Applicant and including, undertakings:

~~(a)~~(i) as to the amount of resources and number of Personnel to be located in New Zealand (if any); and

~~(i)~~(ii) as to access by NZX and the NZ Markets Disciplinary Tribunal to records required to be kept by the Participant under the Securities Legislation relevant to its business as a Participant or these Rules;

~~(ii)~~(iii) that it has granted NZX the power to request and receive any information NZX requires (determined by NZX in its sole discretion) from the Overseas Applicant's Alternative Regulator directly, without any further permission being required from the Overseas Applicant, (such undertaking continuing to apply on the Overseas Applicant being granted Overseas Participant status);

~~(iii)~~(b) deliver to NZX evidence that the Overseas Applicant (or a Prescribed Person of the Overseas Applicant) currently conducts its trading operations in compliance with the regulatory requirements of the jurisdictions in which the Overseas Applicant is trading and is regulated in that jurisdiction by an Alternative Regulator acceptable to NZX;

~~(b)~~(c) irrevocably appoint one or more Persons resident or incorporated in New Zealand who are authorised to accept service in New Zealand of documents on behalf of the Participant and provide a physical address for each such Person and agree that failure by an agent for service to notify the Participant of the service of documents will not invalidate the proceedings concerned;

~~(c)~~(d) immediately appoint another Person for the purpose of paragraph (c) if, for any reason, the Person is unable to act, and failing this authorise NZX to appoint another Person for this purpose;

~~(d)~~(e) provide a legal opinion at the expense of the Overseas Applicant, from independent lawyers acceptable to, and for the benefit of, NZX which deals with matters required by NZX and which is acceptable to NZX. Without limiting the foregoing, NZX may require a legal opinion that the Rules and Procedures (including NZ Markets Disciplinary Tribunal Rules) would be recognised as contractually valid, binding and enforceable against the Overseas Applicant in the jurisdiction in which the Overseas Applicant is incorporated, domiciled or resident.

~~3.14.3~~3.14.2 Each Participant, which was an Overseas Applicant prior to being approved as a Participant pursuant to Rule 3.17, undertakes to NZX that it grants to NZX the right to provide its Alternative Regulator with information requested directly by the Alternative Regulator from NZX.

3.15 Overseas Activities

3.15.1 A Participant who proposes to locate any part of its business as a Participant outside New Zealand or locate any of its Personnel engaged in its business as a Participant outside New Zealand must:

~~3.15.2~~(a) give NZX prior written Notice of the Overseas Activity;

~~(a)~~(b) obtain all necessary regulatory consents and approvals from any relevant government agency or Regulatory Authority in New Zealand or elsewhere, for the Overseas Activity;

~~(b)~~(c) comply with the directions of NZX and of any relevant government agency or regulatory authority in New Zealand or elsewhere concerning supervision of the Overseas Activity;

~~(c)~~(d) satisfy NZX that it has sufficient arrangements in place to ensure that the Participant and NZX can communicate with each other promptly on a day to day operational basis and so that the Participant can comply promptly with the Rules or Procedures and any decisions, directions and requirements of NZX under the Rules or the Procedures;

~~(d)~~(e) comply with any request by NZX requiring any part of the Participant's business as a Participant (or any records or copies of records relating to that business) to be located in New Zealand and otherwise comply with Rule 13.8.2(f); and

~~(e)~~(f) include in its Trading Agreement and/or Client Agreements a provision that allows it to give NZX and any Regulatory Authority all information concerning that Participant's activities in the Market (or any relevant Underlying Market) in respect of that Client.

3.16 Inquiry by NZX

3.16.1 NZX may, in its sole discretion, inquire into, and satisfy itself as to, whether or not an Applicant or Candidate is likely to be able to carry out its responsibilities as a Participant, Responsible Executive or Compliance Manager. NZX may request further information for this purpose, and take into account any information or matter, from any source, including information relating to an Applicant or Candidate or any business carried on, or to be carried on, by an Applicant or Candidate in conjunction with its business.

3.17 NZX decision

3.17.1 After a review of all the information made available to it, in whatever form and from whatever source NZX will decide, in its sole discretion, whether:

~~3.17.2~~(a) an Applicant is suitable to be included in the specified class of Participant for which the application is made;

~~(a)~~(b) a Candidate is suitable to perform the function for which the application is made.

~~3.17.3~~3.17.2 NZX may satisfy itself that any application requirement has been met by virtue of an Applicant's or Candidate's membership of, or participation in, any other market, trading system or the Applicant or Candidate holding any other status, licence, permission or entitlement which NZX considers relevant.

~~3.17.4~~3.17.3 NZX may, in its sole discretion, reject or approve any application by an Applicant or Candidate.

~~3.17.5~~3.17.4 NZX may defer making a decision for such period as it considers necessary to carry out further investigations or allow for the provision of additional information. NZX may request additional information from an Applicant or Candidate. However, NZX will use all reasonable endeavours to ensure that a decision to reject or approve an application is reached as soon as possible after receiving a complete written Application Form and all supporting documentation required by Rules and the Procedures.

3.18 Designation may be conditional

3.18.1 NZX may approve an application from an Applicant or Candidate subject to such conditions as it considers in its sole discretion to be appropriate.

3.19 Notice of decision

3.19.1 NZX will advise each Applicant or Candidate whether or not its application has been approved and, if approved, the conditions, if any, attached to that approval.

3.20 Application approved

3.20.1 If NZX:

~~3.20.2~~(a) approves an Applicant's application to be a Participant; and

~~(a)~~(b) is satisfied that the Applicant has complied with any conditions attached to that approval that the Applicant was required to comply with prior to designation,

~~(b)~~(c) NZX will notify that Applicant it is entitled to act as a Participant in the relevant class of designation for which such a successful application has been made. NZX will keep a publicly available register of all Participants, and will issue all Applicants with a certificate that confirms that Applicant is entitled to act as a Participant in respect of the relevant class.

~~3.20.3~~3.20.2 If NZX:

~~3.20.4~~(a) approves a Candidate's application; and

~~(a)~~(b) is satisfied that the Candidate has complied with any conditions attached to that approval that the Candidate was required to comply with prior to accreditation,

~~(b)~~(c) NZX will notify that Candidate that they are entitled to perform the function for which the application was made.

3.21 Application declined

3.21.1 Where an application by an Applicant or a Candidate is declined by NZX, NZX shall, to the extent permitted by law, regulation and any confidentiality obligations to which it may be subject, set out its reasons for declining that application and that decision shall be final and non-contestable.

3.22 Grouping provision

3.22.1 A reference to a Participant in these Rules extends to and includes:

~~3.22.2~~(a) In relation to the obligations of a Participant, under the Rules, all subsidiaries of the Participant, to the extent necessary to ensure that the object of any applicable Rules, Procedures and/or direction given from time to time by NZX is not frustrated or avoided by reason of the separate legal personality for the members of a group comprising the Participant and its Subsidiaries;

~~(a)~~(b) for the purposes of Rule 4.4.1(a), (b) and (c) and Section 14 of these Rules, all Related Companies of the Participant which guarantee or otherwise assume or may assume liability for the obligations of the Participant for the purpose of enabling that Participant to meet its Capital Adequacy obligations under these Rules; and/or

~~(b)~~(c) any Related Company of a Participant that NZX declares to be included by Notice to the Participant (for the purpose of all the Rules or only such Rules as are specified by NZX in the Notice), where NZX believes that it is necessary to ensure that the object of any applicable Rules, Procedures or any direction given from time to time by NZX, is not frustrated or avoided by reason of the separate legal personality of the members of the Group of which the Participant forms part.

~~3.22.3~~3.22.2 Each Participant must provide to NZX in writing, details of all entities to which Rule 3.22.1(a) or (b) applies and of any changes to any of those entities within five 5 Business Days of the Rule beginning or ceasing to apply to that entity. In addition each Participant must provide to NZX within 5 Business Days of being requested to do so, all details in respect of any Related Company of the Participant that NZX believes are necessary to enable it to make a determination pursuant to Rule 3.22.1(c).

~~3.22.4~~3.22.3 If requested by NZX, each Participant must procure any Subsidiary or Related Company to which Rule 3.22.1 applies to deliver to NZX a duly executed written acknowledgement and undertaking that the Subsidiary or Related Company (as the case may be) agrees to be jointly and severally liable to NZX for any breach of the Rules by the relevant Participant.

~~3.22.5~~3.22.4 A Participant (other than an Advisor) is responsible to NZX for the conduct of the Participant's Personnel, Responsible Executive, Compliance Manager (if applicable), agents and other Persons acting on its behalf for the purposes of and in the course of its activities as a Participant. Such conduct will be treated for the purposes of these Rules as conduct of the Participant.

~~3.22.6~~3.22.5 A Participant (other than an Advisor) must ensure that all Directors, Personnel, agents or other Persons acting on its behalf in relation to its business as a Participant are Employed on such terms and conditions as are necessary for the purposes of Rule 14.8.1(b).

~~3.22.7~~3.22.6 A Participant must ensure that all Persons that are directly involved in the operation of its business as a Participant or are provided with access to the Trading System on behalf of the Participant:

~~3.22.8~~(a) are under the supervision and control of the Responsible Executive;

~~(a)~~(b) have and continue to have the appropriate training, skills, knowledge, expertise and experience required to perform their respective functions; and

~~(b)~~(c) are of good reputation and character and high business integrity.

~~3.22.9~~3.22.7 Each Participant must give Notice to NZX of all entities to which Rule 3.22.1(b) applies and of any changes to any of those entities within five Business Days of the Rule beginning or ceasing to apply to that entity.

~~3.22.10~~3.22.8 Each Participant must provide to NZX, within five Business Days of being requested to do so, all details in respect of any Related Company of the Participant that NZX believes are necessary to enable it to make a determination pursuant to Rule 3.22.1(c).

Section 4: Business Conduct of Participants

4.1 Rules

4.1.1 All Participants who Deal in Derivatives Contracts are bound by and must observe these Rules and the Procedures, and every Derivatives Contract made or purporting to be made with the assistance of a Participant, or any matter related to any such Derivatives Contract, shall be deemed to have been made subject to these Rules and the Procedures.

4.2 General

4.2.1 **General:** Each Participant must conduct and report Trading and Dealing in Contracts on the Market and Dealing in other Derivatives Contracts (whether on a F&O Exchange or Off-Exchange) in accordance with these Rules, Procedures, and any Guidance Note or direction issued by NZX and must not engage in Unprofessional Conduct or in any act detrimental to the Market, any other NZX Market, NZX or other Participant or otherwise upset the equilibrium of the Market or any other NZX Market.

4.2.2 **Organisational and technical capability**: Each Participant must at all times ensure that it has and maintains the necessary organisational and technical resources to ensure compliance with these Rules, the Procedures and any Guidance Notes or other directions issued from time to time by NZX, and at all times does not engage in Unprofessional Conduct.

4.2.3 **Participants Act as Principal**: A Participant must Act as Principal in all of its activities in respect of the Market and is in all cases responsible and liable as principal and not as agent (notwithstanding that a Participant may be acting as an agent) to other Participants, its Relevant Clearing Participant and NZX.

4.3 Market manipulation

4.3.1 Each Participant is prohibited from placing an Order for, or Dealing in, any Contract when Dealing in that Contract or placing that Order might reasonably be expected to have an adverse effect on the operations of the Market or result in unfairness to its Clients or other Participants:

~~4.3.2~~(a) including when Acting as Principal or placing that Order has the effect, or in the opinion of NZX is likely to have the effect, of creating a false or misleading appearance:

~~(a)~~(i) of active trading in any Contract; or

~~(i)~~(ii) with respect to the Market for, or the price of, any Contract,

or the Participant intends to create the effect of any of the circumstances in Rule 4.3.1(a)(i) or 4.3.1(a)(ii);

~~(ii)~~(b) including when acting on behalf of a Client or any other Person where:

~~(b)~~(i) that Trading Participant intends to create;

~~(i)~~(ii) that Trading Participant is aware that that Client or other Person intends to create;

~~(ii)~~(iii) that Trading Participant should reasonably suspect the Client or other Person intends to create,

the effect of any of the circumstances in Rule 4.3.1(a)(i) or 4.3.1(a)(ii); and

~~(iii)~~(c) including manipulating the Market and in particular creating a condition in which prices do not or will not reflect fair market value either by the manipulation of the Market or manipulation of a Contract's Underlying Market; and

~~4.3.3~~4.3.2 When accepting an Order, each Participant must consider whether that Order or the circumstances surrounding that Order may evidence market manipulation, and in particular must consider the following:

~~4.3.4~~(a) whether that Order, or the execution of that Order, is consistent with recent Trading in that Contract, taking into account current market conditions;

~~(a)~~(b) whether that Order, or the execution of that Order, will materially affect the market for, or price of, any Contract;

~~(b)~~(c) whether that Order is received during Trading Hours or after the Market has closed, and whether instructions about when that Order is to be entered have been received from the Client;

~~(c)~~(d) whether the Client who has entered/submitted that Order, or any other Person whom the Trading Participant knows to be a Related Party of that Client, may have an interest in creating a false or misleading market in, or the price of, any Contract;

~~(d)~~(e) whether an Order received appears to be 'out of character' for a particular Client;

~~(e)~~(f) whether there are any additional unusual requests in relation to that Order, including but not limited to requests in relation to clearing and settlement;

~~(f)~~(g) whether that Order appears to be one in a series of requested Orders and whether that series of Orders has any of the effects outlined in this Rule;

~~(g)~~(h) whether an excessive Order, or a number of smaller related Orders, has been received in respect of a Contract that is unusual for that Contract; and

~~(h)~~(i) whether there is a clear legitimate commercial reason for that Order being placed, which is unrelated to the intention to create a false or misleading market in respect of the market for, or price of, any Contract.

~~4.3.5~~4.3.3 For the avoidance of doubt, the obligations imposed on each Participant, in relation to the requirement not to create a false or misleading market for, or price of, any Contract also apply in respect of Orders that are entered by means of Direct Market Access.

~~4.3.6~~4.3.4 Any Trade entered into in breach of any short selling restriction applicable to any Contract which is specified in the Individual Contract Specification for that Contract will be treated as falling within Rule 4.3.1.

4.4 Obligations of Participants

4.4.1 A Participant shall, and shall procure that its Directors and Personnel, at all times:

~~4.4.2~~(a) observe proper ethical standards and act with honesty, integrity, fairness, due skill and care, diligence and efficiency;

~~(a)~~(b) refrain from any action, conduct, matter or thing which is, or is reasonably likely to:

~~(b)~~(i) be detrimental to the wellbeing or proper conduct of, or be contrary to the best interests of, any Client of that Participant;

~~(i)~~(ii) be detrimental to the integrity and proper functioning of the Market and/or any other NZX Market;

~~(ii)~~(iii) discredit or bring into disrepute NZX, any NZX Market and/or any other Participant or Client; or

~~(iii)~~(c) comply fully with all applicable Rules, Procedures, Guidance Notes, Practice Notes and/or any directions given from time to time by NZX and with Good Broking Practice;

~~(c)~~(d) co-operate with NZX in the exercise of the powers set out in Rule 14.8 including on such periodic or other systematic basis as may be prescribed by the Procedures;

Procedures 14.7 to 14.10

~~(d)~~(e) comply with all laws and regulations for the time being in force relating to its activities in respect of Derivatives Contracts;

~~(e)~~(f) ensure that it continues to satisfy all the conditions for application and designation as a Participant of the relevant class;

~~(f)~~(g) act in a manner consistent with the promotion and protection of the integrity and public image of NZX and its markets, the Market and the Clearing House and take such action as in the opinion of NZX is necessary or desirable to promote or protect the integrity and public image of NZX and its markets;

~~(g)~~(h) deal with Regulatory Authorities in an open and co-operative manner and keep each such Regulatory Authority promptly informed of anything which might reasonably be expected to be disclosed to it;

~~(h)~~(i) ensure that its Management and staff are suitably qualified and experienced in order to implement and maintain adequate internal procedures and controls in relation to its intended business on the Market;

~~(i)~~(j) ensure that the Participant has, and can demonstrate that it has, sufficient resources for the role(s) it intends to perform on the Market;

~~(j)~~(k) ensure that, where relevant, it has entered into any agreement contemplated or required by these Rules and has met any technical requirements specified by NZX;

~~(k)~~(l) pay all such fees, levies and charges in the amount and at the time specified by NZX pursuant to Rule 14.11 and under the NZ Markets Disciplinary Tribunal Rules;

~~(l)~~(m) ensure that it meets any other criteria which NZX may prescribe with regard to membership and publish by Notice; and

~~(m)~~(n) where it is an Overseas Participant, provide NZX with authority to seek any information NZX requires directly from its Alternative Regulator.

4.5 Notification and provision of information to NZX

4.5.1 In addition to the information that a Participant is required to give to NZX pursuant to Rule 3.7, Rule 3.11.1, Rule 4.6, Rule 4.16, Rule 4.27.2, Rule 4.28.4, Rule 4.28.6 and Rule 6.3.1(d), a Participant must promptly after becoming aware of the same give Notice to NZX of:

~~4.5.2~~(a) the Insolvency of that Participant or of any of its Directors, partners or such other Person holding an analogous position in that Participant, as the case may be;

~~(a)~~(b) any change of Control of the Participant, such Notice to give full details of that change of Control;

~~(b)~~(c) any breach of the Rules by the Participant and the occurrence of any event referred to in Rule 14.15 of these Rules;

~~(c)~~(d) where that Participant or any of its Directors is charged with, or is convicted of, an indictable offence;

~~(d)~~(e) where any emergency arises (including the failure of that Participant's accounting system or ability to connect to the Trading System), which results in that Participant being unable to comply with the requirements as set out in these Rules applicable to that Participant. As part of that notification, that Participant must advise NZX of the specific steps that Participant is undertaking to deal with, and if possible remedy, that emergency;

~~(e)~~(f) where that Participant, due to circumstances outside its control, is unable to comply or it is impractical for that Participant to comply with any requirement of these Rules. As part of that notification, that Participant must advise NZX of the specific steps that Participant is undertaking to deal with, and if possible remedy, that situation;

~~(f)~~(g) the details of any litigation, arbitration or administrative proceedings, claims or action (including disciplinary or enforcement actions) taken, threatened or pending against the Participant or any Director, or partner, as the case may be, Personnel, agent or Person acting on the Participant's behalf by any Regulatory Authority, Alternative Regulator, exchange, market operator, clearing and settlement facility or any other Person which, if adversely determined, would reasonably be likely to have a Material Adverse Effect;

~~(g)~~(h) where that Participant is an Overseas Participant, that its Alternative Regulator:

~~(h)~~(i) has commenced or notified that Overseas Participant that it intends to commence any disciplinary proceeding;

~~(i)~~(ii) has requested further information from the Overseas Participant;

~~(ii)~~(iii) has commenced a disciplinary proceeding against that Overseas Participant or notified that Overseas Participant that it intends to do so;

~~(iii)~~(i) where that Participant is an Overseas Participant, of any event of which its Alternative Regulator requires immediate notification; and

~~(i)~~(j) any material change in information concerning the Participant or the Participant's business from that previously provided to NZX.

~~4.5.3~~4.5.2 In addition to the information that a Participant is required to give to NZX set out in Rules 3.7, 3.8.1(c), 3.11.1, 3.15.1(a), 3.22.7, 3.22.8, and 8.3.4 a Participant must give NZX not less than five Business Days' prior Notice of:

~~4.5.4~~(a) the proposed appointment or resignation of its auditor;

~~(a)~~(b) any proposed Major Transaction (or analogous transaction under the law of another jurisdiction) or material change in the nature or scope of its business or any proposed cessation of its business as a Participant;

~~(b)~~(c) the change of its name or the name in which it carries on business, or any change in the address at which the Participant carries on business or stores or maintains records or other information required to be stored or maintained by these Rules;

~~(c)~~(d) the change to its Authorised Signatories or the contact details for the Participant, its Responsible Executive or any Director, Personnel, agent or other Person acting on behalf of the Participant, which the Participant has previously provided to NZX;

~~(d)~~(e) any proposed issue, re-purchase or redemption of securities issued by the Participant (including the purchase of all or any of the shares of a share holder following receipt by the Participant of a notice by that shareholder pursuant to section 111(1) of the Companies Act 1993), any proposed amalgamation or reconstruction of the Participant, any proposed provision of financial assistance for the acquisition of securities issued by the Participant or its Holding Company, or any release of its security holders from liability to the Participant (including the obligation to pay uncalled consideration on securities); or

~~(e)~~(f) any proposed change in its legal or corporate structure, change to its constitution or place, jurisdiction or nature of incorporation, domicile or residence.

4.6 Filings

4.6.1 Whenever a Participant is required to file an annual return, financial statements or a notice of a change in its share capital, its Directors or its constitutional documents with the Registrar of Companies of New Zealand (or any successor thereof) or in respect of an Overseas Participant, such Alternative Regulator or Person holding an analogous office to the Registrar of Companies in its home jurisdiction, it must, at the same time, send a copy of that return, those financial statements or notice to NZX.

4.7 Dealing information to be provided to NZX

4.7.1 A Participant must, upon request by NZX, promptly:

~~4.7.2~~(a) provide to NZX such information concerning:

~~(a)~~(i) the business and affairs of that Participant;

~~(i)~~(ii) the business and affairs of any Client of that Participant; and/or

~~(ii)~~(iii) the Beneficial Ownership of any Contract Traded, or any other Derivatives Contract traded, by or on instructions from that Participant,

as in the reasonable opinion of NZX is necessary or desirable to enable it to carry out its functions under these Rules; and

~~(iii)~~(b) authorise any Relevant Clearing Participant of a Participant or other Person to provide to NZX such information concerning the business and affairs of that Participant and/or its Clients as NZX may request.

4.8 Corporate/trust structure information

4.8.1 All Participants whose ownership structure includes Companies, partnerships or trusts must ensure that its Compliance Manager (or other relevant Person if the Participant is a sole trader or a Principal Only Book Dealer) maintains an up-to-date, complete and accurate register containing:

~~4.8.2~~(a) a schedule of holders of that Participant's Securities and the Beneficial Owners of those Securities and all changes to the Beneficial Owners of those Securities; and

~~(a)~~(b) the identity of the Beneficial Owners of Securities in those Companies or trusts and the number of Securities (including voting Securities) held by each Beneficial Owner.

~~4.8.3~~4.8.2 Any Participant required to maintain a register under Rule 4.8.1 must provide NZX with such other information in connection with its ownership and Beneficial Ownership as NZX may reasonably request.

4.9 NZX may require further information

4.9.1 NZX may, at any time and in its sole discretion, request in writing any information from a Participant to establish compliance by that Participant or its Responsible Executive or other Personnel with all applicable Rules, Procedures, any Guidance Notes, Practice Notes or directions given from time to time by NZX, or to ensure compliance by NZX with any obligations NZX has under a Reciprocal Arrangement or to any Alternative Regulator or to otherwise enable NZX to otherwise carry out its regulatory functions. Information requested by NZX under this Rule 4.9 must be provided to NZX in the medium specified by NZX and within the time specified by NZX in its written request for that information.

4.10 Information provided to be correct and certified by Authorised Signatory

4.10.1 A Participant must use its best endeavours to ensure:

~~4.10.2~~(a) that all information given by that Participant to NZX pursuant to these Rules and the Procedures is complete and accurate and that nothing which is material is omitted from it and such information is not misleading in any material respect; and

~~(a)~~(b) that all reports, returns, accounts and other information provided or notified by that Participant pursuant to these Rules and the Procedures are certified as correct and complete and up-to-date by the Responsible Executive or other Authorised Signatory of that Participant.

4.11 Information provided confidential

4.11.1 NZX will take all reasonable steps to ensure that all information provided to NZX under these Rules is only used by NZX in the performance of its functions and the exercise of its powers under these Rules or as required under its statutory obligations as a licenced market operator, any Reciprocal Arrangement or otherwise. Unless otherwise provided under these Rules, or in any other agreement between NZX and a Participant, NZX will take all reasonable steps to ensure that information provided to NZX under or in connection these Rules ("**Confidential Information**") is protected from any unauthorised use or disclosure by NZX, and is treated as confidential. NZX will however be entitled to disclose Confidential Information in any or all of the following circumstances:

~~4.11.2~~(a) to the FMA or any other Regulatory Authority for any purpose where required or requested by, or pursuant to any law or the directive of, the FMA or any such Regulatory Authority;

~~(a)~~(b) to the NZ Markets Disciplinary Tribunal, to enable it to conduct any investigation under these Rules and Procedures;

~~(b)~~(c) to any Person with whom NZX has a Reciprocal Arrangement in connection with the performance by NZX of its functions and/or the exercise of its powers under these Rules;

~~(c)~~(d) pursuant to, or in accordance with, any arrangement to share information that may exist between NZX and CHO, CDO, the Clearing House, any Regulatory Authority, any Alternative Regulator or other Person;

~~(d)~~(e) if the Person from whom the Confidential Information was obtained consents to disclosure;

~~(e)~~(f) to the extent required by applicable law or regulation;

~~(f)~~(g) for the purpose of enabling or assisting an auditor of that Participant, or other authorised Person, to discharge his or her legal duties or functions;

~~(g)~~(h) for the purpose of enabling NZX to discharge its functions and obligations under these Rules and Procedures and any other rules referred to in the definition of Good Broking Practice having regard to the protection of other Participants, their Clients and the stability and integrity of the Market;

~~(h)~~(i) for the purposes of enabling NZX to institute, carry on or defend any proceedings including any court proceedings;

~~(i)~~(j) in relation to the enforcement of a Participant's obligations under these Rules;

~~(j)~~(k) to enable NZX to carry out its supervisory functions, including to make appropriate announcements or statements to the Market or to other Participants as it sees fit in accordance with that role;

~~(k)~~(l) to enable NZX or any party approved by NZX to publish or distribute aggregated information and reports or other information and reports in relation to the operation of the Market, generally; and

~~(l)~~(m) where the Confidential Information is already in the public domain or becomes public, other than as a result of breach by NZX of this Rule.

4.12 Request for non-disclosure

4.12.1 Upon receipt of a request for information from NZX pursuant to Rule 4.9, a Participant may request in writing to NZX for that information not to be disclosed to any specific Person. NZX will reasonably consider that request but is not obliged to accept such request if NZX considers that access to that information by the Persons to whom that Participant has requested that that information not be disclosed is necessary for NZX to fulfil obligations under these Rules or otherwise carry out its regulatory responsibilities, including fulfilling any obligations it has under a Reciprocal Agreement or at law.

4.13 Record keeping

4.13.1 Except where prescribed elsewhere in these Rules, the Procedures and/or in any direction given by NZX, all registers and records and/or documents kept by a Participant on any aspect of that Participant's business that relate to Dealing in Derivatives Contracts, whether or not those records or documents are kept and maintained in a register as required by these Rules, must be kept by that Participant for a minimum of seven years.

4.14 Inspection of records

4.14.1 Notwithstanding any provision of Sections 13 or 14 of these Rules, a Participant must make the contents of all registers and records (including financial records), kept in accordance with these Rules, available to NZX immediately upon receipt of a written request from NZX for access to those registers and records and the information contained in them.

4.15 Business continuity plan and emergency procedures

Procedure 3.7

4.15.1 A Participant must establish a business continuity plan and emergency procedures for the short, medium and long term disruption of that Participant's business (including trading systems) that meet all requirements prescribed by the Procedures.

4.16 Insurance

4.16.1 Each Advising Participant and Trading Participant must take out and maintain, at all times, insurance of a kind and for an amount that that Participant reasonably determines to be appropriate having regard to its business as a Participant and operations carried out by that Participant and the risks associated with that Participant's business as a Participant, including those risks associated with the Directors and Personnel of that Participant.

4.16.2 As a minimum, a Participant must take out the following insurances:

~~4.16.3~~(a) professional indemnity insurance; and

~~(a)~~(b) Directors' and officers' liability insurance (when applicable to the legal structure of the Participant),

with reputable, independent insurance companies or underwriters.

~~4.16.4~~4.16.3 Each Participant required to maintain insurance under Rule 4.16.1 must promptly give NZX Notice of:

~~4.16.5~~(a) the insurance company providing the insurance cover;

~~(a)~~(b) the type of cover provided by that Participant's insurance company;

~~(b)~~(c) the amount of cover which that Participant has pursuant to Rule 4.16.1 and any limitations on that cover;

~~(c)~~(d) the date on which the insurance cover became effective;

~~(d)~~(e) the date the insurance cover will expire; and

~~(e)~~(f) any material changes that are made to the amount of cover that that Participant has insurance for. Notification of such material changes must be sent to NZX together with the Participant's monthly return pursuant to Rule 13.2.2.

~~4.16.6~~4.16.4 Each Participant required to maintain insurance under Rule 4.16.1 must if requested by NZX, provide to NZX a copy of each insurance policy it holds for the purpose of this Rule 4.16.

~~4.16.7~~4.16.5 Each Advising Participant and Trading Participant must notify NZX promptly:

~~4.16.8~~(a) of any material claim made or to be made on any insurance policy that Participant has in relation to Directors and officers or professional indemnity cover, or any other policy that is relevant to its business as a Participant. Any notification pursuant to this Rule must outline the reason why the material claim has been made by that Participant; and

~~(a)~~(b) upon becoming aware of any event or circumstance that has or would be likely to result in any cover (in whole or in part) under an insurance policy disclosed to NZX ceasing to be available.

4.17 Advertising

4.17.1 A Participant must not issue or disseminate, or permit the issue or dissemination of, any advertisement or business communication whether solicited or unsolicited, in respect of its business, which:

~~4.17.2~~(a) is false or misleading in any material respect (including by omission);

~~(a)~~(b) does not comply with applicable law or other regulations or industry standards regarding advertising materials applicable to that Participant;

~~(b)~~(c) is likely to be prejudicial to the public image of NZX and/or the Market or that Participant's Clients; or

~~(c)~~(d) has been disapproved, or is of a class that has been disapproved, by NZX by Notice to that Participant or to Participants or classes of Participants generally.

4.18 Employee Trading

4.18.1 Employees of a Participant who wish to deal in any Derivatives Contract on their own personal account or on behalf of a Prescribed Person must obtain written authority to do so for each individual order to buy or sell any Derivatives Contract (including an Order or F&O Order) from:

~~4.18.2~~(a) the Compliance Manager of the Participant;

~~(a)~~(b) the Responsible Executive of the Participant; or

~~(b)~~(c) a delegate of the Compliance Manager or Responsible Executive authorised for the purpose of authorising Employee and Prescribed Person trading prior to that order (including an Order or F&O Order) being effected.

~~4.18.3~~4.18.2 The application for written authority must be made in writing and contain details of the total holding, if any, that the Employee or Prescribed Person, as the case may be, has in the Derivatives Contract that they are wishing to trade.

~~4.18.4~~4.18.3 Each Participant (other than an Advisor) must:

~~4.18.5~~(a) ensure that its Employees are aware of their obligations pursuant to this Rule 4.18;

~~(a)~~(b) obtain from its Employees an annual written undertaking that they have at all times complied with their obligations under this Rule 4.18;

~~(b)~~(c) perform a daily reconciliation check on the approval(s) sought under Rule 4.18.1 and the trading by its Employees and/or Prescribed Persons to ensure compliance with this Rule 4.18.

~~4.18.6~~4.18.4 A Participant (other than an Advisor) must keep a record of the applications for written authority under Rule 4.18.1 (whether approval has been granted or not). As a minimum, this must contain:

~~4.18.7~~(a) all of the information required by Rule 9.7 for Orders and if applicable Rule 12.18.5 for F&O Orders;

~~(a)~~(b) the date and time of the approval;

~~(b)~~(c) the period of time the approval is granted for; and

~~(c)~~(d) the extent of the Employee or Prescribed Person's holding in the Derivatives Contract.

~~4.18.8~~4.18.5 Dealers and DMA Dealers must not:

~~4.18.9~~(a) enter Orders, F&O Orders or instructions to facilitate trades of Derivatives Contracts Off-Exchange:

~~(a)~~(i) on behalf of themselves or any of their Associated Persons; or

~~(i)~~(ii) in respect of Discretionary Accounts, except those for which they have authority;

~~(ii)~~(b) book/allocate trades (including Trades) in a pool account of that Trading Participant for which they are a Dealer or a DMA Dealer unless the pool account is the house account of that Trading Participant; or

~~(b)~~(c) book/allocate trades (including Trades) to Prescribed Persons of the Trading Participant, Dealer or DMA Dealer.

~~4.18.10~~4.18.6 Each Participant (other than an Advisor) must have established policies and procedures in relation to trading (including Trading) by Employees, which must comply with these Rules. Each Participant must advise its Employees of those policies and procedures.

~~4.18.11~~4.18.7 Each Participant (other than an Advisor) is responsible for establishing and maintaining up-to-date internal procedures to monitor trading (including Trading) by its Employees, which must comply with these Rules. These procedures must be established to ensure that breaches of that Participant's trading (including Trading) policies are discovered promptly and, in any case, within one Business Day of any breach. As part of any inspection, NZX may request to see the internal procedures and/or policies established by a Participant as well as all Employee Trading records pursuant to this Rule 4.18.

~~4.18.12~~4.18.8 Subject to Rule 4.19, no Participant shall buy or sell Derivatives Contracts for a Prescribed Person of any other Participant provided that this Rule shall not apply when the two Participants are in the same Group or NZX has granted specific permission for all such Trades in respect of the two Participants.

4.19 Prescribed Person accounts

4.19.1 A Prescribed Person of a Participant may be a Client of the Participant for its account or for an account in which it has a beneficial interest, provided that any trades (including Trades) for such account are separately recorded and identified in the accounting records of the Participant, but are otherwise dealt with in the same manner as Trades of other Clients of the Participant and are margined in a manner consistent with that adopted for other Clients of the Participant. Trades (including Trades) of a Prescribed Person shall be reported to and monitored by the Compliance Manager or, in the case of a Principal Book Only Dealer, the Responsible Executive, of the Participant who must be independent of the Prescribed Person concerned and who shall maintain procedures to ensure that the trading (including Trading) and conduct of the Prescribed Person are not prejudicial to the interests of the Participant's other Clients.

4.20 Prohibition on Trading for Prescribed Persons of another Participant

4.20.1 A Participant must not trade (including Trade) or Deal in Derivatives Contracts or any Commodity in an Underlying Market for, or on behalf of, a Prescribed Person of another Participant except where NZX has granted specific written permission for all such transactions and trades (including any Trades).

4.21 Insider Trading

4.21.1 Each Trading Participant or Advising Participant must have policies and procedures in place for identifying and referring all instances of suspected Insider Trading by a Client to the Compliance Manager or Responsible Executive of the Participant. Each Compliance Manager or Responsible Executive must maintain a written record of all referrals of suspected Insider Trading.

4.22 Conflict management procedures

4.22.1 Each Participant must have written conflict management procedures in place to identify and manage any conflicts of interest that may arise between the Participant, its Employees, Prescribed Persons, and/or any Client of the Participant. These procedures must be established to ensure that conflicts of interest between the Participant, its Employees, Prescribed Persons, and/or any Client of the Participant are, where legally able to be made, disclosed to any Person to whom the Participant provides investment advice and/or Derivatives Contract recommendations in a way that ensures the Person is treated fairly. NZX may request to see the written conflict management procedures established by a Participant and evidence of compliance with these requirements, including, but not limited to, the

analysis of whether a conflict exists and the nature of disclosures made where a conflict does exist. NZX may in its sole discretion require a Participant to make amendments to its conflict management procedures, where NZX considers that such procedures do not comply with this Rule 4.22.

4.22.2 The conflict management procedures referred to in Rule 4.22.1 must outline, without limitation:

~~4.22.3~~(a) a process for Employees to disclose conflicts of interest to the Participant;

~~(a)~~(b) the method for disclosing and recording disclosure of conflicts to Clients of that Participant;

~~(b)~~(c) the plan that the Participant will follow in the event an Employee fails to disclose their conflicts of interest to the Participant or a Client; and

~~(c)~~(d) a requirement to maintain registers of its Employees' interests in Derivatives Contracts, after such interests exceed a threshold level specified in the conflict management procedures.

~~4.22.4~~4.22.3 Where a Participant:

~~4.22.5~~(a) provides investment advice and/or recommendations about any Derivatives Contract to any other Person, that Participant shall not advise, make recommendations or Deal in relation to that transaction unless it has disclosed any conflict of interest between the Participant, its Employees and/or Prescribed Persons identified by its written conflict management procedures referred to in Rule 4.22.1 to that other Person; and

~~(a)~~(b) issues any communications relating to Derivatives Contracts, the Participant must disclose in such communications any conflict of interest between the Participant, its Employees and/or Prescribed Persons with respect to those Derivatives Contracts identified by its written conflict management procedures referred to in Rule 4.22.1.

~~4.22.6~~4.22.4 Each Participant must:

~~4.22.7~~(a) ensure that its investment advising Employees are aware of the Participant's written conflict management procedures referred to in Rule 4.22.1; and

~~(a)~~(b) obtain from its investment advising Employees an annual written undertaking that those Employees will, and do, comply with those written conflict management procedures as referred to under Rule 4.22.1.

4.23 Mandatory recording of Client instructions

4.23.1 This Rule 4.23 does not apply to a TCF or a Principal Book Only Dealer.

4.23.2 An Advising Participant (through its Advisors) or Trading Participant must record relevant conversations, communications and instructions in relation to receiving, arranging or executing Orders, F&O Orders and instructions to facilitate trading of Derivatives Contracts Off-Exchange for Clients using an appropriate recording system. Such records may include the records derived by voice recording of telephone conversations and records of electronic communications, as relevant.

4.23.3 Each Advising Participant, or Trading Participant must establish policies and procedures regarding recording its Client's instructions and where voice recording is used must establish policies and procedures regarding voice recording. The Compliance Manager of an Advising Participant or Trading Participant is responsible for ensuring that such policies and procedures are put in place and are, to the best of the Compliance Manager's ability, adhered to by that Advising Participant's, or Trading Participant's Employees.

4.23.4 Employees and Advisors:

~~4.23.5~~(a) must be advised that their deliberate avoidance of policies and procedures established pursuant to Rule 4.23.3 would represent a serious breach of its employing Participant's operating procedures; and

~~(a)~~(b) must not have the ability to de-activate the voice-recording system attached to their telephones.

~~4.23.6~~4.23.5 An Employee of an Advising Participant or Trading Participant may have access to read only voice recording tapes that are non editable.

~~4.23.7~~4.23.6 No Employee of an Advising Participant or Trading Participant may have access to editable voice recording tapes except with the approval of, and in the presence of, the Compliance Manager or an authorised delegate of the Compliance Manager.

~~4.23.8~~4.23.7 Subject to Rule 4.23.5, if an Advising Participant or Trading Participant uses voice-recording technology, the recording equipment and stored tapes must be located in a secure area where access is limited to:

~~4.23.9~~(a) the Compliance Manager;

~~(a)~~(b) a delegate authorised in each instance by the Advising Participant's, or Trading Participant's Compliance Manager; and

~~(b)~~(c) those technical Personnel set out in the Advising Participant's, or Trading Participant's policies established pursuant to Rule 4.23.3, provided that none of the above are Persons whose conversations are recorded.

~~4.23.10~~4.23.8 The editing of voice-recording tapes is prohibited in all circumstances.

4.23.114.23.9 Copies of voice-recording tapes may only be made by the Compliance Manager or suitably trained and authorised staff on behalf of the Compliance Manager.

4.23.124.23.10 All voice-recording tapes of Orders, F&O Orders and instructions to facilitate trading of Derivatives Contracts Off-Exchange must be labelled and sorted accordingly and be retained by an Advising Participant or Trading Participant for a period of three months from the time of the Order or F&O Order being submitted or the Derivatives Contract being entered into Off-Exchange, as the case may be, with the Advising Participant or Trading Participant on the condition that if any issue arises in relation to that Order, F&O Order or instruction, during that three month period, the voice-recording tape must be kept for as long as the issue in relation to that Order, F&O Order or instruction remains active and unresolved.

4.24 Client complaints

4.24.1 All written Client complaints received by an Advising Participant or a Trading Participant (other than a TCF or a Principal Book Only Dealer), and/or its Employees, in relation to the conduct or actions of that Advising Participant or Trading Participant and/or its Employees in respect of dealings with that Client must be:

4.24.2(a) reported to the Advising Participant's or Trading Participant's Compliance Manager; and

(a)(b) recorded by the Advising Participant's or Trading Participant's Compliance Manager in a central register.

(b)(c) The central register containing Client complaints must be filed in date order and include, as a minimum, the following details:

4.24.3(d) the name of the Client making a complaint;

(a)(e) the date the complaint was received;

(b)(f) a copy of that written complaint;

(c)(g) details of the action taken by the relevant Participant to resolve the complaint or details of why no action was taken by the relevant Participant; and

(d)(h) the date the complaint was remedied (if remedied).

4.24.44.24.2 Each Compliance Manager is responsible for:

4.24.5(a) monitoring the Participant's central register of Client complaints; and

(a)(b) investigating and resolving complaints received from Clients about that Participant and/or its Employees.

~~4.25 Minimum capital required~~

4.25.1 Subject to Rule 4.27.1, a Participant Requiring Capital must at all times maintain its Net Tangible Current Assets at a level equal to, or greater than, its Prescribed Minimum Capital Adequacy, which shall be the higher of:

4.25.2 the Minimum NTCA of the Participant Requiring Capital, as bed for its category of Participant by Rule 4.26; and

(a) the Total Risk Requirement of the Participant Requiring Capital as ted in accordance with Rule 4.30.

4.26 Capital adequacy requirements

4.26.1 The Minimum NTCA levels are:

4.26.2 $500,000 (or foreign currency equivalent determined in accordance ule 14.12) for a Trading Participant (including, if directed as a condition of tation as a Principal Book Only Dealer, that Principal Book Only Dealer);

(a) $500,000 (or foreign currency equivalent determined in accordance ule 14.12) for an Advising Firm; and

(b) $250,000 (or foreign currency equivalent determined in accordance ule 14.12) for an Introducing Broker.

4.27 Other prudential supervision regime

4.27.1 A Participant Requiring Capital may be exempted from (by way of a waiver or ruling) the requirements of Rule 4.25 if NZX is satisfied that the Participant Requiring Capital is subject to, and is complying with, an equivalent level of prudential supervision by an Alternative Regulator, in accordance with the laws of the applicable jurisdiction.

4.27.2 A Participant Requiring Capital holding an exemption under Rule 4.27.1 must:

4.27.3 comply with all obligations to, or requirements of, the Alternative tor;

(a) provide NZX with copies of all filings or communication with the tive Regulator at the same time this information is provided to the Alternative tor;

(b) provide NZX with copies of all reports from the Alternative Regulator to the compliance or non-compliance with the requirements of the Alternative tor's prudential supervision regime;

(c) grant to NZX the right to request and receive information about the pant Requiring Capital from its Alternative Regulator and undertake to NZX that it has sed its Alternative Regulator (and has not revoked such authorisation) to provide ation to NZX in respect of the Participant Requiring Capital at the request of NZX and notification to the Participant Requiring Capital; and

(d) immediately notify NZX if the Participant Requiring Capital ceases to

ect to regulation by the Alternative Regulator, as soon as reasonably practicable after ng aware of the same.

4.27.4 An exemption from Rule 4.27.1, may be revoked at any time by NZX and will be deemed to be revoked immediately by NZX if:

4.27.5 the Participant Requiring Capital fails to comply with any of its ons under Rule 4.27.2;

(a) the Participant Requiring Capital ceases to be subject to regulation by rnative Regulator; or

(b) the Participant Requiring Capital's standing, authorisation or approval ed by the Alternative Regulator is suspended or terminated or otherwise materially ly impaired.

4.28 Capital adequacy reporting

4.28.1 A Participant Requiring Capital must calculate and record, as at the end of each Business Day:

4.28.2 the Participant Requiring Capital's Net Tangible Current Assets;

(a) the Participant Requiring Capital's Total Risk Requirement; and

(b) the percentage that the Participant Requiring Capital's Net Tangible t Assets and Total Risk Requirement amounts form of its Prescribed Minimum Capital acy,

(together, the "**Capital Adequacy Calculations**").

Procedure 13.2

4.28.3 A Participant Requiring Capital must provide to NZX a monthly report of its daily Capital Adequacy Calculations during that month at the time and in the manner prescribed by Rule 13.2.2 and the Procedures.

4.28.4 NZX may by Notice require a Participant Requiring Capital to provide to NZX a report of its daily Capital Adequacy Calculations on a more regular basis as and when NZX considers necessary or desirable, as further specified by Rule 13.2.3.

4.28.5 A Participant Requiring Capital must notify NZX if the Participant Requiring Capital's Net Tangible Current Assets are at any time less than 120% of its Prescribed Minimum Capital Adequacy as soon as reasonably practicable after becoming aware of the same.

4.28.6 Following notification under Rule 4.28.4 a Participant Requiring Capital must provide to NZX a daily report of its Capital Adequacy Calculations for that day until its Net Tangible Current Assets exceed 120% of its Prescribed Minimum Capital Adequacy.

4.28.7 A Participant Requiring Capital must notify NZX if the Participant Requiring Capital's Net Tangible Current Assets as a percentage of its Prescribed Minimum Capital Adequacy changes by more than 50 percentage points between two consecutive Business Days as soon as reasonably practicable

after becoming aware of the same.

4.29 NTCA calculation

4.29.1 A Participant Requiring Capital's Net Tangible Current Assets are calculated as the sum of its tangible assets less the sum of its liabilities, as calculated in accordance with Generally Accepted Accounting Practice and Appendix 1 to these Rules.

4.29.2 In the event of any inconsistency between Appendix 1 to these Rules and Generally Accepted Accounting Practice, Appendix 1 to these Rules will prevail.

4.30 Total Risk Requirement calculation

4.30.1 A Participant Requiring Capital's Total Risk Requirement is calculated as being the aggregate of its:

4.30.2 Operational Risk Requirement;

(a) Counterparty Risk Requirement;

(b) Large Position Risk Requirement;

(c) Position Risk Requirement;

(d) Currency Risk Requirement;

(e) Primary Market Risk Requirement; and

(f) Market Risk Requirement (if any),

all calculated in the manner determined by Appendix 1 to these Rules.

Section 5: Additional Requirements for Technology Connecting Facilities

5.1 TCF register

5.1.1 Each TCF must keep a register of all of its DMA Authorised Persons and TCF Clients including recording, as a minimum requirement, the following information:

~~5.1.2~~(a) the name, address, contact details including telephone, facsimile and e-mail details (if available) of the DMA Authorised Person and, if that DMA Authorised Person is an agent of an underlying TCF Client, that information in respect of the underlying TCF Client;

~~(a)~~(b) the information required pursuant to Rule 6.10.2(c) in relation to the DMA Authorised Person , and if that DMA Authorised Person is an agent of an underlying TCF Client who is a natural Person, the underlying TCF Client;

~~(b)~~(c) the information required pursuant to Rule 6.10.3(a) – (e) in relation to each TCF Client who is a natural Person;

~~(c)~~(d) the information required pursuant to Rule 6.10.2(d) if the DMA Authorised Person is an agent of an underlying TCF Client and a copy of the written authorisation from that underlying TCF Client granting the DMA Authorised Person authority to act on behalf of that underlying TCF Client;

~~(d)~~(e) copies of any written security arrangements or details of any non-written security arrangements between the TCF and the DMA Authorised Person regarding access by the DMA Authorised Person to the Trading System and use by the DMA Authorised Person of any software provided by NZX, including access to the computer or other devices connected to the TCF's order entry systems, the location of that computer or other devices, and the method of dealing with, and identifying, such computers or other devices; and

~~(e)~~(f) such other information as NZX may reasonably request in order to ensure compliance by the TCF Client with these Rules.

5.2 Client Agreements

5.2.1 In accordance with Rule 9.6.1, a TCF must enter into and maintain a written Client Agreement with each of its TCF Clients on the terms set out in Rule 9.6 that includes a term requiring a Client to pay margin specified by the TCF's Relevant Clearing Participant to an account held by that Clearing Participant as agent for the TCF.

5.2.2 Each TCF must keep a record of each Client Agreement entered into between the TCF itself and its TCF Clients.

Section 6:
Business Conduct of Advising Participants and Advisors

6.1 Application of Section 6

6.1.1 Each Advising Participant including an Introducing Broker must comply with this Section 6. A Trading Participant is regarded as an Advising Participant if it advises Clients through its Advisors and otherwise performs any of the functions of an Advising Participant as set out in Rule 2.3. For the avoidance of doubt, a Trading and Advising Firm is considered to be an Advising Participant.

6.2 Internal compliance procedures

6.2.1 An Advising Participant must establish and maintain compliance procedures which are sufficient to ensure that, in all dealings with or on behalf of Clients, each Employee of that Advising Participant involved in the business governed by these Rules understands, and may reasonably be expected to comply with, these Rules and the requirements of all laws and regulations which are applicable to that Advising Participant.

6.3 Advising Participant's general requirements

6.3.1 An Advising Participant must at all times:

~~6.3.2~~(a) ensure that all of its Employees comply fully with all applicable Rules, Procedures, Guidance Notes and Practice Notes and/or any direction given from time to time by NZX;

~~(a)~~(b) ensure that all of its Employees comply with any relevant continuing professional development requirements prescribed from time to time by NZX;

~~(b)~~(c) ensure that NZX has, at all times, an up-to-date complete and accurate list of Advisors Employed by that Advising Participant; and

~~(c)~~(d) immediately give Notice and provide an amended list referred to in paragraph (c) to NZX whenever an Advisor:

~~(d)~~(i) commences Employment with; or

~~(i)~~(ii) ceases to be Employed by,

that Advising Participant.

~~6.3.3~~6.3.2 Notice given pursuant to Rule 6.3.1(d) must also contain the contact details (if able to be obtained) of a resigning Advisor for a period of 6 months after that Advisor ceases to be Employed by that Advising Participant.

6.4 Trading Agreements

6.4.1 **Trading Agreements**: An Advising Participant which is not a Trading Participant must enter into and maintain a written Trading Agreement with a Trading Participant setting out the terms and conditions of their relationship in a manner consistent with these Rules.

6.4.2 Each Advising Participant entering into a Trading Agreement with a Trading Participant must include in that Trading Agreement:

~~6.4.3~~(a) where the Trading Participant is not itself a Clearing Participant, that the Trading Participant will enter or has entered into a C&S Agreement with a Clearing Participant, to provide clearing and settlement services in respect of the Advising Participant's Trades and will carry out those Trades in accordance with the C&S Rules and its C&S Agreement;

~~(a)~~(b) where either:

~~(b)~~(i) the Trading Participant is not itself a Clearing Participant and its Clearing Participant wishes to enter into give-up and take-up transactions; or

~~(i)~~(ii) the Trading Participant is itself a Clearing Participant and it wishes to enter into give-up and take-up transactions,

that the Client's Trades may be cleared by an alternative Clearing Participant other than the Trading Participant or the Trading Participant's Clearing Participant (as relevant);

~~(ii)~~(c) whether the Trading Participant acts as the Advising Participant's Clearing Participant, in which case Trades will be carried out in accordance with the C&S Rules;

~~(c)~~(d) provisions that the liability of CHO, CDO, Nominee, NZCDC, NZX and other related Persons named in the applicable provisions of Section 8 of the C&S Rules and Section 9 of the Depository Rules to any Person (including the Client) is limited or excluded by, and is subject to, the provisions of Section 8 of the C&S Rules and Section 9 of the Depository Rules; and

~~(d)~~(e) an acknowledgement from the Advising Participant that the provisions referred to in Rule 6.4.2(d) are for the benefit of CHO, CDO, Nominee, NZCDC, NZX and other related Persons named in the applicable provisions of Section 8 of the C&S Rules and Section 9 of the Depository Rules and the Contracts (Privity) Act 1982 shall apply accordingly.

~~6.4.4~~6.4.3 NZX may approve a Trading Agreement that does not comply with Rule 6.4.2 and waive the requirements of Rule 6.4.2 in its sole discretion, however NZX must be satisfied that appropriate provisions and disclosures as to the clearing and settlement of Trades are included in the Trading Agreement.

6.4.56.4.4 **F&O Trading Agreements**: A F&O Trading Agreement must:

6.4.6(a) comply with, and contain, all terms and conditions required by the relevant F&O Exchange;

(a)(b) must be consistent with any obligations placed on a Participant pursuant to the Rules and the Procedures; and

Procedure 6.3

(b)(c) contain any terms and conditions specified by the Procedures.

6.4.76.4.5 **F&O Post Trade Agreements**: A F&O Post Trade Agreement must comply with, and contain, all terms and conditions required by the relevant F&O Exchange and must be consistent with any obligations placed on a Participant pursuant to the Rules and the Procedures.

6.5 Client Agreements

6.5.1 Each Advising Participant, which, for the avoidance of doubt, includes every Trading Participant that conducts any of the functions of an Advising Participant, must enter into a signed written Client Agreement with each of its clients which must set out the terms of its relationship with its client on a basis that is consistent with these Rules and the Procedures and must include, without limitation, the following:

6.5.2(a) the Advising Participant's terms of business;

(a)(b) details of the means by which the Client's instructions will be accepted by the Advising Participant;

(b)(c) confirmation that an assessment has been conducted of the Client's suitability to engage in the particular types of trades (including Trades) contemplated;

(c)(d) in respect of a Class of Contracts only:

(d)(i) Risk Warnings in relation to the Class of Contracts in respect of which the Advising Participant provides advice and/or executes Orders;

(i)(ii) details of the Advising Participant's arrangements, if any, with a Trading Participant to facilitate Trades for that Client which must, at a minimum, include the matters in Rule 6.4.2;

~~(ii)~~(iii) a statement that, under the C&S Rules and C&S Agreement (if applicable), the Clearing and Settlement Terms of the Trade executed for that Client will be novated in accordance with the C&S Agreement (if applicable) and C&S Rules and the Relevant Clearing Participant will become principal in the resulting Relevant Settlement Transaction and take on all the Clearing and Settlement Terms for that Relevant Settlement Transaction, and the Client agrees to this novation pursuant to, and on the terms and conditions provided for under, the C&S Agreement (if applicable) and the C&S Rules to the full extent required by law;

~~(iii)~~(iv) the Client's rights and obligations in relation to the clearing and settlement of a Relevant Settlement Transaction will be limited to any rights against, and any obligations to, the Trading Participant and the Advising Participant (if applicable). The Client will not have any rights against the Relevant Clearing Participant (except where the Trading Participant is the Relevant Clearing Participant) or CHO in relation to the clearing and settlement of the Relevant Settlement Transaction; and

~~(iv)~~(v) a statement that the Client grants to the Advising Participant, at all times, full and exclusive rights, power and authority to act in all of the Advising Participant's activities relating to the Relevant Clearing Participant to the exclusion of the Client, including full authority to bind the Client under the Advising Participant's Trading Participant's C&S Agreement (if any) and the C&S Rules and to authorise the holding of, and dealings with, that Client's Client Funds in accordance with the Depository Rules;

~~(v)~~(vi) a written disclosure statement specifying the name, telephone number and main business address of the Relevant Clearing Participant(s) which settles Trades on behalf of that Advising Participant; and

Procedure 6.2

~~(vi)~~(e) in respect of a Class of Contracts and any Derivatives Contracts traded on a F&O Exchange or Off-Exchange, the terms and conditions specified by the Procedures as being applicable to such contracts.

~~6.5.3~~6.5.2 The Advising Participant must retain a record of the disclosure statement made to the relevant Client under Rule 6.5.1(d)(iv) and the date the disclosure statement was given to that Client.

~~6.5.4~~6.5.3 NZX may approve a Client Agreement that does not comply with Rule 6.5.1 and in accordance with Rule 14.2 waive the requirements of Rule 6.5.1 in its sole discretion, however NZX must be satisfied that appropriate provisions and disclosures as to the clearing and settlement of Trades are included in the Client Agreement.

6.5.5 6.5.4 Each Advising Participant must keep a record of each Client Agreement entered into between it and its Clients.

6.5.6 6.5.5 For the avoidance of doubt, each Advising Participant must enter into a Client Agreement with all new Clients and with any existing Clients where a Client Agreement is not already in place when that new or existing Client wishes to Deal in any Derivatives Contract.

6.6 Accepting prospective Clients

6.6.1 An Advisor must:

Procedure 6.1

6.6.2 (a) prior to providing any service to a prospective Client, ensure that it, or the Participant that Employs it, holds a Client Risk Disclosure Statement completed and executed by that prospective Client containing, as a minimum, the provisions set out by the Procedures;

(a) (b) prior to accepting a prospective client as a Client, ensure that it, or the Participant that Employs it, enters into a Client Agreement with that Client;

(b) (c) not introduce any Client or prospective Client to a Participant, other than the Participant that Employs it, unless it, or the Participant that Employs it, has in force with that first mentioned Participant a Trading Agreement. For the avoidance of doubt, an Advisor, or the Participant that Employs it or otherwise contracts with that Advisor, may enter into Trading Agreements with any one or more Participants; and

(c) (d) not accept an Order from a Client unless:

(d) (i) the Advising Participant that Employs the Advisor has in place a Trading Agreement with a Trading Participant that is a Clearing Participant or has a C&S Agreement in place with a Clearing Participant; or

(i) (ii) the Trading Participant that Employs the Advisor is a Clearing Participant or has in place a C&S Agreement with a Clearing Participant.

(ii) (e) in respect of the placing of F&O Orders, not introduce any Client or prospective Client to a Trading Participant or F&O Executing Participant, as the context requires, other than the Participant that Employs it, unless it, or the Participant that Employs it, has in force a F&O Trading Agreement with that Trading Participant or F&O Executing Participant. For the avoidance of doubt, an Advisor, or the Participant that Employs it or otherwise contracts with that Advisor, may enter into F&O Trading Agreements with any one or more Trading Participants and/or F&O Executing Participants; and

(e) (f) not accept an F&O Order to be placed on an F&O Exchange from a Client unless:

~~(f)~~(i) the Advising Participant that Employs the Advisor has to place a F&O Post Trade Agreement with an F&O Clearing Participant, which contains, at a minimum, the requirements of Rule 6.4.5; or

~~(i)~~(ii) the Trading Participant that Employs it is an F&O Clearing Participant or has in place a F&O Post Trade Agreement with a an F&O Clearing Participant which contains, at a minimum the requirements of Rule 6.4.5.

6.7 Requirement to be an Advisor to advise Clients

6.7.1 Each Participant must ensure that any Person Employed by it who provides advice to Clients on transactions in relation to Derivatives Contracts is approved by NZX as an Advisor.

6.8 Duty of care

6.8.1 An Advisor, an Advising Participant and/or any of its Employees:

~~6.8.2~~(a) when providing advice to Clients, has a duty of care to ensure that advice is properly researched and that there is a reasonable basis for any recommendation;

~~(a)~~(b) must not initiate rumours and must ensure that they properly qualify any information passed to Clients which has not been personally or independently verified;

~~(b)~~(c) must at all times maintain standards of objectivity and professionalism that are expected, including when dealing with a Client who may be reluctant to accept or act on the advice provided;

~~(c)~~(d) must at all times place the interests of the Clients above its own interests (and, if applicable, those of the Participant that Employs it) and not allow its interests to conflict with those of its Client;

~~(d)~~(e) must respect the confidentiality of information provided by a Client and ensure its use is limited to the purposes for which that Client provided it;

~~(e)~~(f) must not place Client Funds at risk from the business activities of the Participant that Employs it; and

~~(f)~~(g) must take all steps necessary to properly protect Client Funds and ensure that Client Funds are separately identified from the assets of the Participant that Employs it.

6.9 Know your Client procedures

6.9.1 An Advising Participant and/or an Advisor must ensure that sufficient information is obtained, recorded or requested (whichever is applicable as indicated in Rules 6.10 to 6.12 (inclusive)) for all new Clients and existing Clients wishing to Trade in, purchase or sell Derivatives Contracts (if this information has not already been obtained in respect of a Client) or if that information has been previously provided by that Client, that the information is reconfirmed from time to time by a Client to ensure that the Advisor gives appropriate investment and product advice and recommendations. As a minimum requirement, an Advisor must be satisfied that it is certain of the identity of its Client and ensure that:

~~6.9.2~~(a) it identifies the Person or Intermediary it is dealing with; and

~~(a)~~(b) it obtains independent verification of the information received pursuant to this Rule 6.9 where verification of that information is capable of being obtained.

The Advisor's Advising Participant must ensure that the Advisor meets the requirements of this Rule 6.9.1.

~~6.9.3~~6.9.2 The requirements of this Rule 6.9 do not replace or diminish a Person's statutory obligations including those obligations under applicable Securities Legislation (including the Client Funds Regulations).

6.10 Information required for prospective Clients that are natural Persons

6.10.1 Each Advisor must obtain the following information from a Client who is a natural Person before transacting any business with that Client:

~~6.10.2~~(a) full legal name and title;

~~(a)~~(b) residential address;

~~(b)~~(c) mailing address (if different to the residential address);

~~(c)~~(d) registration name and address (if different from the information provided under Rule 6.10.1(a), 6.10.1(b) or 6.10.1(c));

~~(d)~~(e) telephone and contact details (including day time contact number and/or mobile telephone number if available);

~~(e)~~(f) e-mail address (if available); and

~~(f)~~(g) where relevant to the services to be provided, IRD number.

~~(g)~~(h) The Advisor's Advising Participant must ensure that the Advisor meets the requirements of this Rule 6.10.1.

~~6.10.3~~6.10.2 Each Advisor must obtain the following documentation from a Client who is a natural Person before transacting any business with that Client:

~~6.10.4~~(a) a copy of bank account details or settlement arrangements, by means of verified bank encoded deposit slip, bank statement or other notice of confirmation issued by the relevant bank verifying the account holder or information that meets the requirement of the Anti-Money Laundering Act to identify the account holder (or, in respect of Overseas Participants, any equivalent legislation);

~~(a)~~(b) a certified copy of a birth certificate, if that prospective Client is under 18 years of age;

~~(b)~~(c) a certified copy of either one or more of the following:

~~(c)~~(i) current and valid passport;

~~(i)~~(ii) current and valid driver's licence; or

~~(ii)~~(iii) any NZX recognised form of photo identification; and

~~(iii)~~(d) written direction granting authority for a Person to transact business for that prospective Client and identification of that Person so authorised, including:

~~(d)~~(i) full legal name (as evidenced by obtaining a certified copy of one or more of the documents detailed in Rule 6.10.2(c));

~~(i)~~(ii) residential address;

~~(ii)~~(iii) relationship to that prospective Client;

~~(iii)~~(iv) contact telephone number; and

~~(iv)~~(v) if the Person authorised to transact business for that prospective Client has been granted that authority by virtue of a Power of Attorney, then a certified copy of that Power of Attorney and certificate of non-revocation must be obtained.

The Advisor's Advising Participant must ensure that the Advisor meets the requirements of this Rule 6.10.2.

~~6.10.5~~6.10.3 An Advisor must, as a minimum, seek to obtain the following information in respect of a prospective Client that is a natural Person before accepting that prospective client as a Client of that Advisor or a Client of the Participant that Employs that Advisor:

~~6.10.6~~(a) investment objectives;

~~(a)~~(b) annual income/salary and details of the potential client's employment status;

~~(b)~~(c) experience of investing in Derivatives Contracts (and if Trading, Contracts);

~~(c)~~(d) alternative contact details (e.g. employment address or alternate residential address); and

~~(d)~~(e) net worth.

The Advisor's Advising Participant must ensure that the Advisor has met the requirements of this Rule 6.10.3.

6.11 Information required for prospective clients that are trusts

6.11.1 An Advisor must, as a minimum, record the following information in respect of a prospective client that is a trust before accepting that prospective client as a Client:

~~6.11.2~~(a) full legal name of the Executive Trustees, which must be supported by suitable identification (as evidenced by obtaining a copy of one or more of the documents detailed in Rule 6.10.2(c) for each Executive Trustee that is a natural Person or the information required under Rule 6.12 (where applicable) for each Executive Trustee that is not a natural Person;

~~(a)~~(b) full legal name of the Person authorised to act on behalf of that trust (if the Person authorised to act on behalf of the trust is different from the Executive Trustee, then identification as evidenced by obtaining one or more of the documents detailed in Rule 6.10.2(d));

~~(b)~~(c) address of that trust;

~~(c)~~(d) mailing address of that trust and its Executive Trustees; and

~~(d)~~(e) contact telephone numbers of that trust and its Executive Trustees.

~~(e)~~(f) The Advisor's Advising Participant must ensure that the Advisor meets the requirement of Rule 6.11.1.

~~6.11.3~~6.11.2 An Advisor must, as a minimum, obtain the following documentation in respect of a prospective Client that is a trust before accepting that prospective client as a Client:

~~6.11.4~~(a) a copy of that trust's bank account details or settlement arrangements evidenced by means of verified bank encoded deposit slip, bank statement or other notice of confirmation issued by the relevant bank verifying the account holder and account number; and

~~(a)~~(b) a copy of the relevant pages of the trust deed (particularly in relation to that trust's power to invest in Derivatives Contracts and the Persons authorised to act on behalf of that trust) or a copy of the Trustee Certificate (to be provided for in the Client Agreement). For the avoidance of doubt, the Trustee Certificate must confirm in writing:

~~(b)~~(i) that trust's power to invest in Derivatives; and

~~(i)~~(ii) the Persons authorised to act on behalf of that trust.

The Advisor's Advising Participant must ensure that the Advisor meets the requirements of this Rule 6.11.2.

6.12 Information required for prospective clients that are not natural Persons or trusts

6.12.1 An Advisor must, as a minimum, obtain the following information in respect of a prospective client that is not a natural Person or a trust before accepting that prospective client as a Client of that Advisor or a Client of the Participant that Employs that Advisor:

~~6.12.2~~(a) full legal name and whether that prospective client is a Company or a partnership or otherwise incorporated outside of New Zealand;

~~(a)~~(b) e-mail address (if available);

~~(b)~~(c) registered address;

~~(c)~~(d) mailing address (if different to the registered address);

~~(d)~~(e) registration name and address (if different from the information provided under Rule 6.10.1(a), (b), (c) or (d)); and

~~(e)~~(f) contact telephone numbers.

The Advisor's Advising Participant must ensure that the Advisor meets the requiements of this Rule 6.12.1.

~~6.12.3~~6.12.2 An Advisor must, as a minimum, obtain the following documentation in respect of a prospective client that is not a natural Person or a trust before accepting that prospective client as a Client of that Advisor or a Client of the Participant that Employs that Advisor:

~~6.12.4~~(a) a copy of bank account details or settlement arrangements (by means of verified bank encoded deposit slip, bank statement or other notice of confirmation issued by the relevant bank verifying the account holder and account number);

~~(a)~~(b) where the prospective client is a partnership, a copy of the partnership deed for that partnership or, if no partnership deed is available, the name and signature of each partner of that partnership;

~~(b)~~(c) where that prospective client is a Company or otherwise incorporated in New Zealand:

~~(c)~~(i) the Company number; and

~~(i)~~(ii) a copy of the certificate of incorporation (which may be obtained from a website of a Regulatory Authority or other website authorised by that Regulatory Authority to provide that information);

~~(ii)~~(d) details of the full legal name of officers or Persons authorised to place Orders and F&O Orders with a Trading Participant as evidenced by obtaining one or more of the documents referred to in Rule 6.10.2(c) and a copy of their authority to act.

The Advisor's Advising Participant must ensure that the Advisor meets the requirements of this Rule 6.12.2.

6.13 Intermediaries

6.13.1 An Advisor must, as a minimum, request and record the following information before transacting any business with or on behalf of a Client that is an Intermediary:

~~6.13.2~~(a) full legal name of the Intermediary;

~~(a)~~(b) if the Intermediary is a natural Person, relevant details as required under Rule 6.10;

~~(b)~~(c) if the Intermediary is not a natural Person or a trust, relevant details as required under Rule 6.12;

~~(c)~~(d) if the Intermediary is a trust, relevant details as required under Rule 6.11;

~~(d)~~(e) details of those persons authorised to transact business on behalf of the Intermediary including name, position, contact telephone number and evidence of written authority.

The Advisor's Advising Participant must ensure that the Advisor meets the requirements of this Rule 6.13.1.

~~6.13.3~~6.13.2 Advisors must, as a minimum, obtain copies of:

~~6.13.4~~(a) the written direction granting authority for the Intermediary to transact business on behalf of the Intermediary's client, as may be evidenced by:

~~(a)~~(i) nomination of the Intermediary as an authorised Person on the client's account opening documentation;

~~(i)~~(ii) a power of attorney and certificate of non-revocation; and/or

~~(ii)~~(iii) nomination of the Intermediary as an authorised person, in writing from its client, at any time,

together with, in each such case, documentary and photographic identification of that client in accordance with Rules 6.10, 6.11 and 6.12, as applicable. The Advisor must verify the signature on any of the documents in this Rule 6.13.2(a) with those identification documents.

~~(iii)~~(b) the Intermediary's mandatory disclosure documents (if applicable) required under any relevant legislation; and

~~(b)~~(c) the Intermediary's bank account details evidenced by means of verified bank encoded deposit slip.

For the avoidance of doubt, if an Advising Participant has a relationship with an Intermediary under which the Advising Participant deals with the underlying client, that Advising Participant must treat that underlying client as a direct client of the Advising Participant and the Rules shall apply in respect of that underlying client as if that client were a direct client of the Advising Participant.

6.14 Exemption to information required for winding up estates

6.14.1 If an Advisor receives instructions from an Executive Trustee of an estate of a deceased Person, who is a Client of either that Advisor or the Participant who Employs that Advisor, or from the solicitor for that estate, to sell any Derivatives Contract held by that Client as part of the winding up of such estate, that Advisor may, subject to compliance with Rule 6.15, facilitate completion of that transaction without first obtaining the information required pursuant to Rule 6.11.

6.15 Winding up estates

6.15.1 If an Advisor receives instructions under Rule 6.14, that Advisor must:

~~6.15.2~~(a) before closing out any Open Positions under any Derivatives Contract held by that Client's estate, obtain either:

~~(a)~~(i) a copy of probate for that deceased Client if probate is legally required to be obtained; or

~~(i)~~(ii) a copy of other documentation, including a death certificate, to establish the legal standing of the estate of that deceased Client if probate is not legally required to be obtained; and

~~(ii)~~(iii) full legal name of the Person authorised to act on behalf of that estate, identification as evidenced by obtaining one or more of the documents detailed in Rule 6.10.2(d) and evidence of their authority to act for and on behalf of that estate; and

~~(iii)~~(b) maintain a register of all transactions completed on behalf of that deceased Client's estate, which shall include, at a minimum:

~~(b)~~(i) full legal name of the deceased Person;

~~(i)~~(ii) date of each transaction entered into and its completion date;

~~(ii)~~(iii) a copy of the documentation required by Rule 6.15.1 (a);

~~(iii)~~(iv) if different from paragraph (iii) above, name of the Executive Trustee for the estate or the solicitor who gave instructions to the Advisor under Rule 6.14; and

~~(iv)~~(v) the details of any bank account into which payments to the estate are to be made (including any trust account of an instructing solicitor under Rule 6.14); and

~~(v)~~(c) upon closing out any Open Positions of the affected Derivatives Contracts, pay the monies to the bank account recorded in the register as required by this Rule.

Section 7: Clearing and Settlement

Procedures Reference

7.1 Appropriate clearing and settlement arrangements

7.1.1 A Trading Participant must satisfy NZX that it has in place and will maintain adequate arrangements for the clearing and settlement of all Trades entered into by the Trading Participant.

7.1.2 A Trading Participant that is not a Clearing Participant must:

~~7.1.3~~(a) have third party clearing arrangements with at least one Clearing Participant;

~~(a)~~(b) be a party to a C&S Agreement with each Clearing Participant with whom that Trading Participant has third party clearing arrangements; and

~~(b)~~(c) ensure that every third party clearing arrangement that it has with any Clearing Participant complies with Rule 7.2.1.

~~7.1.4~~7.1.3 A Trading Participant must have in place appropriate procedures to segregate accounts to enable the Relevant Clearing Participant to separate Client accounts or any other accounts as may be required by law, regulation, the C&S Rules, the Depository Rules or by NZX.

7.2 Third party clearing arrangements

7.2.1 A third party clearing arrangement between a Trading Participant and a Clearing Participant will comply with this Rule 7.2 if:

~~7.2.2~~(a) pursuant to the arrangement, the Relevant Clearing Participant has the obligation to clear and settle (or arrange clearing and settlement of) all the Trading Participant's Trades allocated to it;

~~(a)~~(b) NZX has no objection to that Clearing Participant clearing the Trades of the Trading Participant;

~~(b)~~(c) the Clearing Participant's ability to clear and settle transactions on the Clearing House has not been suspended or restricted in any material way; and

~~(c)~~(d) the arrangement complies with this Rule 7.2 (other than this Rule 7.2.1).

~~7.2.3~~7.2.2 Each Trading Participant that is party to a Trade acknowledges that:

~~7.2.4~~(a) the Clearing and Settlement Terms of that Trade will be novated in accordance with the Trading Participant's C&S Agreement with the Relevant Clearing Participant (unless the Trading Participant is also a Clearing Participant) and the C&S Rules and, as a result, the Clearing and Settlement Terms owing to it or by it in respect of that Trade will be replaced by the C&S Obligations of the Relevant Clearing Participant in respect of that Trade and which will be performed by the Relevant Clearing Participant as principal obligations of the Relevant Clearing Participant; and

~~(a)~~(b) if and to the extent that any Trade is executed by the Trading Participant on behalf of any other Person (including a Client), the Trading Participant will ensure that it has, at all times, the full and exclusive rights, power and authority to act in all of its activities in relation to the Relevant Clearing Participant to the exclusion of that other Person, including full authority to bind that Person to the Trading Participant's C&S Agreement (if any) and to the C&S Rules and authority to pay, transfer or otherwise apply Client Assets for the purpose of settlement of Trades and to authorise holding of any Client Funds of that Person in the Depository in accordance with the Depository Rules.

~~7.2.5~~7.2.3 If a Trading Participant has third party clearing arrangements with more than one Clearing Participant for the clearing and settlement of its Trades, or is a Clearing Participant and has third party clearing arrangements with another Clearing Participant or other Clearing Participants for the clearing and settlement of its Trades, then when entering an Order into the Trading System, the Trading Participant must identify the Clearing Participant that will be responsible for the clearing and settlement of the Trade that may result from that Order being matched in the Trading System.

7.3 C&S Agreements

7.3.1 A Trading Participant who is not a Clearing Participant must enter into and maintain at all times a written agreement with each of its Clearing Participants setting out the terms and conditions on which each Clearing Participant will clear and settle Trades executed by the Trading Participant. Each C&S Agreement must comply with the requirements of the C&S Rules.

7.3.2 A Trading Participant must promptly give NZX a copy of each of C&S Agreement to which it is a party.

7.3.3 A Trading Participant must notify NZX in writing of any amendments to any of its C&S Agreements at least 10 Business Days before the amendment becomes effective.

7.3.4 NZX may give reasonable directions to a Trading Participant requiring it to make (or refrain from making) amendments to the terms of any of its C&S Agreements and the Trading Participant must comply with those directions within the time specified by NZX.

7.3.5 In relation to a Clearing Participant clearing and settling Trades for a Trading Participant, that Trading Participant is bound by each minimum term which the C&S Rules require to be included in a C&S Agreement, whether or not that term is actually incorporated in a C&S Agreement between the Trading Participant and the Clearing Participant.

7.3.6 A C&S Agreement may include such other terms and conditions which are not inconsistent with the C&S Rules and these Rules. If any such inconsistency exists, the C&S Rules and these Rules will prevail.

7.4 General

7.4.1 NZX may from time to time implement procedures relating to the operation of NZX's system for recording Contracts with a view to the acknowledgement of Trades and confirmation of such Trades to the Clearing House. NZX may at its discretion at any time amend or add to such procedures and any such amendment or addition will be notified to Participants by means of a Notice or otherwise as NZX may direct.

7.5 Suspension of Clearing Arrangements

7.5.1 If NZX determines that a Clearing Participant's ability to clear and settle transactions on the Clearing House is terminated, suspended and/or restricted in any material way, and:

~~7.5.2~~(a) that Clearing Participant is a Trading Participant who has no third party clearing arrangement with any other Clearing Participant; or

~~(a)~~(b) a Trading Participant has a third party clearing arrangement with that Clearing Participant and no other Clearing Participant,

then NZX may, in its sole discretion, suspend or restrict the access to the Trading System or delete any Orders in the Trading System of a Trading Participant to which either paragraph (a) or (b) of this Rule applies, until NZX is satisfied that arrangements are in place that comply with these Rules for the clearing and settling of the Trading Participant's Trades on the Clearing House.

~~7.5.3~~7.5.2 If a Trading Participant is not a Clearing Participant and any arrangement it has with a Clearing Participant for the clearing and settlement of its Trades is terminated or suspended for any reason, then, unless the Trading Participant has other arrangements that comply with these Rules for the clearing and settlement of its Trades on the Clearing House:

~~7.5.4~~(a) NZX may, in its sole discretion, suspend or restrict the Trading Participant's access to the Trading System or delete any of the Trading Participant's Orders in the Trading System until NZX is satisfied that the Trading Participant has in place arrangements that comply with these Rules for the clearing and settlement of it its Trades on the Clearing House; and

~~(a)~~(b) except where the Trading Participant has given NZX more than one Business Day's prior notice of the proposed suspension or termination of the arrangement under Rule 7.5.3, the termination or suspension of that arrangement with that Clearing Participant (including the termination or suspension of the C&S Agreement) will not be effective until NZX has exercised its powers under Rule 7.5.2(a).

~~7.5.5~~7.5.3 A Trading Participant must notify NZX immediately if it becomes aware that any arrangement it has with a Clearing Participant for the clearing and settlement of its Trades on the Clearing House has been or will be suspended or terminated for any reason and must inform NZX of the circumstances and date of termination or suspension.

7.6 Settlement arrangements

7.6.1 Where a Trading Participant is not itself a Clearing Participant, then the Trading Participant must ensure that the Relevant Clearing Participant referred to in Rule 7.2.1 has arrangements in place for the settlement (either through itself or through its Depository Participant) of all Trades of the Participant for which the Relevant Clearing Participant has agreed to clear, whether or not those Trades are novated to the Clearing House.

7.7 Give-up & Take-up Transactions

7.7.1 A Trading Participant must ensure that it has entered into a Give-Up Agreement with a Client where the Trading Participant allows its Clearing Participant to enter into give-up and take-up transactions in accordance with the C&S Rules.

7.7.2 Where a Trading Participant's Relevant Clearing Participant has notified the Trading Participant that CHO has accepted the Relevant Clearing Participant's request to novate a Settlement Transaction to another Clearing Participant that Trading Participant must notify its Client that such novation has occurred.

Section 8: Trading Participants – General obligations when Trading on the Market

Procedures Reference

8.1 Price Limits

Procedures 8.1 to 8.7 (inclusive)

8.1.1 In order to prevent the execution of Orders submitted to the Trading System that are at unrepresentative price levels or are the subject of manifest price errors, the Market is subject to price limits as prescribed in the Procedures ("**Price Limits**"). All Orders on the Market must be entered within those Price Limits.

Procedures 8.8 to 8.11 (inclusive)

8.1.2 No Participant or no group of Participants who, pursuant to an agreement or understanding (whether formal or informal) act in collaboration, may secure a dominant position in a Contract or Class of Contracts, which has the effect of creating unfair or misleading Trading conditions. To ensure market integrity, NZX may determine the permitted maximum number of Open Positions that any Participant or Client may hold or control in any Contract by specifying the relevant position limits in the Individual Contract Specifications (the "**Position Limits**"). A Participant shall ensure that the Position Limits applicable to any Client or Participant in respect of any Contract are adhered to at all times and that any Procedures regarding Position Limits are complied with.

8.1.3 A Participant may seek (but may or may not be granted in NZX's discretion) a waiver of an applicable Position Limit pursuant to the procedures in Rule 14.2 in circumstances where the Participant can demonstrate that it has a material or significant exposure in the Contract Unit or Underlying Market which it is seeking to hedge through Trading the relevant Contract or Class of Contracts.

8.2 Obligations of all Trading Participants

8.2.1 Each Trading Participant must ensure the conduct of an orderly Market. In particular each Trading Participant must:

~~8.2.2~~(a) keep and maintain records of the time and date of receipt of each Order as part of the accounting records required by these Rules and the Procedures;

Procedures 8.12 to 8.15

~~(a)~~(b) be solely responsible for the accuracy of Orders entered/submitted into the Trading System in accordance with the Procedures for use of the Trading System established from time to time by NZX to ensure the efficiency and integrity of the Market;

~~(b)~~(c) maintain and enforce at all times appropriate security procedures designed to prevent unauthorised entry into the Trading System; and

~~(c)~~(d) answer, and provide evidence (written evidence if requested) in support of, any query or request by NZX in respect of that Trading Participant's compliance with these Rules, the Procedures and/or any direction issued from time to time by NZX. If requested, that Trading Participant must provide NZX with independent verification (by an organisation or Person approved by NZX) of that Trading Participant's compliance with these Rules and/or any directions issued from time to time by NZX (whether by Guidance Note or otherwise) or that the Trading Participant has not engaged in Unprofessional Conduct.

8.3 Requirement to have designated Dealers, DMA Dealers or DMA Authorised Persons

8.3.1 Each Trading Participant wishing to use Direct Market Access must comply with Rule 3.5.1, and except in the case of a TCF, have Dealers or DMA Dealers designated by NZX in accordance with Rule 3.5. A TCF may not have Dealers or DMA Dealers.

8.3.2 Each Trading Participant must ensure that only Dealers and DMA Dealers or DMA Authorised Persons use the trading functionality available in the Trading System, including entering, withdrawing or amending Orders, Bids, Offers and/or Trades.

8.3.3 Each Trading Participant is responsible for the security of and control of access to the Trading System and must ensure that only its Dealers, DMA Dealers and/or DMA Authorised Person(s), as the case may be, enter or submit Orders into the Trading System, and that each Dealer has an active unique identification code and password to access the Trading System.

8.3.4 Each Trading Participant must notify NZX in writing of any changes internally to the Person(s) holding the position of Dealer or DMA Dealer for that Trading Participant as soon as such a change has been implemented by that Trading Participant and in any case within five Business Days of a change being made.

8.3.5 Each Trading Participant must ensure the accuracy of the details of all trading messages which are entered into the Trading System using that Trading Participant's identification code, regardless of whether the trading messages are entered into the Trading System by a Dealer or DMA Dealer or DMA Authorised Person or as a result of the Trading Participant allowing access to its Trading Systems.

8.4 Direct Market Access

8.4.1 Each Trading Participant who uses the Direct Market Access facilities provided by NZX must ensure that those facilities are operated only by its DMA Dealers that have been designated as such by NZX, or by its DMA Authorised Persons.

8.4.2 Each Trading Participant that provides Direct Market Access must at all times ensure that:

8.4.3(a) any Person accessing the Trading System complies with all applicable Rules, Procedures and any directions issued from time to time by NZX and at all times does not engage in Unprofessional Conduct, including ensuring that the appropriate filters, screens and security measures are established and maintained by that Trading Participant;

(a)(b) any DMA Authorised Person granted authority by that Trading Participant to submit Orders into the Trading System via Direct Market Access has a written agreement with the Trading Participant and the appropriate skill, expertise and knowledge of the workings and use of the Trading System to do so; and

(b)(c) its use and access do not interfere with:

(c)(i) the efficiency and integrity of the markets operated by NZX (including the Market); and

(i)(ii) the proper and orderly functioning of the Trading System.

8.4.48.4.3 DMA Authorised Persons who have been authorised by a Trading Participant by way of a written agreement to access the Trading System by DCOP are not required to be DMA Dealers to submit their Orders into the Trading System via the order entry systems of that Trading Participant.

8.4.58.4.4 Each Trading Participant acknowledges that it is responsible and liable for Orders entered/submitted into the Trading System via Direct Market Access.

8.5 Direct Client Order Processing and Direct Principal Order Processing

8.5.1 Each Trading Participant that provides for DCOP must have procedures in place to ensure that:

8.5.2(a) each DMA Authorised Person (who is not a DMA Dealer), or the Client on whose behalf that DMA Authorised Person has authority to submit Orders, has written authority from that Trading Participant to submit Orders into that Trading Participant's order entry system;

(a)(b) each DMA Authorised Person, or the Client on whose behalf that DMA Authorised Person has authority to enter / submit Orders, has the required financial resources to meet its obligations to the Trading Participant in relation to Orders submitted into that Trading Participant's order entry system; and

(b)(c) each DMA Authorised Person has demonstrated to the Trading Participant knowledge of:

(c)(i) the order entry system of that Trading Participant; and

(i)(ii) the Rules and Procedures in relation to Trading, and any directions issued from time to time by NZX on Trading or DCOP and the requirements of Good Broking Practice.

8.5.38.5.2 Each Trading Participant using its order entry system for DPOP must ensure that:

8.5.4(a) its Dealers have obtained the appropriate accreditation and training required by NZX to be designated as DMA Dealers; and

(a)(b) all Clients accessing the Trading Participant's order entry system via DPOP are aware of the Trading Participant's procedures and policies in relation to DPOP.

8.6 Revocation of DMA access

8.6.1 If, for any reason, NZX considers that:

8.6.2(a) a Trading Participant that provided Direct Market Access or any Person accessing the Trading System via Direct Market Access provided by that Trading Participant has breached any of the applicable Rules, Procedures and/or directions issued from time to time by NZX in respect of Direct Market Access and/or engaged in Unprofessional Conduct; and/or

(a)(b) the efficiency and/or integrity of any of the markets provided by NZX (including the Market), or the functioning of the Trading System, are at risk (to be determined by NZX in its sole discretion),

NZX may direct that Trading Participant to take any of the actions specified in Rule 8.6.2.

8.6.38.6.2 Where Rule 8.6.1 applies, NZX may direct that Trading Participant to immediately:

8.6.4(a) stop using and/or providing Direct Market Access until NZX is satisfied with that Trading Participant's and other Person's compliance with all applicable Rules and/or directions issued from time to time by NZX and/or the Trading Participant and/or other Persons have ceased engaging in Unprofessional Conduct; and/or

(a)(b) suspend, limit or prohibit:

(b)(i) any one or more of that Trading Participant's DMA Dealer's or DMA Authorised Person's ability to use DCOP or DPOP;

(i)(ii) all of that Trading Participant's DCOP or DPOP; and/or

(ii)(iii) that Trading Participant's Direct Market Access.

~~8.6.5~~8.6.3 If a Trading Participant does not comply with any direction given by NZX either to all or some Trading Participants, or that Trading Participant does not comply in the time NZX considers necessary for the efficiency and integrity of the Market, or for the proper functioning of the Trading System, NZX may withdraw trading permission for all Direct Market Access offered by, or associated with, that Trading Participant and thereby terminate that Trading Participant's ability to Trade using the Direct Market Access facilities.

~~8.6.6~~8.6.4 Any direction given by NZX in relation to this Rule 8.6 will remain in force until such time as the relevant Rule or that direction is complied with, or the efficiency and integrity of any market provided by NZX (including the Market) and the Trading System are, in the sole discretion of NZX, no longer at risk.

~~8.6.7~~8.6.5 If NZX uses its discretion to withdraw permission from any Trading Participant to access DMA under these Rules, NZX will immediately notify the affected Trading Participant of the withdrawal. Subsequent to the withdrawal of such permission, NZX will reasonably consider any written submission received by NZX on behalf of that Trading Participant outlining reasons why permission should not have been withdrawn.

~~8.6.8~~8.6.6 A decision by NZX in relation to a submission under Rule 8.6.5 will be made by NZX as soon as possible and, in any case, within two Business Days of the receipt of the written submission by NZX.

8.7 Trading operations for the Market

8.7.1 The types of Order to be accepted by the Trading System shall be specified by the Procedures.

Procedures 8.12 to 8.14

8.7.2 The Trading System shall accept Orders only during the Session States during which Orders will be accepted as specified by the Procedures.

Procedure 10.1

8.7.3 If a Dealer, DMA Dealer or DMA Authorised Person is unable to enter Bids or Offers into the Trading System during a Session State specified by the Procedures as being a Session State during which Orders shall be accepted, due to a fault in that Trading Participant's order entry system or some other reason not attributable to NZX, the following shall apply:

Procedure 10.1

~~8.7.4~~(a) the Dealer, DMA Dealer or DMA Authorised Person, as the case may be, shall notify NZX as soon as practicable; and

~~(a)~~(b) the Dealer, DMA Dealer or DMA Authorised Person may Trade using another Trading Participant's facilities or the facilities provided by NZX as if they were its own provided that that Trading Participant has an arrangement in place to do so.

~~8.7.5~~8.7.4 Each Order entered into the Trading System must specify the Contract, quantity and (unless it is a Market Order) price of the Contract to be bought or sold. All Orders shall specify the information required by the Procedures.

Procedures 8.12 to 8.14

Procedure 8.15

~~8.7.6~~8.7.5 By default, Orders entered into the Trading System shall be accepted as Limit Orders and shall be matched by the Trading System in the order of price and then time priority unless otherwise specified by the Procedures.

~~8.7.7~~8.7.6 A Trading Participant must record the unique identifier code or Client account number (as applicable) and time of transaction for each accepted Order, and retain this information. For the avoidance of doubt, the information in respect of each Order referred to in this Rule 8.7.6 is not required to be printed on a Client's contract note.

~~8.7.8~~8.7.7 A Dealer, DMA Dealer or DMA Authorised Person may only withdraw an accepted Order prior to it being matched by the Trading System.

~~8.7.9~~8.7.8 An accepted Order that has not been matched by the Trading System may be reduced (but not increased) in quantity by the Dealer, DMA Dealer or DMA Authorised Person without losing its priority as determined pursuant to Rule 8.7.5.

~~8.7.10~~8.7.9 All Orders may be matched partially or completely.

~~8.7.11~~8.7.10 No Orders may be entered into the Trading System by a Dealer, DMA Dealer or DMA Authorised Person unless it will result in a change in Beneficial Ownership of a Contract.

8.8 Errors and Trade and Cross Transactions cancellation

Procedure 8.16

8.8.1 If a Trading Participant considers that an Error has occurred in respect of a Trade or a Cross Transaction and wishes to have or retain the right to request to have that Error Trade cancelled under this Rule 8.8, the Trading Participant must notify NZX of the Error by the time and in the manner set out in the Procedures and request that the Error Trade be cancelled in accordance with this Rule 8.8.

Procedure 8.16

8.8.2 A Trading Participant may request NZX to seek the agreement of any other Trading Participant to the cancellation of a Trade in respect of which an Error has been made by the time and in the manner set out in the Procedures.

8.8.3 Upon receipt of a request under Rule 8.8.2, NZX will use reasonable endeavours to contact the counterparty Trading Participant to the Trade to ascertain whether the counterparty Trading Participant agrees to the cancellation to the Trade. NZX will notify the requesting Trading Participant as soon as reasonably practicable of the counterparty Trading Participant's response.

8.8.4 Upon becoming aware of an Error Trade, NZX may do any or all of the following if permitted by Rule 8.8.5:

~~8.8.5~~(a) cancel or direct or permit a Trading Participant to cancel a Cross Transaction in respect of which an Error has occurred;

~~(a)~~(b) cancel a Trade in respect of which an Error has occurred;

~~(b)~~(c) notify any Trading Participant or Trading Participants generally that an Error has occurred and give details of the Error and its impact;

~~(c)~~(d) notify any Trading Participant or Trading Participants generally of any action that NZX proposes to take as result of an Error;

~~(d)~~(e) cancel or direct any Trading Participant to cancel any Cross Transaction that is affected by any Error Trade to be cancelled under this Rule;

~~(e)~~(f) cancel any Trade or Order that is affected by any Error Trade to be cancelled under this Rule; and/or

~~(f)~~(g) impose a trading halt in Contracts or Securities subject of the Error Trade for such period as NZX considers necessary as a result of the Error.

~~8.8.6~~8.8.5 NZX may exercise any or all of its powers under Rule 8.8.4 in respect of an Error if:

~~8.8.7~~(a) in NZX's opinion the Error may have a Market Impact; or

~~(a)~~(b) NZX is satisfied that:

~~(b)~~(i) the parties to the Error Trade have agreed to the exercise by NZX of its powers under that Rule; and

~~(i)~~(ii) the integrity or certainty of any NZX Market or the Clearing House will not be compromised as a result of NZX exercising its powers under that Rule; or

~~(ii)~~(c) NZX is satisfied that the exercise of its powers is necessary or desirable to ensure the integrity, certainty or orderly functioning of any NZX Market, the Clearing House or the Settlement System.

~~8.8.8~~8.8.6 Any decision made or action taken by NZX in respect of the exercise of its powers under Rule 8.8.4 is final and is binding on all Trading Participants.

~~8.8.9~~8.8.7 No Error Trade may be cancelled except in accordance with this Rule 8.8.

~~8.8.10~~8.8.8 Nothing in this Rule 8.8 affects the entry, amendment or withdrawal of a Bid or Offer in the Trading System prior to its matching in the Trading System.

~~8.8.11~~8.8.9 Order priority in the Market for any Contract or Commodity affected by a cancellation of an Error Trade will not be re-established following that cancellation.

Procedure 8.16

~~8.8.12~~8.8.10 Each Trading Participant must keep an Error Trade Register that records Errors and cancellations of that Trading Participant's Error Trades in accordance with the Procedures.

~~8.8.13~~8.8.11 NZX may, from time to time, review a Trading Participant's Error Trade Register and may refer Trading Participants and the Employees of a Trading Participant to the NZ Markets Disciplinary Tribunal in respect of Errors. A Trading Participant or an Employee of a Trading Participant who frequently commits Errors may be liable, at NZX's discretion, to have its or their ability to Trade suspended and to be treated as a Defaulter.

8.9 Cancellation fee

8.9.1 Each Participant will be charged a fee, as determined and advised from time to time by NZX as specified pursuant to Rule 14.11, for the cancellation of:

~~8.9.2~~(a) Trades matched by the Trading System as a result of an Error by a Participant or Employees of that Participant; and/or

~~(a)~~(b) Cross Transactions by a Participant or Employees of that Participant.

8.10 Disputes in relation to Trades

8.10.1 Any dispute in relation to Trades matched in the Trading System between Participants must be promptly referred to and investigated by NZX whose decision shall be final and binding on those Participants.

8.10.2 NZX shall use reasonable endeavours to reach a decision on any dispute referred to pursuant to Rule 8.10.1 promptly on the day (where possible) on which that dispute is referred to it, and in any event as soon as is reasonably possible in the prevailing circumstances.

8.11 Trading Halts and Suspensions of Trading

8.11.1 If in the sole opinion of NZX any circumstances calling for emergency action in the interest of the orderly conduct of business on the Market or in the interests of maintaining a fair and efficient Market, the due performance of Contracts have developed or are developing, NZX (through its NZX Designated Person or otherwise) may take any steps whatsoever to provide for, correct or check the further development of those circumstances or to preserve or restore conditions enabling the orderly conduct of business or the due performance of Contracts to be resumed.

8.11.2 Circumstances within the scope of Rule 8.11.1 above may (but without prejudice to the generality of that Rule) include:

~~8.11.3~~(a) an excessive trading position or unwarranted speculation;

~~(a)~~(b) a state of war or threatened hostilities;

~~(b)~~(c) an act of God or some other event outside NZX's control occurring;

~~(c)~~(d) the introduction of official controls affecting the Market or the performance of Contracts or any change in such controls;

~~(d)~~(e) any other change in legal provision or administrative or financial practice affecting the Market or the performance of Contracts;

~~(e)~~(f) the breakdown or failure of any communications, equipment, the Trading System or market facilities including the Trading System, the central processing system or electrical power supply to the Trading System or any related system;

~~(f)~~(g) the failure of any significant market infrastructure or service provider (including the failure by an index operator to calculate an index or by an auction operator to calculate an auction price or such index price or auction price being calculated in error); and/or

~~(g)~~(h) the occurrence of a cancellation, trading halt or suspension on any NZX Market, or any analogous event on any other derivatives, commodities or stock exchange; and/or

~~(h)~~(i) any other undesirable situation or practice, provided always that such circumstances in the opinion of NZX call for emergency action as aforesaid.

~~8.11.4~~8.11.3 Steps taken by NZX pursuant to Rule 8.11.1 may include:

~~8.11.5~~(a) suspending or curtailing Trading in respect of one or more Contracts or delivery periods for such time as may be specified (including nominating an alternative Trading Day to be the Last Trading Day for a Contract);

~~(a)~~(b) amending any terms of any Contract;

~~(b)~~(c) limiting Trading to the liquidation of open Contracts (subject to any specified condition or exception) or limiting Trading of unexecuted Orders existing at the time such steps are taken (subject to any specified condition or exception);

~~(c)~~(d) deferring delivery of specified Contracts;

~~(d)~~(e) in respect of Contracts that are settled against an index or price set by auction, amending the final settlement price calculated by reference to that index or auction;

Procedure 8.6.2

~~(e)~~(f) determining an alternative Daily Settlement Price in respect of a Contract;

~~(f)~~(g) determining that compensation should be paid or a price adjustment be allowed in respect of such modification or deferment, referred to above;

~~(g)~~(h) instructing one or more Participants to disclose to such confidential agent as NZX may nominate their Open Positions and the Open Positions of Clients (subject to any specified condition or exemption);

~~(h)~~(i) allowing for settlement of Contracts by invoicing back at prices specified or to be specified; and/or

~~(i)~~(j) taking any ancillary steps considered by NZX to be necessary in the circumstances.

~~8.11.6~~8.11.4 The steps taken under Rule 8.11.3 may, if NZX thinks fit, extend to Contracts made before or on the day the steps are taken.

~~8.11.7~~8.11.5 Any failure or alleged failure by a Participant to comply with a direction addressed to that Participant (whether individually or as one of a class of Participants) by NZX in exercise of its authority under Rule 8.11.1, may forthwith be referred by NZX to the NZX Designated Person or to the NZ Markets Disciplinary Tribunal. NZX shall treat any such failure as a violation of the Rules and may deem such Participant to be a Defaulter in accordance with Rule 14.15.

~~8.11.8~~8.11.6 If the Market is halted or suspended in respect of a Contract during a Open (Normal) Session State, for whatever reason, NZX may extend that Session State. If such a decision is made, NZX will advise this decision to all Participants and the altered Trading Hours or Session States.

~~8.11.9~~8.11.7 If the conduct of business on the Market in one or more Contracts is suspended or halted and NZX determines that it may not be resumed either before the Close or within sufficient time prior to the Close to allow for an orderly Close to occur, NZX may determine that the conduct of business in one or more Contracts should be resumed but that the relevant scheduled Close or Last Trading Day should be delayed to a later time.

~~8.11.10~~8.11.8 During a Trading Halt or suspension, Participants may not Trade or undertake Cross Transactions in the Contract the subject of a Trading Halt or suspension.

~~8.11.11~~8.11.9 If there is a Trading Halt or suspension affecting all Contracts or a Class of Contracts (as NZX may determine) on the Market, there shall be a Pre-Open Session State for such Market for a period of time, as determined from time to time by NZX, prior to re-commencing the Open (Normal) Session State.

Section 9: Trading with a Client – General Trading obligations when Trading on the Market

9.1 Relationship with other sections

9.1.1 Section 9 of these Rules should be read in conjunction with the obligations set out in Section 4 and Section 10 of these Rules.

9.2 Allocation Policy

9.2.1 An Advising Participant (other than an Introducing Broker) or Trading Participant who transfers Trades into a pool account prior to the allocation of the Contracts the subject of those Trades to Clients, must include in its terms of business, and/or Client Agreements, details of the policy it adopts in allocating Contracts to Client Orders ("**Allocation Policy**").

9.2.2 If requested by a Client, Advising Participants (other than an Introducing Broker) and Trading Participants must give that Client a written statement of all the individual prices associated with that Client's Order which have been averaged under the relevant Allocation Policy.

9.3 Risk Warnings

9.3.1 An Advising Participant or Trading Participant must provide its Client with Risk Warnings (including any relevant Disclosure Statements) each time that Client requests to Trade in any Contract that has different categories of risks associated with it than those Contracts for which that Client has already been provided with Risk Warnings either in that Client's Client Agreement or under this Rule 9.3. The Risk Warnings must contain any Disclosure Statement prescribed by NZX.

9.4 Bringing Orders to Market

9.4.1 For the purposes of this Rule 9.4, although Advising Participants do not enter Orders into the Trading System themselves, they must facilitate timely execution of the flow of Orders from their Clients to the Trading Participant with whom they have a Trading Agreement and this Rule 9.4 is to be read in that context.

9.4.2 Subject to Rules 9.4.3 to 9.4.8, an Advising Participant or Trading Participant must submit any Order, which is at market or at a fixed price limit, straight to market via the Trading System. For the avoidance of doubt, pursuant to this Rule 9.4.2, an Advising Participant or Trading Participant must not, for any market or fixed price limited Order:

~~9.4.3~~(a) delay executing Client Orders; and/or

~~(a)~~(b) delay Orders to facilitate Cross Transactions.

~~9.4.4~~9.4.3 An Advising Participant or Trading Participant may, upon obtaining instructions from its Client to do so (which may be by means of an e-mail, facsimile, letter from that Client, a written transcript by the Advisor for that

Advising Participant or Trading Participant of that Client's instructions received by telephone or the inclusion of standing instructions in the Client Agreement in prominent lettering), execute an Order for the account of a Client at that Advising Participant's or Trading Participant's discretion as to the timing and placement of that Order.

~~9.4.5~~9.4.4 If standing instructions are obtained via a Client Agreement, the Client Agreement must allow that Client to override the standing instructions detailed in the Client Agreement at the time the Order is placed.

~~9.4.6~~9.4.5 For the avoidance of doubt, in the absence of standing instructions obtained through the Client Agreement, Client instructions must be obtained for each Order to permit an Advising Participant or Trading Participant who has obtained a Client's instruction to:

~~9.4.7~~(a) delay executing Client Orders; and/or

~~(a)~~(b) delay Orders to facilitate Cross Transactions.

~~9.4.8~~9.4.6 Notwithstanding anything in Rules 9.4.2 to 9.4.5, an Advising Participant or Trading Participant must not transact and/or report Trades for the account of its Clients in order to avoid the obligations in these Rules, the Procedures or any direction issued from time to time by NZX or contrary to Good Broking Practice.

~~9.4.9~~9.4.7 Notwithstanding anything in Rules 9.4.2, to 9.4.5, an Advising Participant or Trading Participant may as a matter of policy in the case of Institutional Clients:

~~9.4.10~~(a) delay executing Client Orders; and/or

~~(a)~~(b) delay Orders to facilitate Cross Transactions,

provided that this policy has been advised to the Institutional Client in writing and the Advising Participant or Trading Participant has not received notification from the Institutional Client disagreeing with such policy or specific instructions concerning the treatment of that Institutional Client's Orders.

~~9.4.11~~9.4.8 A Participant may delay a Block Trade Order as prescribed for by the Procedures. Procedure 9.1

9.5 Client Clearing and Settlement Disclosures

9.5.1 Prior to accepting an Order for a Client, each Trading Participant must:

~~9.5.2~~(a) enter into a Client Agreement with its Client that sets out the terms of its relationship in accordance with Rule 9.6; and

~~(a)~~(b) provide its Client with a written disclosure statement which must include, as a minimum, the following:

~~(b)~~(i) the name, telephone number and main business address of the Clearing Participant(s) which settles Trades on behalf of that

Trading Participant;

~~(i)~~(ii) a statement that the Trading Participant's Relevant Clearing Participant carries out the clearing and settlement for all Trades executed for that Client by that Trading Participant and that following settlement of a Trade that Client must settle as principal with that Relevant Clearing Participant, even though the Trade may have been entered into on that Client's instruction. The settlement obligations of that Client are therefore owed directly to the Clearing Participant(s);

~~(ii)~~(iii) a statement that if:

~~(iii)~~(A) a Client fails to pay the amounts due in respect of a Trade; or

~~(A)~~(B) a Client fails to complete a Contract,

the Clearing Participant(s) has direct rights against the Client; and

~~(B)~~(iv) unless that Trading Participant is also a Clearing Participant, a statement that an agreement is deemed to have been entered into between the Relevant Clearing Participant of that Trading Participant and that Client (with the Trading Participant having the Clearing Participant's authority to enter into that agreement accordingly) upon the terms set out in the disclosure statement required by this Rule and that such a deemed agreement comes into existence immediately upon the receipt by a Trading Participant of instructions by that Client to purchase or sell Contracts.

~~9.5.3~~9.5.2 This Rule 9.5 does not prevent a Relevant Clearing Participant, Trading Participant and Client from entering into a written agreement on such terms mutually agreed between the parties in relation to the clearing and settlement of Trades and the payment of fees, provided that the terms of any such agreement are not inconsistent with the written disclosure statement required by Rule 9.5.1(b).

~~9.5.4~~9.5.3 A Trading Participant must retain a record of the disclosure statement made to the relevant Client under this Rule and the date that disclosure statement was given to that Client.

9.6 Client Agreements

9.6.1 Each Trading Participant must enter into a signed written Client Agreement with each of its clients with which it has a direct relationship. Such Client Agreement must set out the terms of its relationship with its client on a basis that is consistent with these Rules and Procedures and must include, without limitation, the following:

~~9.6.2~~(a) the Trading Participant's terms of business (including provisions that permit the Trading Participant to exercise its rights under Rules 9.10 to and including 9.19);

~~(a)~~(b) details of the means by which the Client's instructions will be accepted by the Trading Participant;

~~(b)~~(c) confirmation that an assessment has been conducted of the Client's suitability to engage in the particular types of Trades contemplated;

~~(c)~~(d) Risk Warnings in relation to the Class of Contracts in respect of which the Trading Participant provides advice and/or executes Orders;

~~(d)~~(e) details of whether the Trading Participant acts as the Client's Clearing Participant, in which case Trades will be carried out in accordance with the C&S Rules, or whether the Trading Participant will enter or has entered into a C&S Agreement with a Clearing Participant, to provide clearing and settlement services in respect of the Trading Participant's Trades, in which case Trades will be carried out in accordance with the C&S Rules and the C&S Agreement;

~~(f)~~(g) a statement that, under the C&S Rules and C&S Agreement (if applicable), the Clearing and Settlement Terms of the Trade executed for that Client will be novated in accordance with the C&S Agreement (if applicable) and C&S Rules and the Relevant Clearing Participant will become principal in the resulting Relevant Settlement Transaction and take on all the Clearing and Settlement Terms for that Relevant Settlement Transaction, and the Client agrees to this novation pursuant to, and on the terms and conditions provided for under, the C&S Agreement (if applicable) and the C&S Rules to the full extent required by law;

~~(h)~~(i) the Client's rights and obligations in relation to the clearing and settlement of a Relevant Settlement Transaction will be limited to any rights against, and any obligations to, the Trading Participant and the Advising Participant (if applicable). The Client will not have any rights against the Relevant Clearing Participant (except where the Trading Participant is the Relevant Clearing Participant) or CHO in relation to the clearing and settlement of the Relevant Settlement Transaction;

~~(j)~~(k) a statement that the Client grants to the Trading Participant, at all times, full and exclusive rights, power and authority to act in all of the Trading Participant's activities relating to the Relevant Clearing Participant to the exclusion of the Client, including full authority to bind the Client under the Trading Participant's C&S Agreement (if any) and the C&S Rules and to authorise the holding of, and dealings with, that Client's Client Funds in accordance with the Depository Rules;

~~(l)~~(m) provisions that the liability of CHO, CDO, Nominee, NZCDC, NZX and other related Persons named in the applicable provisions of Section 8 of the C&S Rules and Section 9 of the Depository Rules to any Person (including the Client) is limited or excluded by, and is subject to, the provisions of Section 8 of the C&S Rules and Section 9 of the Depository Rules;

~~(n)~~(o) an acknowledgement from the Client that the provisions referred to in Rule 9.6.1(i) are for the benefit of CHO, CDO, Nominee, NZCDC, NZX and other related Persons named in the applicable provisions of Section 8 of the C&S Rules and Section 9 of the Depository Rules and the Contracts (Privity) Act 1982 shall apply accordingly; and

~~(o)~~(p) an obligation to provide its Client with a written disclosure statement that complies with Rule 9.5.1; and

~~(p)~~(q) the terms and conditions specified by the Procedures as being applicable to the Trading Participant and its Clients. Procedure 6.2

~~9.6.3~~9.6.2 NZX may approve a Client Agreement that does not comply with Rule 9.6.1 and in accordance with Rule 14.2 waive the requirements of Rule 9.6.1 in its sole discretion. However NZX must be satisfied that appropriate provisions and disclosures as to the clearing and settlement of Trades are included in the Client Agreement.

~~9.6.4~~9.6.3 Each Trading Participant must keep a record of each Client Agreement entered into between it and its Clients.

~~9.6.5~~9.6.4 For the avoidance of doubt, each Trading Participant must enter into a Client Agreement with all new Clients and with any existing Clients where a Client Agreement is not already in place when that new or existing Client wishes to deal in any Contract.

9.7 Order records

9.7.1 Each Participant must maintain an appropriate audit trail for all Orders. This should include Order/deal tickets, written Order confirmations, copies of electronic instructions such as e-mail and the electronic Order record on the Participant's in-house order entry system. In each case this audit trail is to include the information in Rule 9.7.2.

9.7.2 The instruction details and Client information to be recorded through the recording system (pursuant to Rule 4.23) shall include details of:

~~9.7.3~~(a) the identity of the Person (whether an Advisor, a Dealer, a DMA Dealer, a DMA Authorised Person or other Person) receiving the Order;

~~(a)~~(b) the date and time the Order is received (via a date/time stamp which stamp may be manually applied);

~~(b)~~(c) the name of the Client to which the Order relates;

~~(c)~~(d) the name of the natural Person providing instructions if different from the account holder;

~~(d)~~(e) a description of the Contract ordered and the number of Contract Units to be bought or sold;

~~(e)~~(f) whether it is a buy or sell instruction;

~~(f)~~(g) the price/yield limit or price/yield related instructions;

~~(g)~~(h) whether the Order is at market, at a fixed price limit or whether it is Best Execution;

~~(h)~~(i) the time limit on the Order (if any);

~~(i)~~(j) instructions for settlement if such instructions have been given;

~~(j)~~(k) Contract Month;

~~(k)~~(l) agreed futures price; and

~~(l)~~(m) any other relevant instructions.

~~9.7.4~~9.7.3 All Orders taken by telephone must be read back to the Client giving such Order as a confirmation procedure, unless voice-recording technology is used.

~~9.7.5~~9.7.4 Records of Orders must be uniquely numbered and retained for two years, whether or not the relevant Order was executed.

9.8 Client order priority

9.8.1 No Advising Participant or Trading Participant shall buy or sell Contract(s) for a Prescribed Person when that Advising Participant or Trading Participant or its Dealer(s), DMA Dealer or DMA Authorised Person(s) holds an unexecuted Order on the same terms from a Client to deal in one or more marketable parcels in such Contracts. For the purpose of this Rule, a Limit Order that cannot be executed owing to price/yield difference is not an unexecuted Order.

9.8.2 Each Advising Participant or Trading Participant who allocates a sale and purchase of Contracts to fulfil all or part of an Order from a Prescribed Person when the Participant has an unfilled Order on the same terms for those Contracts from a Client which is not a Prescribed Person shall be regarded as having engaged in conduct in breach of these Rules.

9.8.3 In relation to this Rule 9.8, a reference to a Prescribed Person placing an Order for its own account means that the Contract(s) to be bought or sold are, or will be, on the completion of part or all of that Order, Beneficially Owned by that Prescribed Person.

9.8.4 The Contract(s) Beneficially Owned by that Prescribed Person include Contract(s) which would appear as assets on the balance sheet or consolidated balance sheet of that Prescribed Person.

9.9 Contract notes and monthly statements

9.9.1 Each transaction effected by an Advising Participant or Trading Participant for the account of its Clients shall be evidenced by that Advising Participant or Trading Participant ensuring that a written contract note is sent to the Client's postal address as recorded and verified on the Advising Participant's

or Trading Participant's records no later than the day following the completion of that Client's instruction, if that Client is an Institutional Client, or no later than the day following that Advising Participant or Trading Participant executing part or all of that Client's instruction, if that Client is a Retail Client, provided that the Advising Participant, or Trading Participant shall not be required to provide contract notes to a Client where:

9.9.2(a) the Client has entered a "hold mail" agreement as per Rule 11.13; and/or

(a)(b) the Client is a Discretionary Client and has entered into a written agreement with the Advising Participant, Introducing Broker or Trading Participant which authorises that Advising Participant, Introducing Broker or Trading Participant not to despatch contract notes following the completion of transactions conducted for that Client provided that such agreement provides that:

(b)(i) the Client has the right to request a contract note at any time;

(i)(ii) the Client's consent not to be provided with contract notes upon the Advising Participant or Trading Participant effecting a transaction for the Client is revocable; and

(ii)(iii) all details of any transaction that would normally be shown on the contract note, including commission and disclosures, are sent to that Client in the report to be provided under Rule 11.10, subject to that report being provided at least quarterly or more often if agreed in writing between the Advising Participant or Trading Participant and the Client.

9.9.39.9.2 Each Advising Participant or Trading Participant must disclose on all contract notes despatched in respect of a Trade, who the Clearing Participant for that Trade is, irrespective of whether that Advising Participant or Trading Participant is also designated as a Clearing Participant.

9.9.49.9.3 An Advising Participant or Trading Participant must disclose on a Client's contract note:

9.9.5(a) whether the Advising Participant or Trading Participant (or its Advisors) is paid or will be paid by both parties to a Trade;

(a)(b) whether the Advising Participant (or its Advisors) or the Trading Participant (or its Advisors) is acting as agent for the buyer and the seller in respect of a Contract;

(b)(c) the full extent of any commission and margin charge of that Advising Participant or Trading Participant (or its Advisors); and

(c)(d) any other benefit to that Advising Participant or Trading Participant (or its Advisors) or its representatives arising from the transaction.

9.9.69.9.4 Advising Participants or Trading Participants may disclose in any contract note any additional information that they consider relevant,

including any behaviour or matter inconsistent with these Rules or Good Broking Practice, provided that such disclosure shall not constitute a waiver of any breach or potential breach of these Rules or Good Broking Practice.

9.9.79.9.5 Contract notes for Trades executed for a Client may, with that Client's written consent in the Client Agreement or otherwise, be despatched to that Client electronically on the condition that:

9.9.8(a) the disclosure requirements of this Rule 9.9 are legibly contained on that contract note; and

(a)(b) it is sent to that Client in PDF form or in a form similar to PDF which cannot be amended by the recipient or any other Person.

9.9.99.9.6 An Advising Participant, who is not also a Trading Participant, may fulfil its obligations under Rule 9.9.1 by procuring its Trading Participant to perform those obligations on its behalf.

9.9.109.9.7 An Advising Participant and a Trading Participant must ensure its Clients are provided with a written monthly current account statement, showing that Client's total obligations under Contracts at the end of a calendar month no later than five Business Days after the end of each calendar month.

9.10 Margin liability of Clients

9.10.1 Where a Participant is required to pay an amount of Initial Margin to a Clearing Participant or to CHO directly, in respect of positions the Participant holds for the benefit of one or more of its Clients, the Participant must, subject to Rule 9.14 in turn, call a corresponding amount from the relevant Client or Clients.

9.10.2 The call referred to in Rule 9.10.1 must be made in sufficient time to ensure that the Participant is placed in funds before the Participant is obliged to pay the corresponding amount to the Clearing Participant or directly to CHO.

9.10.3 The liability of a Client to pay Initial Margin in respect of Contracts Traded on Market arises on a Participant receiving instructions from the Client in respect of those Contracts, irrespective of when the call is made by the Participant under Rule 9.10.1.

9.11 Voluntary additional calls

9.11.1 A Participant is also entitled, at any time, to call from its Client an amount sufficient to cover amounts (including Variation Margin) that the Participant has been required to pay to a Clearing Participant or CHO pursuant to close out, settlement or daily settlement of Contracts under the C&S Rules.

9.11.2 A Participant may, at any time, call further amounts from a Client at any time that it considers that to be appropriate to manage the risk to which it is exposed in respect of that Client's positions.

9.12 Compulsory additional calls

9.12.1 Subject to Rule 9.14, if, at any time, the net amount of the amounts that the Participant may call from the Client under Rule 9.11 exceeds 25% of the Initial Margin called under Rule 9.10, the Participant must call those amounts under Rule 9.11.

9.13 Compulsory calls regarding Options

9.13.1 An Option Buyer must call the value of an Option's premium from its Client when the Client has not previously paid or lodged the premium or cover for that premium with the Buyer and:

~~9.13.2~~(a) the Client exercises or abandons the Option; or

~~(a)~~(b) the Option expires worthless on the expiration date of that Option.

9.14 Circumstances when call need not be made

9.14.1 A Participant is not required to make a call under Rules 9.10.1, 9.12, or 9.13 if it provides credit to the Client for the amount it would otherwise be required to call, in accordance with Rule 9.14.2 for the amount it would otherwise be required to call.

9.14.2 A Participant may only provide credit to the Client for an amount that it is otherwise required to call, where:

~~9.14.3~~(a) the Participant makes the decision to provide credit to a Client pursuant to prudent management policies and procedures which satisfy any criteria which may be specified by NZX from time to time; and

~~(a)~~(b) the Client has provided security for the amount to any of the Participant, its Relevant Clearing Participant or CHO, and that security is acceptable to the Participant.

~~9.14.4~~9.14.3 A Participant is not required to make a call under Rule 9.12 or Rule 9.13, where:

~~9.14.5~~(a) the amount of the call at that time is less than $1,000; or

~~(a)~~(b) that call relates to an Option, and the Participant provides credit to the Client in accordance with Rule 9.14.2.

~~9.14.6~~9.14.4 A Participant is not required to make a call under Rule 9.10.1, 9.12 or 9.13 where the Client has already paid to the Participant the amount that the Participant would otherwise be entitled to call.

9.15 Call requirements

9.15.1 When making a call, a Participant must stipulate the time by which payment of the amount called must be made. Payment of a margin or lodgement of cover must be made within the time stipulated, time being of the essence. The time for such payment must be no more than 24 hours after the call for that amount is made. Where a Client is resident outside of New Zealand, payment of an amount that has been called must be made no more than 48 hours after the call has been made. Where a Participant provides credit or cover for a Client beyond these periods, the Trade to which the called amount relates will be regarded as the principal position of the Participant for the purposes of Prescribed Minimum Capital Adequacy.

9.15.2 A Participant must maintain for a period of not less than 2 years internal records showing such particulars of all calls made by that Participant and the Advisor responsible for that call or Client as are prescribed by NZX from time to time.

9.16 Closing positions of a Client

9.16.1 Where a Client is in default by failing to pay a call or to comply with its cash settlement obligations in respect of a Contract, a Participant has the right to close out all or any Contracts held by that Participant on account of that Client, without further notice to that Client. The time within which that right is exercised, and the extent to which it is exercised, shall be at the discretion of the Participant. The Participant shall not be liable to that Client for any failure or delay in exercising that right.

9.17 Adjustment on closing a Contract of a Client

9.17.1 Any adjustment by way of profit or loss arising from the closing out of an existing Contract of a Client in accordance with Rule 9.16, together with all interest and charges incurred, shall be settled between the Participant and that Client.

9.18 Retention of margins

9.18.1 Cover for a margin liability of a Client received by a Participant shall be retained by that Participant until such time as that liability is extinguished. If that liability is not extinguished, the cover may be realised by that Participant and the proceeds applied against that liability.

9.19 Trading Participant to deposit shortfall of calls on Clients

9.19.1 Where five Business Days after a call has been made on a Client in accordance with these Rules, or such call should have been made in accordance with these Rules (inclusive of the day of the call for margin) (the "**Deposit Date**"), the call which was or should have been made has not been satisfied by payment of monies into a client bank account for that Client, a Trading Participant must:

~~9.19.2~~(a) on the Deposit Date, pay into a client bank account for that Client in

accordance with Client Funds Regulations or where it is an Overseas Participant comparable requirements of its home jurisdiction (as applicable) an amount of money not less than the lesser of the liability of that Client under such a call and the amount which the Trading Participant would be obliged to call that Client on the Deposit Date; and

~~(a)~~(b) on the Deposit Date, pay into that client bank account any amount (which has not been met by that Client), which arises as a result of debit balances of that Client resulting from realised losses or otherwise.

~~9.19.3~~9.19.2 Such monies deposited under the Rule 9.19.1 may be withdrawn by that Trading Participant in accordance with the Client Funds Regulations, or where it is an Overseas Participant, the comparable requirements of its home jurisdiction (as applicable).

Section 10: Requirements for Trading on the Market

Procedures Reference

10.1 Trading operations of the Market

10.1.1 NZX may place the Market into a Session State with respect to Trading in one or more Contracts or a Class of Contracts during a Trading Day. Without limiting the generality of this provision, NZX may place the Market into different Session States with respect to Trading in different Contracts or Classes of Contracts at the same time.

10.1.2 NZX will use reasonable endeavours to notify Trading Participants (in such manner as NZX considers appropriate, including by way of message or code displayed in the Trading System) which Session State is in force in respect of Trading in a particular Contract or Class of Contracts during the Trading Hours for that Contract or Class of Contracts.

Procedure 10.1

10.1.3 Trading Participants acknowledge that entry of Orders and other Trading activities and Dealing in the Market will occur subject to the parameters of the Session State in force in respect of the relevant Contract from time to time. The parameters applicable during a particular Session State are set out in the Procedures.

Procedure 10.1

10.1.4 Unless NZX notifies Trading Participants otherwise (including pursuant to Rule 8.11), in such manner as NZX considers appropriate (including by way of message or code displayed in the Trading System) Session States shall apply with respect to the Market at the times set out in the Procedures.

Procedures 8.12 to 8.14

10.1.5 The types of Order that may be placed in the Trading System shall be specified in the Procedures, as shall the manner in which NZX manages those Orders, including the trading algorithms relevant to specified products.

Procedures 9.1 and 9.2

10.1.6 NZX may specify common trading facilities for the Market in the Procedures including an Exchange for Physicals Facility, an Exchange for Swaps Facility and a Block Trading Facility.

10.1.7 NZX may specify the Individual Contract Specification and Underlying Contract for a Contract by Notice to the Market, which shall usually be given by way of a Website Notice. NZX may provide in an Individual Contract Specification that any Procedure or Rule does not apply to a particular Contract, where NZX determines that such non-application is necessary to ensure no adverse effect to the Market. NZX may provide for any additional requirements that apply only to a particular Contract in its Individual Contract Specifications and/or Underlying Contract for that Contract. NZX may, from time to time, designate terms to reflect the Individual Contract Specifications for the Contract. NZX may note in the Individual Contract Specifications a Disclosure Statement in respect of a Contract that must be given by a Participant to a Client as part of the Risk Warnings to be given under Rule 9.3.

10.1.8 NZX will ensure that a Contract is designated as an Approved Product in accordance with the C&S Rules prior to including that Contract's Individual Contract Specification (and Underlying Contract) as being available for Trading.

10.2 Trading against Client Orders

10.2.1 During a Session State in which Trading occurs, a Participant shall not knowingly cause to be entered or knowingly enter into a transaction in which it takes the opposite side of an Order entered for a Client, for that Participant's own account or his employer's proprietary account unless the Order has been entered immediately upon receipt and has first been exposed on the Trading System for the period specified in the Contract Specifications for that Contract. Where such a transaction occurs without the knowledge of the Participant, this Rule will not be regarded as being breached.

10.3 Transactions deemed not to be Cross Transactions

10.3.1 Independently initiated Orders on opposite sides of the market for different beneficial account owners that are immediately executable against each other and did not involve pre-execution discussions are not Cross Transactions. Such Orders shall be entered into the Trading System in accordance with the Rules.

10.4 Transactions in respect of Discretionary Accounts

10.4.1 Opposite Orders for different beneficial Discretionary Accounts that are simultaneously placed by a Trading Participant with discretion over both accounts may be entered into the Trading System provided that one Order is exposed on the Trading System for the period specified in the Contract Specifications for that Contract.

10.5 Orders allowing for price / time discretion

10.5.1 An Order allowing for price and/or time discretion, if not entered immediately on receipt, may be knowingly entered opposite a second Order entered by the same Trading Participant only if the second Order has been entered immediately upon receipt and has been exposed on the Trading Platform for the period specified in the Contract Specifications for that Contract.

Procedure 10.2

10.5.2 Subject to Rules 10.2 to 10.5.1, Cross Transactions and pre-negotiated deals may otherwise be executed in the manner specified by the Procedures.

10.6 Trading after the Close of the Open (Normal) Session State

10.6.1 If a Trading Participant receives an Order to buy or sell Contracts quoted on the Market after the Close of an Open (Normal) Session State on a Business Day or during the Enquiry Session State that Trading Participant may enter into a transaction for the sale or purchase of those Contracts quoted on the Market at a price to be determined between the parties.

10.6.2 A Trading Participant must report a transaction entered into pursuant to Rule 10.6.1 no later than 15 minutes prior to the Open (Normal) Session State commencing for that Contract on the following Business Day.

10.7 Trading priorities on the Trading System

Procedure 8.15

10.7.1 Except as otherwise determined by NZX from time to time, every Bid or Offer price for Contracts quoted on the Market entered into the Trading System will be placed in priority according to the highest priced Bid and the lowest priced Offer. An earlier entered Offer price has priority over an Offer at the same price entered at a later time.

Section 11: Accepting and Holding Client Funds

11.1 Scope

11.1.1 This Section 11 shall apply to all Participants that accept and hold Client Funds in accordance with the terms of their designated status as a Participant.

11.2 Introducing Broker

11.2.1 Subject to Rule 11.2.2, an Introducing Broker may accept Client Funds only in the form of a crossed cheque marked “not transferable account payee only” made payable to the Client’s bank account of the Participant to which it has introduced that Client, provided that crossed cheque is either delivered to that Participant or paid to the credit of a nominated account in respect of which that Participant is the sole signatory.

11.2.2 An Introducing Broker who is an Overseas Participant may accept Client Funds in such other manner as NZX may approve from time to time as meeting the objectives of Rule 11.2.1 in respect of the holding and transmission of Client Funds from a Client to a Participant via the Introducing Broker.

11.3 Client Funds Regulations, Reporting Act and other legal requirements

11.3.1 A Participant must, in addition to this Rule 11, comply at all times with its obligations to the extent such obligations apply to that Participant under (a) the Client Funds Regulations (as though all references in the Client Funds Regulations to “futures contracts” were to include Derivatives Contracts), (b) the Reporting Act and (c) any other law or regulation regulating acceptance, holding and disbursement of Client Funds (including for the avoidance of doubt those that apply to an Overseas Participant in its home jurisdiction).

11.3.2 The obligations that would otherwise apply to a Participant under the Client Funds Regulations and the Reporting Act do not apply to a Participant where the FMA has granted that Participant an exemption from those requirements (including where the exemption has been given to a class of Participant of which the Participant is a member of such class).

11.4 Accounts

11.4.1 A Participant must comply with its obligations under Section 13 of these Rules to keep accounting records.

11.5 Discretionary Accounts register

11.5.1 A Participant that receives Client Funds from a Client for the purpose of buying or selling Derivatives Contracts through that Client’s Discretionary Account held with that Participant must maintain a Discretionary Accounts register, which shall include, as a minimum:

~~11.5.2~~(a) name and address of that Client;

~~(a)~~(b) date on which the Discretionary Account for that Client was established;

~~(b)~~(c) date when the Discretionary Account for that Client was authorised by that Client and a copy of that Client's written authorisation as required pursuant to Rule 11.6;

~~(c)~~(d) that Client's account number or numbers;

~~(d)~~(e) where relevant, the Advisor Employed by that Participant responsible for the Discretionary Account for that Client;

~~(e)~~(f) date the Discretionary Account for that Client was last reviewed;

~~(f)~~(g) any instructions, qualifications, Investment Objectives, investment risk profile, limitations or other Client directions as to the disposition of the Discretionary Account or managed fund, specifically the number of transactions of purchase or sale of Derivatives Contracts the Advisor or the Participant may undertake for that Client; and

~~(g)~~(h) any other relevant information.

11.6 Opening a Discretionary Account for a Client

11.6.1 A Participant may only manage or operate a Discretionary Account for, or on behalf of, a Client if that Participant has first obtained from that Client a written authorisation signed by that Client setting out the terms and conditions under which the Discretionary Account may be operated (including, in particular, the parties' respective rights and obligations).

11.7 Separation of Discretionary Accounts

11.7.1 All Discretionary Accounts managed or operated for, or on behalf of, a Client by a Participant must be designated as such and separated from any other non-Discretionary Accounts held by that Participant for that Client, any of its other Clients or its principal accounts.

11.8 Review of Discretionary Account Transactions

11.8.1 All transactions on a Discretionary Account managed or operated for, or on behalf of, a Client by a Participant must be reviewed twice yearly by that Participant's Compliance Manager, or a senior Person appointed by that Compliance Manager who is not involved in the operation of that Discretionary Account, to ensure compliance with these Rules and the Procedures and the Client Funds Regulations and that Client's instructions for that Discretionary Account.

11.9 Excessive trading

11.9.1 A Participant must not facilitate trading of Derivatives Contracts (including Trading in Contracts on the Market, through placement of F&O Orders on a

F&O Exchange or by facilitating trades of Derivatives Contracts Off-Exchange) for a Client for whom that Participant operates a Discretionary Account unnecessarily, with unnecessary frequency or in excessive size. In considering whether an account has been excessively traded:

~~11.9.2~~(a) regard will be had to all the circumstances of the operation of the Discretionary Account and whether the Orders and any F&O Orders placed with F&O Executing Participants or facilitated Off Exchange, either individually or taken as a whole, could reasonably have been regarded as being made in that Client's best interests; and

~~(a)~~(b) other factors which will be taken into account include:

~~(b)~~(i) the frequency and size of the Trades, any F&O Orders or trades facilitated Off-Exchange;

~~(i)~~(ii) the cost to that Client in relation to the profit made or loss suffered;

~~(ii)~~(iii) the proportion of day, or day and overnight, placing of Orders and/or F&O Orders;

~~(iii)~~(iv) the duration of Derivatives Contracts held;

~~(iv)~~(v) the trading life of that Discretionary Account;

~~(v)~~(vi) the instructions and Investment Objectives of that Client;

~~(vi)~~(vii) market conditions;

~~(vii)~~(viii) whether any liquidated Derivatives Contracts are re-established;

~~(viii)~~(ix) which Derivatives Contracts are Traded on the Market or traded Off-Exchange or on a F&O Exchange; and

~~(ix)~~(x) the rates of commission on each Derivatives Contract.

11.10 Reporting to Clients with Discretionary Accounts

11.10.1 If a Participant manages or operates a Discretionary Account for, or on behalf of, a Client, that Participant must prepare and forward written reports and information to that Client, quarterly or at intervals agreed with that Client, but in any event, not less than every 6 months ("**Client Reporting Period**") setting out:

~~11.10.2~~(a) a portfolio valuation of all Derivatives Contracts held for that Client;

~~(a)~~(b) a schedule of purchases and sales relating to the Client Reporting Period showing details of the total costs incurred, separated if requested;

~~(b)~~(c) a schedule of all cash related transactions of income, foreign exchange and settlements with cash or bank accounts; and

~~(c)~~(d) an end of year summary of income, including resident withholding tax, withholding tax and management fees,

unless the information outlined in paragraphs (a) to (d) of this Rule 11.10.1 has already been provided to that Client by that Participant prior to the Client Reporting Period for that Discretionary Account.

11.11 Timing of Discretionary Accounts reports

11.11.1 A report required under Rule 11.10 must be forwarded to the relevant Client no later than 10 Business Days after the end of each Client Reporting Period for the relevant Discretionary Account, unless that Participant and the relevant Client agree otherwise in writing. A dated copy of any such agreement waiving a Client's right to such a report must be held by the Participant in the Discretionary Account registered for that Client.

11.12 Internal policies required for Discretionary Accounts

11.12.1 A Participant that manages or operates a Discretionary Account for, or on behalf of, a Client must ensure that it has adequate internal controls to manage its Discretionary Accounts in accordance with Rules 11.5 to 11.11 (inclusive) and must establish internal processes for independent peer review of:

~~11.12.2~~(a) the Derivatives Contracts entered into and completed on behalf of its Discretionary Accounts;

~~(a)~~(b) the overall performance of its Discretionary Accounts; and

~~(b)~~(c) the management of its Discretionary Accounts by that Participant.

11.13 Request for a "Hold Mail" Account

11.13.1 All instructions received from a Client of a Participant in relation to a "hold mail" account (e.g. as a result of overseas travel) must be in writing and approved by the Compliance Manager for that Participant.

11.14 Hold Mail Account register

11.14.1 A Participant that operates a "hold mail" account for a Client must maintain a "hold mail" register which includes, as a minimum:

~~11.14.2~~(a) name and address of that Client;

~~(a)~~(b) date the "hold mail" account for that Client was established;

~~(b)~~(c) a copy of the written authorisation granting authority to the Participant to hold that Client's mail;

~~(c)~~(d) outline of why the "hold mail" account has been established;

~~(d)~~(e) period for which the "hold mail" account for that Client applies;

~~(e)~~(f) copies of all contract notes issued for that Client or the ability to retrieve all contract notes for that Client if held electronically; and

~~(f)~~(g) any other relevant information.

11.15 Contract notes and reports

11.15.1 For all "hold mail" accounts maintained or operated by a Participant for a Client, a copy of each contract note and each report required to be provided to that Client pursuant to Rule 11.10.1 in each case issued for that Client in the period for which the "hold mail" account for that Client applies must be provided to:

~~11.15.2~~(a) the Advisor for that Client's "hold mail" account, where relevant; and

~~(a)~~(b) the Compliance Manager of the Participant that contracts with that Client.

Section 12: Placing F&O Orders and Facilitating Trades Off-Exchange

12.1 Relationship with other sections

12.1.1 This Section 12 should be read in conjunction with the obligations set out in Section 4.

12.1.2 This Section 12 does not apply to Contracts. All Contracts must be Traded on Market, reported as a Cross Transaction or Traded via a Block Trade Facility, Exchange for Physicals Facility or Exchange for Swaps Facility or otherwise in accordance with the Rules and the Procedures.

12.2 General obligations for trading Derivatives Contracts on a F&O Exchange or Off-Exchange

12.2.1 A Participant must ensure the conduct of an orderly market on a F&O Exchange or Off Exchange. In particular, but without limitation, a Participant must:

~~12.2.2~~(a) keep and maintain records of the time and date of receipt of each instruction to place a F&O Order on a F&O Exchange or facilitate a trade Off-Exchange received from a Client, each F&O Order placed with a F&O Executing Participant of a F&O Exchange as a result of those instructions and each facilitation of trading Derivatives Contracts Off-Exchange as a result of those instructions as part of the account records required by these Rules;

~~(a)~~(b) disclose to NZX all areas of business activities of that Participant as they relate to trading in Derivatives Contracts;

~~(b)~~(c) be solely responsible to a Client for the accuracy of F&O Orders placed for that Client with F&O Executing Participants of a F&O Exchange or facilitation of trading a Derivatives Contract Off-Exchange; and

~~(c)~~(d) answer, and provide evidence (written evidence if requested) in support of, any request by NZX in respect of that Participant's compliance with these Rules and any requirement issued by NZX whether by means of a Guidance Note or otherwise as they relate to trading Derivatives Contracts. If requested, a Participant must provide NZX with independent verification (by a Person approved by NZX) of that Participant's compliance with these Rules and/or any directions issued by NZX from time to time whether by way of a Guidance Note or otherwise, and/or that the Participant has not engaged in Unprofessional Conduct.

12.2.312.2.2 **F&O Exchange:** All Participants trading Derivatives Contracts on a F&O Exchange are bound by, and must observe, the provisions of the rules and regulations of that F&O Exchange, and every Derivatives Contract made or purported to be made on that F&O Exchange, or related to any such Derivatives Contract, shall be deemed to have been made subject to those rules and regulations, including applicable contract specifications for such Derivatives Contracts, and all Participants concerned or affected shall be bound accordingly.

12.2.412.2.3 **Off-Exchange**: All Participants trading Derivatives Contracts Off-Exchange are bound by and must observe the terms and conditions that govern that Derivatives Contract. Every Derivatives Contract made or purporting to be made Off-Exchange, or related to any such Derivatives Contract, shall be deemed to have been made subject to those terms and conditions and all Persons concerned or affected shall be bound accordingly.

12.3 Placing F&O Orders on a F&O Exchange

12.3.1 A Participant who places F&O Orders with a F&O Executing Participant for, or on behalf of, a Client in response to instructions received from that Client must:

12.3.2(a) comply with the rules and regulations of that F&O Exchange;

(a)(b) if the rules and regulations of that F&O Exchange require the calling of Initial Margin and/or Variation Margin, that Participant shall call those margins from the Client in accordance with those requirements, regardless of whether the Participant is itself a member of that F&O Exchange and shall not be obliged to comply with Rules 12.8.2 to and including Rule 12.15.

12.4 Facilitating Trading of Derivatives Contracts Off-Exchange

12.4.1 A Participant that facilitates a trade of a Derivatives Contract Off-Exchange for a Client in response to instructions received from that Client must:

12.4.2(a) comply with the terms and conditions governing that Derivatives Contract; and

(a)(b) if the terms and conditions governing that Derivatives Contract require the calling of Initial Margin and/or Variation Margin, that Participant shall call such margins from that Client in accordance with those terms and conditions.

12.5 Client priority – F&O Orders and Instructions

12.5.1 In addition to any rule or regulation of a F&O Exchange upon which a Derivatives Contract is traded or any term or condition governing a Derivatives Contract traded Off-Exchange:

12.5.2(a) a Participant shall not offer or allocate to a Client any contract related to a Derivatives Contract already obtained on a F&O Exchange or

Off-Exchange, other than pursuant to instructions previously received from that Client;

~~(a)~~(b) instructions received from Clients by a Participant, and instructions for a Participant's own account, must be:

~~(b)~~(i) placed with a F&O Executing Participant pursuant to a F&O Trading Agreement between that Participant and that F&O Executing Participant; or

~~(i)~~(ii) facilitated and traded Off-Exchange,

in the sequence in which they are received and recorded, unless it would be fair and equitable to place or initiate (as the case may be) those F&O Orders or instructions on a different basis. Where a different basis is used, a Participant must clearly define that basis and apply it to all instructions and F&O Orders without giving any preference to any F&O Orders or instructions for its own account; and

~~(ii)~~(c) if a Participant has:

~~(c)~~(i) a material interest, whether direct or indirect, in any proposed transaction for a Client or in the fact of its being effected (other than the interest arising solely from the Participant's participation as a Trading Participant or Advising Participant); or

~~(i)~~(ii) a relationship with another Person which may place that Participant in a position where its duty to, or its interest in relation to, that other Person conflicts with its duty to a Client,

it shall not do anything which is, or is likely to be, unfairly prejudicial to that Client.

12.6 F&O Exchange and Off-Exchange Allocation Policy

12.6.1 A Participant who transfers Derivatives Contracts traded on a F&O Exchange or Off-Exchange into a pool account prior to the allocation of those Derivatives Contracts must include in its Client Agreements details of the policy it adopts in allocating Derivatives Contracts to Client instructions received ("**F&O Exchange and Off-Exchange Allocation Policy**").

12.7 Disclosure to Clients

12.7.1 A Participant must, if requested by its Client, give that Client a written statement of all the individual prices/yields associated with F&O Orders placed with a F&O Exchange or trades of Derivatives Contracts facilitated Off-Exchange in response to that Client's instructions which have been averaged under that Participant's F&O Exchange and Off-Exchange Allocation Policy.

12.8 Initial Margin liability of Clients

12.8.1 A Participant must, where the Client does not have a direct relationship with a Trading Participant or a F&O Executing Participant, call an Initial Margin from that Client upon placing a F&O Order with that Trading Participant or

F&O Executing Participant or upon facilitating a trade of Derivatives Contracts Off-Exchange as a consequence of instructions received from that Client.

12.8.2 The call referred to in Rule 12.8.1 must be made in sufficient time to ensure that the Participant is placed in funds before the Participant is obliged to pay the corresponding amount to the Clearing Participant or directly to CHO, any other clearing house, or as required pursuant to a F&O Post Trade Agreement.

12.8.3 The liability of a Client to pay Initial Margin arises:

~~12.8.4~~(a) in respect of Derivatives Contracts traded on a F&O Exchange, when a F&O Order is executed on a F&O Exchange as a consequence of instructions received from that Client, irrespective of the time the call is made by the F&O Executing Participant or otherwise pursuant to the applicable F&O Post Trade Agreement; or

~~(a)~~(b) in respect of Derivatives Contracts traded Off-Exchange, arises upon a Participant receiving instructions from the Client in respect of those Derivatives Contracts, irrespective of when the call is made by the Participant under Rule 12.8.1.

12.9 Voluntary additional calls

12.9.1 A Participant is also entitled, at any time, to call from its Client an amount sufficient to cover amounts (including Variation Margin) that the Participant has been required to pay to a Clearing Participant, CHO or any other clearing house of an F&O Exchange or otherwise pursuant to close out, settlement or daily settlement of Derivatives Contracts under the applicable rules of that clearing house.

12.9.2 A Participant may, at any time, call further margin from a Client at any time when it considers that to be appropriate to manage the risk to which it is exposed.

12.10 Compulsory additional calls

12.10.1 Subject to Rule 12.12, if at any time, the net amount of the amounts payable but unpaid by the Client to the Participant under Rule 12.9 exceeds 25% of the Initial Margin called under Rule 12.8, the Participant must call that amount.

12.11 Compulsory calls regarding Options

12.11.1 Subject to Rule 12.12, where a Client has instructed a Participant to acquire an Option, that Participant must call the value of an Option's premium from that Client if the Client has not paid or lodged the premium or cover for that premium with that Participant and:

~~12.11.2~~(a) that Client exercises or abandons the Option; or

~~(a)~~(b) the Option is automatically exercised by the clearing house of the relevant F&O Exchange; or

~~(b)~~(c) the Option expires worthless on the expiration date of that Option,

~~(c)~~(d) provided that in the case of an acquired Option, whether put or call, the aggregate Initial Margin and Variation Margin liability for such Option must not exceed the current value of the premium for that Option.

12.12 Circumstances when call need not be made

12.12.1 A Participant is not required to make a call under Rule 12.8.1 if it provides credit to the Client for the amount it would otherwise be required to call, in accordance with Rule 12.12.2.

12.12.2 A Participant may only provide credit to the Client for an amount that it is otherwise required to call, where:

~~12.12.3~~(a) the Participant makes the decision to provide credit to a Client pursuant to prudent management policies and procedures which satisfy any criteria which may be specified by NZX from time to time; and

~~(a)~~(b) the Client has provided security for the amount to any of the Participant, its Relevant Clearing Participant, CHO or other clearing participant or clearing house (including for an F&O Exchange), and that security is acceptable to the Participant.

~~12.12.4~~12.12.3 A Participant is not required to make a call under Rule 12.10 or Rule 12.11 where:

~~12.12.5~~(a) the amount of the call is at any time less than $1,000; or

~~(a)~~(b) a call which relates to an Option, the Participant provides credit to the Client in accordance with Rule 12.12.2.

~~12.12.6~~12.12.4 A Participant is not required to make a call under Rule 12.8, Rule 12.10 or Rule 12.11, where the Client has already paid to the Participant the amount the Participant would otherwise be entitled to call.

12.13 Call requirements

12.13.1 When making a call, a Participant must stipulate the time by which payment

of the amount called must be made. Payment of a margin or lodgement of cover must be made within the time stipulated, time being of the essence. The time for such payment must be no more than 24 hours after the call for that amount is made. Where a Client is resident outside of New Zealand, payment of an amount that has been called must be made no more than 48 hours after the call has been made. Where a Participant provides credit or cover for a Client beyond these periods, the Trade to which the called amount relates will be regarded as the principal position of the Participant for the purposes of Prescribed Minimum Capital Adequacy.

12.14 Closing positions of a Client

12.14.1 Where a Client is in default by failing to pay a call or to comply with its cash settlement obligations in respect of a Derivatives Contract (other than a Contract), a Participant has the right to close out all or any Derivatives Contracts Traded Off-Exchange held by that Participant on account of that Client, without further notice to that Client. The time within which that right is exercised, and the extent to which it is exercised, shall be at the discretion of the Participant. The Participant shall not be liable to that Client for any failure or delay in exercising that right.

12.15 Adjustment on closing a Derivatives Contract of a Client

12.15.1 Any adjustment by way of profit or loss arising from the closing out of an existing Derivatives Contract of a Client in accordance with Rule 12.14, together with all interest and charges incurred, shall be settled between the Participant and that Client.

12.16 Retention of margins

12.16.1 Cover for a margin liability of a Client received by a Participant shall be retained by that Participant until such time as that liability is extinguished. If that liability is not extinguished, the cover may be realised by that Participant and the proceeds applied against that liability.

12.17 Participant to deposit shortfall of a margin

12.17.1 Any Participant making a call for margin pursuant to this Section 12 must comply with Rule 9.19.

12.18 Maintenance of records – F&O Orders and Off-Exchange trades

12.18.1 **Call records**: A Participant must maintain for a period of not less than 2 years internal records showing such particulars of all margin calls made by or on behalf of it pursuant to this Section 12 and of the Advisor responsible for that call or Client, as the case may be, as NZX may prescribe from time to time.

12.18.2 **Dealing records**: An Advising Participant or Trading Participant must:

~~12.18.3~~(a) maintain for a period of not less than 2 years internal records showing such particulars in respect of:

~~(a)~~(i) instructions received from Clients in respect of F&O Orders or Off-Exchange trades, which must be uniquely numbered and recorded whether or not executed;

~~(i)~~(ii) F&O Orders placed with a F&O Executing Participant on behalf of Clients;

~~(ii)~~(iii) F&O Orders placed with a F&O Executing Participant on its own account;

~~(iii)~~(iv) Derivatives Contracts facilitated Off-Exchange for Clients; and

~~(iv)~~(v) Derivatives Contracts facilitated Off-Exchange on its own account;

~~(v)~~(b) provide each Client on a daily basis with written confirmation of each transaction executed on a F&O Exchange or Off-Exchange for that Client;

~~(b)~~(c) provide each Client with a written monthly current account statement, showing that Client's total obligations under Derivatives Contracts no later than five Business Days after the end of each calendar month; and

~~(c)~~(d) where it has been authorised in writing by a Client to operate a Discretionary Account on behalf of that Client, maintain full and complete records of each exercise of that discretionary authority, showing details of the Derivatives Contracts and the date and time each F&O Order is placed with a F&O Executing Participant and is transacted on the relevant F&O Exchange or is facilitated Off-Exchange and provide that Client with the report required by Rule 11.10.

~~12.18.4~~12.18.3 **F&O Order and instructions records**: A Participant must, in addition to any voice-recording of Client instructions pursuant to Rule 4.23, maintain an appropriate audit trail for all Client instructions relating to Dealing in Derivatives Contracts pursuant to this Section 12 received, including:

~~12.18.5~~(a) written confirmation of F&O Orders and instructions for trades of Derivatives Contracts to be facilitated Off-Exchange;

~~(a)~~(b) copies of electronic instructions (such as e-mail); and

~~(b)~~(c) the electronic F&O Order record on the Participant's in-house order system,

in each case including the information in Rule 12.18.5.

~~12.18.6~~12.18.4 All Client instructions taken by telephone must be read back to the Client giving such instructions as a confirmation procedure, unless voice-recording technology is used.

12.18.7 12.18.5 The Client instruction details to be recorded in conjunction with the system recording Client information pursuant to Rule 4.23 and Section 6 must include details of:

12.18.8 (a) the identity of the Advisor receiving the instructions from that Client;

(a) (b) the date and time that instruction is received (via a date/time stamp which stamp may be manually applied);

(b) (c) the name of the Client to which that instruction relates;

(c) (d) the name of the natural Person providing instructions if different from the account holder;

(d) (e) a description of the Derivatives Contract the subject of that instruction and the number and volume of Derivatives Contracts to be bought or sold;

(e) (f) whether it is a buy or sell instruction;

(f) (g) the price/yield limit or price/yield related instructions;

(g) (h) whether the instruction received includes instructions to acquire or sell a Derivatives Contract at market, at a fixed price limit or whether it is Best Execution;

(h) (i) the time limit on the instruction (if any);

(i) (j) delivery month;

(j) (k) agreed derivatives price;

(k) (l) any directions for settlement if known at the time of receiving instruction. If the directions for settlement are not known at the time of receiving instructions from a Client, the directions for settlement must be recorded as soon as practical after the directions for settlement become known; and

(l) (m) any other relevant instructions.

Section 13: Accounts, Records, Audits and Reporting

Procedures Reference

13.1 General requirements for books of accounts and records

Procedures 13.1 to 13.7 (inclusive)

13.1.1 A Participant (other than an Advisor who is Employed by an Advising Participant) must keep books of account and records containing complete and accurate records and explanations of the affairs and transactions of its business and its financial position. The books, records and explanations must be:

~~13.1.2~~(a) kept separate and distinct from the books and other records of any other business in which that Participant may be involved;

~~(a)~~(b) in the form which will enable NZX to ascertain compliance with these Rules and must contain the information required by Rule 13.3.1 and such other information as NZX may from time to time determine;

~~(b)~~(c) sufficient to enable the Participant to be subject to audit and for an auditor to supply the certificate of audit and report as required by Rule 13.6 or Rule 14.8.1(i); and

~~(c)~~(d) retained for a period of seven years following the financial year to which they relate.

13.2 Reporting requirements

13.2.1 **Annual reporting**: Each Participant (other than an Advisor who is Employed by an Advising Participant) shall provide to NZX when they are complete and in any event no later than 90 days of the end of its financial year (other than the requirement in 13.2.1(d)):

Procedure 13.5

~~13.2.2~~(a) copies of its financial statements prepared in accordance with the requirements of Rule 13.4 and as specified by the Procedures;

~~(a)~~(b) such certificates signed by the Responsible Executive, as the case may be, of the Participant relating to the conduct of the Participant's business during the accounting period for which the financial statements provided under Rule 13.2.1(a) relate, as NZX may require;

~~(b)~~(c) a copy of the audit report in respect of the financial statements referred to in Rule 13.2.1(a) which is given by a Person required, and having the content specified, by Rule 13.6 (unless that Participant does not accept Client Assets, in which case this requirement shall not apply);

~~(c)~~(d) for the purposes of the Client Funds Regulations, if the obligation contained in the Client Fund Regulations to obtain an audit report on Client records applies to the Participant, copies of the audit report on its Client records required under the Client Funds Regulations (or in respect of an Overseas Participant, the audit report on its Client records required by its home jurisdiction's client funds requirements)

immediately following finalisation of those audited client records; and

~~(d)~~(e) any other information as specified by the Procedures or as requested by NZX from time to time. Procedure 13.1

~~13.2.3~~13.2.2 **Monthly reporting requirements**: Within 10 Business Days of the end of each calendar month:

~~13.2.4~~(a) each Participant Requiring Capital must deliver to NZX in the manner and in the form prescribed by the Procedures, the information specified by the Procedures; Procedure 13.2 and Appendix Five to the Procedures

~~(a)~~(b) each Participant who is required for the purposes of the Client Funds Regulations to report on its Participant's obligations under Derivatives Contracts with respect to Client Funds held as at the last day of the preceding month, must supply a copy of such report to NZX.

~~13.2.5~~13.2.3 **Daily reporting:** A Participant Requiring Capital who is required under Rule 4.27.3 to provide NZX with a report of its Capital Adequacy Calculations on a more regular basis must deliver to NZX a copy of those Capital Adequacy Calculations in the format and including the information and supporting documents specified by NZX (including certificates) and for the Business Days as specified by NZX in such Notice given under that Rule.

~~13.2.6~~13.2.4 **Daily reporting - Open Positions:** Each Trading Participant must report to NZX about its Open Positions in the manner and at the times specified by the Procedures. Procedure 13.3

~~13.2.7~~13.2.5 **Market surveillance reporting:** NZX may institute from time to time requirements for reporting of certain Trades and Cross Transactions by certain Trading Participants in the manner and at the times specified by the Procedures. Procedure 13.4

~~13.2.8~~13.2.6 **Certifications:** Each Participant required to report under this Rule must ensure that the information contained in each return or report is extracted accurately from the relevant records of the Participant. NZX may require a Responsible Executive of the Participant to certify as to the accuracy and completeness of each return or report.

~~13.2.9~~13.2.7 **Certification by delegate**: Where an Authorised Signatory of a Responsible Executive signs a certificate on behalf of that Responsible Executive for the purposes of Rule 13.2.6, the Participant must deliver to NZX a copy of that certificate countersigned by the Responsible Executive as soon as reasonably practicable after the certificate was first provided.

13.3 Records to be maintained

Procedure 13.5

13.3.1 A Participant must maintain accounting records in respect of its business activities and in respect of assets, liabilities and transactions in its control or for which it is accountable in accordance with the requirements of this Section 13 and of the Procedures.

13.4 Financial Statements

13.4.1 **Content**: Financial statements delivered to NZX must be prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Legislation and any other legislative or regulatory requirement applicable to the Participant (or to the extent permitted by Rule 13.4.2 equivalent standards under the laws of that Participant's home jurisdiction).

13.4.2 **Overseas Participants:** In respect of an Overseas Participant or where a Participant conducts all or part of its business outside of New Zealand, NZX may at its discretion accept financial statements prepared in accordance with the law and financial reporting standards of that Participant's home jurisdiction where NZX is satisfied that the laws and financial reporting standards of that jurisdiction are substantially equivalent to Generally Accepted Accounting Practice. NZX may seek, at the expense of the Participant concerned, an opinion from a suitably qualified professional to establish the equivalency of financial reporting standards in differing jurisdictions.

13.5 Accounting systems

13.5.1 A Participant (other than an Advisor who is Employed by an Advising Participant) must:

~~13.5.2~~(a) maintain clear and up-to-date documentation of all accounting systems and internal controls, including a record of all material changes made to those systems and controls and the dates on which those changes were implemented;

~~(a)~~(b) provide such explanations of the accounting systems and internal controls to NZX as may be requested; and

~~(b)~~(c) notify NZX promptly of any changes to the accounting systems and internal controls which might affect NZX's assessment of the adequacy of such accounting systems and internal controls.

13.6 Audit certificate and report

Procedures 13.6 and 13.7

13.6.1 **Auditor**: A Participant (other than an Advisor who is Employed by an Advising Participant) must maintain the appointment of an auditor in accordance with the requirements prescribed by the Procedures.

Procedure 13.7

13.6.2 **Audit report**: Any audit report must comply with the requirements specified by the Procedures. Each Participant required to deliver an audit report with its financial statements under Rule 13.2.1 must immediately notify NZX upon becoming aware that such audit opinion contained in that report will be or is

qualified.

13.7 Maintenance of records and internal systems

13.7.1 A Participant (other than an Advisor who is Employed by an Advising Participant) must satisfy NZX that:

~~13.7.2~~(a) its accounts and the accounts of its Group Companies are being maintained in a satisfactory and systematic manner and are kept up to date; and

~~(a)~~(b) it has in place reasonable internal systems and checks, both in respect of the activities of its Advisors and also in respect of its Directors, Personnel and shareholders.

13.8 Additional requirements for records, reports and internal controls

13.8.1 A Participant must, in relation to its business as a Participant:

~~13.8.2~~(a) when managing a Client's portfolio under absolute authority in a Discretionary Account in accordance with Section 11, have such Client's authority in writing and produce it on receipt of a request from NZX;

~~(a)~~(b) establish and maintain proper and prudent procedures for confirming the identity of new Clients and the authority for any Orders under the Rules and any F&O Orders and/or facilitations of a trade Off-Exchange in accordance with Section 12;

~~(b)~~(c) supply a Client, quarterly or at such other interval as is agreed with that Client, with a detailed schedule of the portfolio, sales, purchases and market value of any Derivatives Contracts (including those belonging to the Client but dealt with in other names);

~~(c)~~(d) satisfy NZX that the documents supplied to Clients under Rule 13.8.1(c) have been prepared in sufficient detail;

~~(d)~~(e) establish and maintain systems of internal control for that Participant. It is the responsibility of that Participant to ensure that this Rule 13.8.1(e) is complied with at all times and that its internal controls comply with Rule 13.8.1(g);

~~(e)~~(f) ensure that, in determining the scope and nature of effective internal control and the extent of the reporting and records it requires, its Management considers (among other things):

~~(f)~~(i) the size of that Participant's business;

~~(i)~~(ii) the manner in which that Participant's business is structured, organised and managed;

~~(ii)~~(iii) the diversity of that Participant's operations;

~~(iii)~~(iv) the volume, size and complexity of transactions and

commitments undertaken by that Participant;

~~(iv)~~(v) the degree of risk associated with each area of that Participant's operations;

~~(v)~~(vi) the amount of control by Management over day-to-day operations; and

~~(vi)~~(vii) the degree of centralisation and the methods of data processing adopted by that Participant; and

~~(vii)~~(g) its internal controls are designed to ensure that:

~~(g)~~(i) all transactions and commitments entered into are recorded and are within the scope of authority of the Person entering into such transactions or commitments;

~~(i)~~(ii) there are procedures to safeguard assets and control liabilities;

~~(ii)~~(iii) there are measures, so far as is reasonably practicable, to minimise the risk of losses to that Participant's business from irregularities, fraud or error and identify such matters if they occur so that prompt remedial action may be taken by that Participant's Management;

~~(iii)~~(iv) procedures for the maintenance, security, privacy and preservation of the records are maintained so that that Participant is reasonably safeguarded against loss, unauthorised access, alteration or destruction; and

~~(iv)~~(v) for a Participant which is a partnership or a sole trader, a complete statement of assets and liabilities of each partner or the sole trader if required by NZX, can be provided.

~~13.8.3~~13.8.2 All records must be:

~~13.8.4~~(a) maintained in sufficient detail and with sufficient cross-references to establish an adequate audit trail. The audit trail must include all records, working papers and schedules supporting the production of annual financial statements and all financial reporting statements;

~~(a)~~(b) arranged, filed and indexed in such a manner as to permit ready access to any particular record. Where that Participant maintains its records in any manner other than on paper in an easily legible form, then it shall also provide facilities for the prompt access to these records and for the prompt production of copies of these records on paper in such easily legible form;

~~(b)~~(c) adequate to demonstrate compliance with these Rules;

~~(c)~~(d) written and in English, or in a manner that will enable them to be readily accessible to NZX and readily converted into writing in English at the cost of the Participant. NZX may direct a Participant to convert

records into writing and/or translate records into English as required by Rule 15.2.12. Any such direction must be complied with by the time specified by NZX when giving the direction;

~~(d)~~(e) made as soon as reasonably practicable after the events to which they relate; and

~~(e)~~(f) kept at a location which the Participant has notified to NZX. If such records are kept outside of New Zealand:

~~(f)~~(i) the Participant must send, or cause to be sent to New Zealand, such records which will enable true and fair financial statements to be prepared; and

~~(i)~~(ii) the Participant must satisfy NZX that NZX will be able to promptly and effectively exercise its powers conferred by these Rules in relation to those records; and

~~(ii)~~(iii) NZX may direct, at the Participant's cost, a Participant to produce any of its records it is required to maintain by these Rules in New Zealand at the time and place NZX may specify in such direction.

13.9 Penalties for late filing of returns or records

13.9.1 A Participant that fails to supply, by the specified date, any returns or records required by NZX under these Rules or the Procedures is liable for a late filing fee as specified by the Procedures.

Procedure 14.13

Section 14: NZX Powers, Default and Resignation

Procedures Reference

14.1 Powers are additional

14.1.1 The powers of NZX under these Rules are in addition to the powers of NZX under its constitution and at law.

14.2 Waivers and rulings

Procedure 14.1

14.2.1 NZX has sole discretion to waive all or any part of these Rules or the Procedures and NZX may make rulings as to the interpretation of these Rules or the Procedures. NZX may make rulings and grant waivers from these Rules or the Procedures, on such terms and conditions as NZX, in its complete discretion, thinks fit. NZX may by Procedure specify the procedures and practices it will adopt in relation to consideration of applications for rulings or waivers.

14.2.2 Any waiver or ruling granted by NZX will be valid and have effect in accordance with its terms and for the period specified in the decision for it. Any waiver or ruling is granted by NZX on the basis that the information provided is complete, true and up-to-date in all material respects. Any waiver or ruling granted by NZX will be void from the outset if NZX has made the decision in relation to the application on the basis of information which NZX determines is incorrect, incomplete or misleading in any material respect. Waivers and rulings granted by NZX subject to conditions are only valid if those conditions are satisfied or complied with. A waiver or ruling will be void from the outset if any such conditions are not satisfied or complied with in full.

14.2.3 Any waiver or ruling granted by NZX may be revoked at any time by NZX by Notice to the Participant concerned. Any such revocation shall have effect from the date stated in the Notice (which may be before the date of the Notice if NZX considers that the waiver or ruling was granted on the basis of information which was incomplete, incorrect or misleading in any material respect or if conditions specified in the waiver or ruling have not been satisfied or complied with in full).

14.3 Market Maker Programme

14.3.1 NZX may choose, in its absolute discretion, to approve the implementation of market maker programmes (each a "**Market Maker Programme**"), pursuant to which Market Makers will be authorised to maintain two sided markets in Contracts designated by NZX. To the extent that any terms of such a Market Maker Programme may conflict with these Rules or Procedures, the Participant that is the Market Maker shall be granted an automatic waiver from the relevant Rule or Procedures.

14.4 Complaints and investigations

14.4.1 NZX may receive and consider complaints from any Person about NZX, NZX's operation of the Market, a Participant, or its Directors or other Personnel. On receipt of a complaint NZX may, at its absolute discretion and without giving any reason:

~~14.4.2~~(a) reject summarily any complaint which appears to be insubstantial, immaterial, vexatious and/or frivolous; or

~~(a)~~(b) investigate the complaint in accordance with Rule 14.8.1; or

~~(b)~~(c) refer the complaint to any other Person that has jurisdiction in relation to the subject matter of the complaint or whom NZX believes is better qualified to deal with the matter including under a Reciprocal Agreement.

~~14.4.3~~14.4.2 NZX will maintain a record of complaints detailing each complaint received by it, any investigation or other action taken and the outcome of the complaint.

~~14.4.4~~14.4.3 NZX may, either as a result of receiving a complaint in accordance with Rule 14.7 or on its own initiative, investigate a complaint and make such enquiries as it thinks fit. As a result of its investigations, NZX may exercise such powers as are conferred on it under these Rules as it thinks fit.

~~14.4.5~~14.4.4 Where NZX has received and considered a complaint concerning NZX and/or its operation of the Market, a Participant or its Directors or other Personnel and has been unable to resolve that complaint to the satisfaction of the complainant, it must notify the complainant of that fact and also that the complainant may raise the matter with the FMA.

14.5 Referral to the NZ Markets Disciplinary Tribunal

14.5.1 NZX may, in its sole discretion and after making such enquiries (if any) as it thinks fit, refer a matter involving a Participant to the NZ Markets Disciplinary Tribunal if, in the opinion of NZX, that Participant may have:

~~14.5.2~~(a) breached any of these Rules, Procedures, Guidance Notes and/or directions issued from time to time by NZX;

~~(a)~~(b) failed to observe Good Broking Practice;

~~(b)~~(c) been guilty of any act, matter or thing detrimental, or reasonably likely to be detrimental, to the wellbeing or proper conduct of NZX, the Market or another NZX Market. For the avoidance of doubt, this does not prevent a Participant from taking any proper action to inform NZX or the appropriate Regulatory Authority or Alternative Regulator of suspected or actual breaches of law or of these Rules;

~~(c)~~(d) either:

~~(d)~~(i) been in partnership with a Person; or

~~(i)~~(ii) engaged a Person as an Employee (including as Advisor); and/ or

~~(ii)~~(iii) been in association or contractual relationship with a Person,

who has been guilty of conduct under Rule 14.5.1(a) or (b) which, if committed by that Participant, would justify the NZ Markets Disciplinary Tribunal imposing on that Participant any of the penalties available to it under the NZ Markets Disciplinary Tribunal Rules; or

~~(iii)~~(e) engaged a Person as an Employee, or been or is, in an association or contractual relationship with a Person who has been guilty of conduct which, if committed by that Participant, would justify the NZ Markets Disciplinary Tribunal imposing on that Participant any of the penalties available to it under the NZ Markets Disciplinary Tribunal Rules.

~~14.5.3~~14.5.2 Each Participant and, if applicable, its Responsible Executive agrees to be bound by the NZ Markets Disciplinary Tribunal Rules, and shall comply with any decision of the NZ Markets Disciplinary Tribunal, including paying any penalty, fine or other costs imposed on the Participant or Responsible Executive by the NZ Markets Disciplinary Tribunal.

~~14.5.4~~14.5.3 NZX will refer any such proceedings to the NZ Markets Disciplinary Tribunal which will hear the matter in accordance with the NZ Markets Disciplinary Tribunal Rules.

14.6 Participant's obligation to report and facilitate enquiries

14.6.1 If a Participant becomes aware that another Participant has failed to meet any of its obligations under these Rules, the first-mentioned Participant must promptly notify in writing of the circumstances of that failure by that other Participant. Failure to notify NZX of such circumstances is itself a breach of these Rules.

14.6.2 Where any enquiries as to the credit, competence, performance or position of a Participant are being made by NZX, every other Participant must, on request, facilitate such inquiries and make all necessary inquiries into dealings with that Participant which is being investigated.

14.7 NZX to investigate

14.7.1 On receipt of notification that a Participant has failed to meet its obligations under these Rules, NZX must:

~~14.7.2~~(a) promptly investigate the matter; and

~~(a)~~(b) upon completing its investigation, advise the result of such investigation.

14.8 NZX powers to inspect and investigate

Procedures
14.6 to 14.10

14.8.1 NZX may (either on its own initiative or in accordance with a request made to it by the NZ Markets Disciplinary Tribunal or any Person with whom NZX has a Reciprocal Arrangement) for the purposes of ascertaining whether a Participant is complying or has complied with any conditions of designation, these Rules, the Procedures, any Guidance Notes and/or directions issued from time to time by NZX or with Good Broking Practice or the rules of any NZX Market or Person with whom NZX has a Reciprocal Arrangement, or ascertaining whether to exercise any rights or powers under these Rules:

~~14.8.2~~(a) require any Participant to produce for inspection any information, documents or records or systems (including networks or equipment) (whether in physical or electronic form) in that Participant's possession or control, (including information concerning a Participant's assets (including private assets or assets of another business) if, in NZX's opinion, such information is necessary to demonstrate that Participant's overall solvency or compliance with any conditions of designation, these Rules, Procedures, any Guidance Notes and/or directions issued from time to time by NZX or with Good Broking Practice);

~~(a)~~(b) require any Participant to procure any Director of the Participant, or any Personnel, agent or other Person within the control of the Participant, to produce for inspection any information, documents or records (whether in physical or electronic form) in that Person's possession or control;

~~(b)~~(c) require any Participant to reproduce, or assist in reproducing in usable form, any document or record produced, or required to be produced to NZX;

~~(c)~~(d) inspect and make records or copies of any document or record produced to NZX;

~~(d)~~(e) require the Participant to, or require the Participant to procure (subject to law) any Director, Personnel, agent or other Person within the control of the Participant to, answer questions, provide explanations and/or give evidence as may be required by NZX, and, if required by NZX, in the form of a statutory declaration in accordance with the Oaths and Declarations Act 1957;

~~(e)~~(f) require the Participant to procure any Director, Personnel, agent or other Person within the control of the Participant to appear before NZX at a specified date, time and place to answer questions, provide explanations and/or give evidence

as may be required by NZX, and if required by NZX under an oath or affirmation in accordance with the Oaths and Declarations Act 1957;

~~(f)~~(g) require the Participant to provide a written explanation of any circumstances in relation to its business that are relevant or material to its business as a Participant;

~~(g)~~(h) send any representative of NZX to any Participant's offices for the purpose of exercising any powers and discretions of NZX;

~~(h)~~(i) require the Participant to supply, within the time specified by NZX, an audit certificate from the Participant's auditor or an assurance certificate and report from such other practising chartered accountant specified by NZX. The audit certificate, or assurance certificate, as the context requires, must have the content prescribed by the Procedures; and/or

Procedures 13.6 and 13.7

~~(i)~~(j) appoint, at the cost of the Participant, a suitably qualified Person to review any information available to NZX and report to NZX in relation to the Participant's compliance with these Rules and Procedures any direction given by NZX and its obligations thereunder and/or to ascertain the future ability of the Participant to meet its obligations under these Rules (including any conditions of designation), Procedures and/or direction given by NZX or otherwise advise NZX in relation to the exercise or prospective exercise of any rights or powers under these Rules, the Procedures and/or other direction given by NZX.

~~14.8.3~~14.8.2 Documents, records or information to be provided to NZX pursuant to Rule 14.8.1 must be provided in such format, electronic or otherwise, and by the time specified by NZX. Failure by a Participant to comply with this Rule may render that Participant liable for immediate suspension of its designation as a Participant by NZX.

~~14.8.4~~14.8.3 A Participant must supply to NZX on a continuing basis such information as may be requested by NZX for the purpose of the exercise of its powers under this Section 14.

~~14.8.5~~14.8.4 NZX will appoint one or more Persons to exercise the supervision powers of NZX. Such Persons may be Personnel of NZX.

~~14.8.6~~14.8.5 NZX shall not be considered by a Participant as an auditor nor should the functions of NZX be considered an audit.

14.9 Disclosure of Information from inspection or investigation

14.9.1 Information obtained pursuant to Rule 14.8.1 may be disclosed:

~~14.9.2~~(a) as required by NZX, to the NZ Markets Disciplinary Tribunal or any Person with whom NZX has a Reciprocal Arrangement or to enable NZX, to perform its functions and to exercise its

powers under these Rules;

~~(a)~~(b) as required by law;

~~(b)~~(c) to a solicitor, accountant or other professional adviser of NZX, the NZ Markets Disciplinary Tribunal or any Person with whom NZX has a Reciprocal Arrangement; and

~~(c)~~(d) to any Person that has jurisdiction in relation to the Participant (including an Alternative Regulator) or the subject matter or the investigation.

~~14.9.3~~14.9.2 NZX must take all reasonable measures to protect any information obtained by NZX pursuant to Rule 14.8.1 from any unauthorised use or disclosure.

~~14.9.4~~14.9.3 Upon receipt of a request from NZX pursuant to Rule 14.8.1, a Participant may make submissions in writing to NZX that information obtained by NZX not be disclosed to specified Person(s). NZX will reasonably consider such submissions but is not obliged to accept such request if NZX considers that access to that information by the specified Persons is appropriate for NZX, to fulfil their respective functions, including, but not limited to, fulfilling any obligations it has under a Reciprocal Arrangement or at law.

14.10 Participant's liability for NZX costs

14.10.1 A Participant is liable for the full costs for any and all work carried out by or on behalf of NZX in ensuring compliance with these Rules. The liability under this Rule 14.10.1 does not in any case prevent the bringing of disciplinary charges. Failure to pay any amount under this Rule 14.10.1 within 10 Business Days of demand for such amount shall render the relevant Participant's designation as a Participant liable for suspension.

14.11 Fees and charges

Procedures 14.11 to 14.13

14.11.1 NZX may impose on any or all Participants such fees, levies and other charges in relation to participation in the Market and the provision of services by NZX as it sees fit, including any fees, levies, other charges imposed as a condition of participation as a Participant. NZX may differentiate between categories of Participants as regards the amount of such fees, levies and other charges at its complete discretion. All fees, levies and other charges will be payable in the manner and at the times specified by the Procedures.

14.11.2 If a Participant that is an Advisor fails to comply with its obligations pursuant to this Rule 14.11, the Participant that Employs that Advisor must pay to NZX the amount of those unpaid fees, levies and other charges, including any interest payable under Rule 14.12.

14.11.3 NZX will publish, from time to time, in the Procedures or by Website Notice the fees, levies and other charges payable under Rule 4.4.1(l)

Procedures 14.11 to 14.13

and Rule 14.11.

14.11.4 NZX is not bound to refund or waive the whole or any part of any fees, levies or charges paid, or to be paid, by a Participant which has ceased to be a Participant for any reason or whose designation as a specified class of Participant has been suspended or revoked. All fees, levies and charges payable to NZX by a Participant, unless waived by NZX by Notice to that Participant, which are due and not paid shall remain due and payable by that Participant notwithstanding such cessation, revocation or suspension.

14.12 Currency conversions and overdue interest

14.12.1 **Currency calculations**: For the purposes of any currency conversion calculations under these Rules, NZX will convert amounts denominated in one currency to any other currency in the manner prescribed by the Procedures.

Procedure 14.14

14.12.2 **Overdue interest:** Any amount to be paid by a Participant and not paid by its due date for payment will be treated as an unpaid amount and will bear interest at the rate prescribed by NZX by the Procedures. Interest will accrue and compound on a daily basis and must be paid as a separate debt to NZX.

Procedure 14.15

14.13 General powers

14.13.1 **NZX action**: NZX may take such action as, in the opinion of NZX, may be necessary or desirable for the operation of a sound, orderly, stable and secure Market and to ensure compliance with these Rules.

14.13.2 At the request of a Participant, NZX may take any action on behalf of, including in the name of, a Participant, provided that any such action taken by NZX:

~~14.13.3~~(a) must not be inconsistent with the Rules, including the purpose and objects underlying the Rules; and

~~(a)~~(b) is subject to the limitation of liability of NZX under Rule 15.1.

~~14.13.4~~14.13.3 **No breach**: Notwithstanding any other provision of these Rules to the contrary, NZX is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or directive.

~~14.13.5~~14.13.4 **Supervision functions**: NZX shall carry out its supervision functions and powers in a manner which NZX, in its discretion, considers appropriate to promote an orderly Market and/or which enables NZX to fulfil its functions and obligations as a licenced market operator under the FMC Act. NZX accepts no liability to any party seeking to rely on this supervision function.

~~14.13.6~~14.13.5 **Decisions binding**: All decisions made or purporting to be made under these Rules by NZX, any of its Employees, or any NZX

Designated Person, shall be final and binding on all relevant Persons including all Persons claiming or deriving any rights in respect of any Derivatives Contract or in respect of any contract related to any such Derivatives Contract.

14.14 Delegation of powers

14.14.1 NZX has power to delegate to any Person, sub-committee of NZX or other committee or body (including any NZX Designated Person), whether incorporated or unincorporated, and whether or not it includes or comprises Persons who are not Participants, any of the powers, rights and discretions of NZX, including the power of delegation on such terms and conditions as NZX may from time to time specify.

14.15 Defaulting Participants

14.15.1 NZX may declare a Participant to be a Defaulter, if:

~~14.15.2~~(a) having made such enquiries (if any) as NZX thinks fit, NZX considers circumstances exist which justify that Participant being considered a Defaulter:

~~(a)~~(i) in order to protect the financial interests of other Participants or of the investing public; or

~~(i)~~(ii) for such other reasons as NZX considers to be relevant in the interests of the well-being, proper conduct, operation or integrity of any NZX Market or the Clearing House;

~~(ii)~~(b) it fails to comply with any of the requirements of Rule 3.9.1, Rule 3.15, Rule 7.1 or of Prescribed Minimum Capital Adequacy;

~~(b)~~(c) it or its Responsible Executive or Compliance Manager:

~~(c)~~(i) fails to comply with any other obligation under a Derivatives Contract, the Rules (other than Rules referred to in paragraph (b)) or the Procedures;

~~(i)~~(ii) fails to comply with any condition, request or direction imposed or issued from time to time by or on behalf of NZX from time to time (including for the avoidance of doubt, under Rule 8.11 or Rule 14.8); or

~~(ii)~~(iii) breaches the term of any agreement between that Participant and NZX in any material respect or breaches an undertaking in favour of NZX,

and which, if the breach or failure to comply is capable of remedy, is not remedied within 3 Business Days (or such later time as NZX may in its sole discretion allow) of the earlier of (A) NZX giving Notice to that Participant and (B) that Participant becoming aware of the breach or failure to comply;

~~(iii)~~(d) NZX considers that it has frequently committed Errors that require it to be declared a Defaulter;

~~(d)~~(e) an Insolvency occurs in respect of that Participant;

~~(e)~~(f) that Participant, is suspended, expelled or terminated (howsoever described) as a member or participant of, or subject to any sanction imposed by, the operator of any NZX Market, any other derivatives, securities, commodity or stock exchange or market or clearing and settlement facility including the Clearing House or Depository or is subject to any sanction imposed by any New Zealand or overseas Regulatory Authority (including NZX, CHO and CDO) or ceases to be entitled to carry on business;

~~(f)~~(g) any action is taken or threatened by notice in writing against that Participant (including any notice, fine, censure, written warning, default proceeding, disciplinary procedure, suspension or expulsion or any withdrawal, revocation or failure to renew of any permission, licence or authorisation) by any governmental authority, Regulatory Authority, Alternative Regulator, operator of an NZX Market or other market operator or clearing house or depository facility (including any such action taken by CHO or CDO);

~~(g)~~(h) any licence, authorisation, consent or registration at any time necessary to enable that Participant to comply with its obligations under the Rules or to any other Participant or to carry on its business in the normal course is revoked, withheld or materially modified or is not granted or perfected or ceases to remain in full force and effect;

~~(h)~~(i) it fails to satisfy NZX at any time that it meets any minimum financial resources or other financial requirement for admission or continued designation as a Participant from time to time stipulated by NZX, or fails to comply with any condition of designation or continued designation as a Participant;

~~(i)~~(j) it is declared to be a defaulter or equivalent under the rules of any other NZX Market, F&O Exchange, Regulatory Authority, Alternative Regulator, clearing house or body which provides settlement services (including CHO or CDO) or is declared in breach of the rules as to the financial requirements of membership of or participation in, or being refused membership of or participation in, an exchange or clearing house or body which provides settlement services;

~~(j)~~(k) it is in breach of any applicable law relevant to its business as a Participant which has, or would be likely to have, a Material Adverse Effect;

~~(k)~~(l) NZX withdraws or revokes approval for its Responsible Executive pursuant to Rule 3.9.4;

~~(l)~~(m) it or its Responsible Executive is found to be in breach of, or guilty of, an offence under applicable provisions of the Securities Legislation or a crime involving dishonesty (as defined in Section 2 of the Crimes Act 1961);

~~(m)~~(n) a change of Control of that Participant occurs which has, or would be likely to have, a Material Adverse Effect;

~~(n)~~(o) any authorisation at any time necessary in connection with these Rules, expires or is revoked, cancelled, withdrawn or modified in a manner unacceptable to NZX or otherwise ceases to be maintained in full force and effect and is not replaced by a consent acceptable to NZX;

~~(o)~~(p) it becomes or will become unlawful for that Participant to comply with its obligations to NZX;

~~(p)~~(q) NZX is informed by CHO, CDO or a market operator, clearing and settlement facility or depository facility that that Participant or its Relevant Clearing Participant is not, or may not be, complying with its obligations under the rules and procedures of, or any terms of agreement with, CHO, CDO, an operator of an NZX Market or any other Market operator, clearing and settlement facility or other depository facility and such event or circumstance would have a Material Adverse Effect;

~~(q)~~(r) it is a Clearing Participant and a Credit Event (within the meaning of the C&S Rules) occurs for the purposes of the C&S Rules in respect of that Participant in its capacity as a Clearing Participant;

~~(r)~~(s) NZX is informed by any F&O Exchange, Alternative Regulator or other Regulatory Authority (including CHO and CDO), that that Participant or a Related Person of that Participant or a Person Controlled by a Related Person of that Participant is not, or may not be, complying with any law, directive or regulatory requirement and such event or circumstance has or may have a Material Adverse Effect;

~~(s)~~(t) any statement, representation or warranty made or deemed to be made by that Participant or its Responsible Executive under or pursuant to the Rules or the Procedures or in any other agreement, declaration, undertaking or document delivered by or on behalf of that Participant under or in connection with the Rules and the Procedures (including in respect of an application to be a Participant) is, or proved to have been, incorrect or misleading in a material respect when made or deemed to be made; or

~~(t)~~(u) it fails to pay any fees, levies or other charges set by NZX which are due and payable as a condition of designation or continued designation as a Participant.

~~14.15.3~~14.15.2 An event or circumstance referred to above shall, without limitation, be deemed to have occurred in relation to a Participant being an unincorporated association or partnership if it occurs in relation to a Person comprised in such unincorporated association or partnership.

14.16 Powers on default

14.16.1 If NZX considers that any event or circumstance referred to in Rule 14.15.1 has occurred in respect of a Participant, NZX may take any of the following actions in respect of that Participant, in the name of (if appropriate) and at the expense of, that Participant without the need for giving any prior Notice to the Participant or any other Person:

~~14.16.2~~(a) suspend or terminate that Participant's designation as a Participant under the Rules;

~~(a)~~(b) impose any restrictions on the Participant's rights or privileges as a Participant (including restricting or preventing the Participant's access to the Trading System);

~~(b)~~(c) prohibit the Participant from Dealing in any Contracts, Class of Contracts and/or other Derivatives Contracts as applicable;

~~(c)~~(d) if NZX declares the Participant to be a Defaulter, direct that Participant to give notice to its Clients that it has been declared a Defaulter;

~~(d)~~(e) obtain any advice or assistance in connection with any action required to address the default at the expense of that Participant; and/or

~~(e)~~(f) without any prejudice to any other rights which NZX may have under the Rules, statute, law or equity, take any other action or direct the Participant to take any other action or refrain from taking any action, in order to eliminate or minimise risk with respect to Trades, Contracts or Derivatives Contracts entered into or facilitated by the Participant or Client Funds or which NZX considers appropriate for the protection of NZX, CHO, CDO, the Market or other Participants and that Participant's Clients.

14.17 Suspension

14.17.1 If:

~~14.17.2~~(a) a Participant has been declared a Defaulter under Rule 14.15;

~~(a)~~(b) a Participant has allegedly breached any of the Rules or Procedures and such breach, if proved, could have a Material Adverse Effect and which is either not capable of remedy or has not been remedied within 3 Business Days of the earlier of (A) NZX giving Notice to the Participant and (B) the Participant becoming aware of the failure to comply; or

~~(b)~~(c) events or circumstances exist that, with the giving of notice or the lapse of time or both, would be grounds for NZX to declare a Participant a Defaulter under Rule 14.15.1 and those events or circumstances are continuing unremedied or unwaived,

~~(c)~~(d) either NZX or the NZ Markets Disciplinary Tribunal may suspend that Participant's designation as a Participant for such period as Notified to that Participant or until NZX or the NZ Markets Disciplinary Tribunal (as the case may be) determines that the suspension shall be lifted, extended or participation is terminated, provided always that the Participant shall have the right to appeal that decision in accordance with Rule 14.22.

~~14.17.3~~14.17.2 When suspending a Participant's designation, NZX or the NZ Markets Disciplinary Tribunal may, for the period of suspension, in addition to exercising any of its powers under Rule 14.16, prohibit that Participant from holding itself out as a Participant or otherwise operating as a Participant, except to honour pre-existing contractual obligations.

~~14.17.4~~14.17.3 Suspension of designation as a Participant shall not excuse a Participant from meeting any obligations it owes under these Rules, including the obligation to pay all fees, levies or other charges as and when they fall due or any obligations owed to third parties. The Rules shall continue to apply to a Participant notwithstanding any such suspension.

~~14.17.5~~14.17.4 NZX or the NZ Markets Disciplinary Tribunal may notify any Person that a Participant has been suspended.

14.18 Application to lift suspension

14.18.1 Any Participant that has had its designation as a Participant suspended may apply in writing to NZX for that suspension to be lifted. NZX will reasonably consider such a written request but it is not obliged to lift the suspension of that Participant.

14.19 Termination of Participant Status by NZX or the NZ Markets Disciplinary Tribunal

14.19.1 A Participant may have its designation as a Participant terminated by NZX or the NZ Markets Disciplinary Tribunal with immediate effect or by specifying a future date if:

~~14.19.2~~(a) the Participant has been declared a Defaulter and in NZX's opinion it is necessary for the protection of the Market and/or the investing public that the participation of the Participant be terminated; or

~~(a)~~(b) the Participant ceases to carry on the business of Dealing in Derivatives Contracts for a period of six months; or

~~(b)~~(c) the Participant is suspended under Rule 14.17.1(b) and NZX, in its sole discretion, determines that that Participant has not or is unlikely to remedy to the satisfaction of NZX the matters giving rise to the suspension.

~~14.19.3~~14.19.2 A Participant's participation in the Market may otherwise be terminated by the NZ Markets Disciplinary Tribunal in accordance with the NZ Markets Disciplinary Tribunal Rules.

14.20 Resignation

14.20.1 If a Participant wishes to cease to be a Participant it must:

~~14.20.2~~(a) give not less than 20 Business Days' written Notice to NZX of the date on which the Participant proposes to cease to be a Participant;

~~(a)~~(b) satisfy NZX that it has taken, or will have taken before the proposed date of resignation, proper steps for the orderly winding down of its business as a Participant; and

~~(b)~~(c) comply with any reasonable direction of NZX in relation to the orderly winding down of its business as a Participant.

~~14.20.3~~14.20.2 A Notice given by a Participant under Rule 14.20.1 is not effective until the Notice is accepted by NZX. NZX may accept a Participant's resignation when the Participant has complied with Rule 14.20.1 and satisfied all its obligations to NZX including paid all outstanding fees owing by the Participant under the Rules.

14.21 General provisions relating to resignation, suspension and termination of designation as a Participant

14.21.1 A former Participant who has resigned or has had its designation or accreditation as a Participant suspended or terminated (or in the case of a former Responsible Executive, who has resigned or had their approval as a Responsible Executive revoked or withdrawn) shall remain subject to the Rules and to the jurisdiction of NZX and the NZ Markets Disciplinary Tribunal in respect of acts and omissions while it was a Participant, or as the case may be, a Responsible Executive and in respect of any investigation or disciplinary proceedings relating thereto (including the payment of any fine or application of any other sanction imposed) as if it were a Participant or a Responsible Executive (as applicable), for the longer of:

~~14.21.2~~(a) the period of seven years from the date on which its status was resigned, suspended or terminated, revoked or withdrawn; and

~~(a)~~(b) if NZX has instituted proceedings or taken any action against the former Participant, or former Responsible Executive during the seven year period, then in relation to the obligations and liabilities that were the subject of such proceedings, the date on which all of NZX's remedies against the former Participant or former Responsible Executive have been exhausted.

~~14.21.3~~14.21.2 NZX may publish the suspension or termination of a Participant or the withdrawal or revocation of approval of a Responsible Executive in any manner NZX deems appropriate.

~~14.21.4~~14.21.3 A former Participant will not be entitled to the repayment of any fees, dues, assessments, fines or charges paid by such Participant to NZX, nor will a former Participant be discharged from its obligation to pay any fees, dues, assessments, fines or charges in respect of the period preceding the effective date of termination.

~~14.21.5~~14.21.4 Subject to any legal or regulatory requirement to retain such information, a resigning or terminated Participant must return to NZX all software, information, equipment and documentation provided by NZX.

~~14.21.6~~14.21.5 A resigning, suspended or terminated Participant must perform and complete all Trades and/or Derivatives Contracts entered into prior to the effective date of resignation, suspension or termination of the Participant's designation unless NZX, in its sole discretion, decides otherwise.

~~14.21.7~~14.21.6 A resigning, suspended or terminated Participant must act in good faith and take such actions as may be necessary, convenient or desirable to assist NZX in all matters arising out of such resignation, suspension or termination including (if required by NZX) agreeing with NZX and following a programme for closing out Open Positions or transferring its clients to other Participant and meeting its obligations to pay all fees, levies or other charges as and when they fall due or any obligations owed to third parties.

~~14.21.8~~14.21.7 On the effective date of resignation, suspension or termination of a Participant's designation, the Participant's access to the Clearing House System shall cease.

14.22 Conditions for re-designation as a Participant

14.22.1 A former Participant that has its designation as a Participant terminated may subsequently apply in writing to NZX requesting that decision be reversed. NZX will reasonably consider such a written request but is not required to reverse that decision. If that decision is not reversed, the Participant may apply in writing for NZX to refer the matter to the NZ Markets Disciplinary Tribunal and NZX shall then do so.

14.22.2 Where a Participant that has had its designation as a Participant terminated applies to NZX for re-designation of its Participant status and NZX declines such application, NZX shall refer such a decision to the NZ Markets Disciplinary Tribunal.

Section 15: Miscellaneous

15.1 Liability of NZX

15.1.1 **Exclusion of liability of NZX**: Subject to Rule 15.1.2, and without limiting Rule 15.1.3 and Rule 14.13.4, NZX is not liable to any Participant, any Participant's Clients or any other Person for any direct, indirect or consequential loss, damage or expense (including legal costs) arising in any way out of:

~~15.1.2~~(a) the supply (or failure to supply or any delay in supplying) of trading services in respect of the Market or any other NZX Market, including generation of trading information and production of documentation relating to a Participant or its Clients ("Trading Services");

~~(a)~~(b) the supply of any other services relating to the Market, any other NZX Market, any Underlying Market, the Trading System, Derivatives Contract or Commodity ("Other Services");

~~(b)~~(c) any negligent conduct or omission of NZX including any systems malfunctions, systems failure, error in programming or error in input data in relation to any computer used or otherwise in connection with the supply of Trading Services or Other Services by NZX or any errors or delays caused by NZX in calculating or disseminating any prices (including any Daily Settlement Price, Provisional Daily Settlement Price or Final Daily Settlement Price);

~~(c)~~(d) any implied warranties in relation to the supply of Trading Services or Other Services; or

~~(d)~~(e) the exercise by NZX of a decision making power under the Rules or by CHO or CDO of a decision making power under the C&S Rules and the Depository Rules respectively.

~~15.1.3~~15.1.2 **Certain liability not excluded**: NZX excludes under this Rule 15.1, conditions and warranties implied by statute or general law except any implied condition or warranty the exclusion or limitation of which would contravene any statute or cause any part of this Rule 15.1 to be void ("**Non-Excludable Condition**"). The liability of NZX under any Non-Excludable Condition may be limited in the discretion of NZX respectively to:

~~15.1.4~~(a) in the case of services, the supply of the relevant services again or the payment of the costs of having the relevant services supplied again; or

~~(a)~~(b) in the case of goods, the repair or replacement of those goods or the payment of the costs of having the goods repaired or replaced.

~~15.1.5~~15.1.3 NZX shall not be liable to a Participant, a Participant's Clients or any other Person in contract, tort or otherwise for any loss, liability, damage, cost or expense arising in any way (including by negligence) for any action taken, or not taken, in exercising or any purported exercise, in good faith, of any of its powers, authorities, discretions or obligations, under or pursuant to these Rules and the Procedures.

~~15.1.6~~15.1.4 **Extended definition of NZX**: For the purpose of this Rule 15.1 and Rule 14.13.4, a reference to "**NZX**" shall be deemed to include its Subsidiaries and any Director, Personnel or agent of NZX or of its Subsidiaries, and any other Person acting on behalf of NZX (including CHO, CDO and NZCDC). The provisions of this Rule 15.1 and Rule 14.13.4 are for the benefit if each of the foregoing Persons and are intended to be enforceable by each such Person.

15.2 General Provisions

15.2.1 **Transfer by a Participant:** A Participant may not transfer, assign or otherwise dispose of any of its rights and entitlements or obligations arising under these Rules.

15.2.2 **Transfer by NZX**: Subject to receipt of all regulatory approvals, NZX may transfer or assign its rights, entitlements and obligations under these Rules, the Procedures, the NZ Markets Disciplinary Tribunal Rules and related procedures to any Person. Each Participant is deemed to have consented to any transfer in accordance with this Rule of NZX's rights, entitlements and obligations under these Rules, the Procedures, the NZ Markets Disciplinary Tribunal Rules and related Procedures.

15.2.3 **Waiver**: No indulgence or concession granted by NZX, and no omission or delay in exercising any rights or powers or privileges of NZX under these Rules, will operate as a waiver thereof, nor will any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

15.2.4 **Voice recording**: NZX may record telephone conversations without the use of warning tones. The records will be sole property of NZX and may be adduced as evidence in any court, regulatory, disciplinary or other proceedings of the matters discussed.

15.2.5 **Conclusive evidence**: Any written advice, statement or report by NZX which relates to Trading or a Participant will, in the absence of manifest error, be final and conclusive unless disputed by the Participant within five Business Days of its deemed receipt by that Participant. Except as otherwise agreed by NZX, the failure of a Participant to inform NZX of any error or omission in any written advice, statement or report promptly within five Business Days of its deemed receipt by that Participant will constitute a waiver in favour of NZX by such Participant of any right to require rectification of that written advice, statement or report.

15.2.6 **Invalidity**: The invalidity, illegality and unenforceability in whole or in part of any of the provisions of the Rules in respect of any Participant will not affect

the validity, legality and enforceability of the Rules in respect of any other Participant or the validity, legality and enforceability of the remaining part or provisions of the Rules.

15.2.7 **No set-off**: Subject to these Rules, all payments to be made by a Participant to NZX for its own account (including any fees levies and charges imposed by NZX) under or in respect of these Rules, or the Procedures shall be made without (and free and clear of any deduction for) set-off or counterclaim.

15.2.8 **Validity of action:** Any action or inaction by NZX under the Rules or any Procedure may not be challenged on the ground that a Rule, Procedure, direction, decision, resolution or requirement of NZX or any agreement made by NZX is ultra vires or otherwise invalid.

15.2.9 **Governing law:** These Rules, and all Contracts made pursuant to these Rules, will be governed by, and construed in accordance with, the laws of New Zealand.

15.2.10 **Jurisdiction:** In respect of these Rules and the Procedures, each Participant irrevocably submits to the exclusive jurisdiction of the courts of New Zealand. Each Participant irrevocably waives:

~~15.2.11~~(a) any objection arising at any time to the undertaking of proceedings in New Zealand;

~~(a)~~(b) any claim that such proceedings have been brought in an inconvenient forum; and

~~(b)~~(c) the right to object to such proceedings that the courts of New Zealand do not have jurisdiction over it.

~~15.2.12~~15.2.11 **Interim injunctions**: Only NZX and the NZ Markets Disciplinary Tribunal shall be entitled to apply to a court in a jurisdiction other than New Zealand for provisional or interim relief measures, whether or not such relief is sought before the initiation of any proceedings in New Zealand.

~~15.2.13~~15.2.12 **Language:** Every document required to be provided to NZX under or in connection with these Rules and the Procedures must be in English or, if not in English, and if so required by NZX, accompanied by a certified English translation and, in such case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

~~15.2.14~~15.2.13 **Notices or time:** A decision, resolution, proceeding or act of NZX under these Rules is not invalidated by defect, irregularity or deficiency of notice or time unless:

~~15.2.15~~(a) a Participant concerned by the defect, irregularity or deficiency requests, within five Business Days of the date that the Participant or knew or should reasonably have known of the defect, irregularity or deficiency, that NZX resolve that the decision, resolution, proceeding or act is invalid;

~~(a)~~(b) NZX believes that the defect, irregularity or deficiency has caused or may cause substantial injustice which cannot reasonably be avoided; and

~~(b)~~(c) NZX accordingly resolves that the decision, resolution, proceeding or act is invalid.

~~15.2.16~~15.2.14 Service of process:

~~15.2.17~~(a) Without prejudice to any other mode of service allowed under any relevant law, a Participant who is not incorporated, domiciled or resident in New Zealand, shall, if so required by NZX, promptly (and in any event within five Business Days of Notice of such requirement), irrevocably appoint an agent for service of process in relation to any proceedings before the New Zealand courts in connection with these Rules. Such Participant agrees that failure by an agent for service of process to notify that Participant of the process will not invalidate the proceedings concerned. If such Participant fails to appoint an agent under this Rule, NZX may appoint another agent for this purpose.

~~(a)~~(b) If any Person appointed as agent for service of process is unable for any reason to act as agent for service of process, that Participant shall promptly (and in any event within 10 Business Days of such event taking place) appoint another agent on terms acceptable to NZX. Failing this, NZX may appoint an agent for this purpose.

~~15.2.18~~15.2.15 **Intellectual Property**: Subject to payment of fees, levies and charges in accordance with these Rules, NZX grants (and is authorised to grant) to each Participant a non-exclusive, non-transferable licence to use and communicate with the Trading System only to the extent, and in the manner, required or permitted by these Rules and the Procedures.

~~15.2.19~~15.2.16 **Reservation of Intellectual Property rights**: NZX reserves (and is authorised to reserve) all Intellectual Property rights that NZX has or may have in relation to the Trading System and the information passing into or out of, or held within, the Trading System (including any right NZX may have to the confidentiality of that information). No Participant may have or obtain any ownership, copyright or other Intellectual Property of NZX or in any aspect of the Trading System.

~~15.2.20~~15.2.17 Access to Trading System: No Participant may:

~~15.2.21~~(a) copy, alter, or modify or attempt to copy, alter or modify all or any part of the Trading System;

~~(a)~~(b) recreate, reverse engineer or in any other way derive, or attempt to recreate, reverse engineer or in any other way derive, the source code or object code for all or any part of the Trading System;

~~(b)~~(c) use or communicate with, or about, the Trading System or the Market otherwise than as required or permitted by these Rules; or

~~(c)~~(d) allow a Person that is not a Director, Personnel or agent of, or other Person acting on behalf of, the Participant and authorised by the Participant for that purpose to access the Trading System.

Section 16: Capital Adequacy

16.1 Capital Adequacy

16.1.1 **Minimum Capital Required:** Subject to Rule 16.1.2, a Participant Requir~~e~~ing Capital must at all times maintain its Net Tangible Current Assets at a level equal to, or greater than, its Prescribed Minimum Capital Adequacy, which shall be the higher of:

(a) the Minimum NTCA of the Participant Requiring Capital, as prescribed for its category of Participant Requiring Capital ~~Clearing Participant~~ by Rule ~~9.2~~16.2; and

(b) the Total Risk Requirement of the Participant Requiring Capital, as calculated in accordance with Rule ~~9.5~~16.5.

16.1.2 **Other Prudential Supervision Regime**: A Participant Requiring Capital may be exempted from the requirements of Rule 16.1.1, if NZX is satisfied that the Participant Requiring Capital is subject to, and is complying with, an equivalent level of prudential supervision by an Alternative Regulator, in accordance with the laws of the applicable jurisdiction.

16.1.3 A Participant Requiring Capital holding an exemption under Rule 16.1.2 must:

(a) comply with all obligations to, or requirements of, the Alternative Regulator;

(b) provide NZX with copies of any filings or communication with the Alternative Regulator at the same time this information is provided to the Alternative Regulator;

(c) provide NZX with copies of any reports from the Alternative Regulator relating to the compliance or non-compliance with the requirements of the Alternative Regulator's prudential supervision regime;

(d) ensure that a Reciprocal Arrangement is in place with the Alternative Regulator to provide information to NZX in respect of the Participant Requiring Capital at the request of NZX and without notification to the Participant Requiring Capital; and

(e) notify NZX if the Partic~~i~~pant Requir~~e~~ing Capital ceases to be subject to regulation by the Alternative Regulator as soon as reasonably practicable after becoming aware of the same.

16.1.4 An exemption under Rule 16.1.2 may be revoked at any time by NZX and will be deemed to be revoked immediately if:

(a) the Participant Requiring Capital ceases to be subject to regulation by the Alternative Regulator; or

(b) the Participant Requiring Capital's standing, authorisation or approval

conferred by the Alternative Regulator is suspended or terminated or otherwise materially adversely impaired.

16.2 Capital Adequacy Requirements

16.2.1 The Minimum Net Tangible Current Asset levels are:

(a) $500,000 for a Trading Participant ~~(including, if directed as a condition of accreditation as a Principal Book Only Dealer, that other than a Principal Book Only Dealer)~~;

(b) $500,000 for an Advising Firm; and

(c) $250,000 for an Introducing Broker.

16.3 Capital Adequacy Reporting

16.3.1 A Participant Requiring Capital must calculate:

(a) the Participant Requiring Capital's Net Tangible Current Assets;

(b) the Participant Requiring Capital's Total Risk Requirement; and

(c) the percentage that the Participant Requiring Capital's Net Tangible Current Assets and Total Risk Requirement amounts form of its Prescribed Minimum Capital Adequacy,

as at the end of each Business Day (together, the "**Capital Adequacy Calculations**") with such calculation to be completed and recorded by the end of the next Business Day.

16.3.2 A Participant Requiring Capital must provide to NZX a monthly report of its daily Capital Adequacy Calculations during that month at the time and in the manner prescribed by Procedure.

16.3.3 NZX may by Notice require a Participant Requiring Capital to provide to NZX a report of its daily Capital Adequacy Calculations on a more regular basis as and when NZX considers this necessary or desirable.

2 x typos

16.3.4 A Participant Requiring Capital must notify NZX as soon as reasonably practicable after becoming aware that, between two consecutive Business Days the Participant Requiring Capital's Net Tangible Current Assets as a percentage of its Prescribed Minimum Capital Adequacy:

(a) having been above any of the percentage thresholds specified below, changes so that it is below that threshold; or

(b) having been below any of the percentage thresholds specified below, changes so that it is above that threshold;

and such notice must include the figures calculated under Rules 16.3.1(a), 16.3.1(b) and 16.3.1(c) and such further information as NZX requires.

The percentage thresholds referred to above are: 100%, 120%, 150%,

200%, 300%, 500% and 1000%.

16.3.5 Following notification under Rule 16.3.4 in relation to a Participant Requiring Capital's Net Tangible Current Assets being less than 120% of its Prescribed Minimum Capital Adequacy, the Participant Requiring Capital must provide to NZX a daily report of its Capital Adequacy Calculations (as soon as such calculations are available), including such further information as NZX requires, until its Net Tangible Current Assets exceed 120% of its Prescribed Minimum Capital Adequacy.

16.4 NTCA Calculation

16.4.1 A Participant Requiring Capital's Net Tangible Current Assets are calculated as the sum of its tangible assets less the sum of its liabilities, as calculated in accordance with Generally Accepted Accounting Practice, this Rule 16.4 and Rule 16.13. In the event of any inconsistency between these Rules and Generally Accepted Accounting Practice, these Rules will prevail.

16.4.2 The following items must be excluded from the calculation of Net Tangible Current Assets:

(a) all Intangible Assets (but liabilities including Contingent Liabilities associated with Intangible Assets must be included in the calculation);

(b) guarantees, except guarantees approved by NZX where and to the extent to which the Participant Requiring Capital has a Net Underwriting Commitment for the purposes of the calculation of the Primary Market Risk Requirement;

(c) any Subordinated Debt approved by NZX in accordance with Rule 16.4.5

(d) Property, Plant and Equipment;

(e) any asset which, in the normal course of business is not capable of being realised within 12 months (having regard to any relevant Guidance Note or Procedure); and

(f) any item excluded under Rule 16.4.3.

16.4.3 NZX may, from time to time, notify a Participant Requiring Capital that it must exclude any item that otherwise would be included in its NTCA calculation on such conditions and for such period notified by NZX. Where NZX has made a determination under this Rule, it will advise the Participant Requiring Capital in writing, specifying the reasons for its determination.

16.4.4 The following items must be included in the calculation of Net Tangible Current Assets:

(a) all Contingent Liabilities; and

(b) assets and liabilities in respect of segregated client monies held on the Participant Requiring Capital's balance sheet.

16.4.5 A Participant Requiring Capital may only exclude a Subordinated Debt from calculation of its liabilities, for the purposes of these Rules, with the prior approval of NZX.

16.4.6 NZX will not approve the exclusion of Subordinated Debt from calculation of the Participant Requiring Capital's liabilities unless the Subordinated Debt is issued on terms that include that:

(a) the terms of issue of the Subordinated Debt are subject to these Rules;

(b) the terms of issue of the Subordinated Debt cannot be amended without the prior approval of NZX;

(c) any repayment of the Subordinated Debt is subject to the Participant Requiring Capital holding Net Tangible Current Assets above 120% of its Minimum NTCA after repayment;

(d) no repayments of the Subordinated Debt can be made without the prior approval of NZX;

(e) the obligation to pay any amount owing in respect of the Subordinated Debt, including interest or distributions, is suspended during any period in which the Participant Requiring Capital fails to comply with its obligations under Rule 16.1.1; or

(f) any other provision NZX considers necessary to protect the viability of the Participant Requiring Capital's business and ensure Subordinated Debt is validly and effectively subordinated to the general unsecured creditors of the Participant Requiring Capital.

16.4.7 NZX will not withhold approval to repayment of any Subordinated Debt if in the opinion of NZX, the Participant Requiring Capital's Net Tangible Current Assets will continue, immediately following repayment, to be greater than 120% of its Prescribed Minimum Capital Adequacy.

16.5 Total Risk Requirement Calculation

16.5.1 A Participant Requiring Capital's Total Risk Requirement is calculated as being the aggregate of its:

(a) Operational Risk Requirement;

(b) Counterparty Risk Requirement;

(c) Large Position Risk Requirement;

(d) Position Risk Requirement;

(e) Currency Risk Requirement;

(f) Primary Market Risk Requirement; and

(g) Market Risk Requirement (if any),

calculated in the manner determined by Rules 16.6 to Rule 16.13.

16.6 Operational Risk Requirement Calculation

16.6.1 A Participant Requiring Capital's Operational Risk Requirement is equal to 1% of the higher of:

(a) the Participant Requiring Capital's budgeted total revenue for the month in which the calculation is made; and

(b) the Participant Requiring Capital's average actual monthly total revenue of the three complete consecutive calendar months preceding the date on which the calculation is made.

16.7 Counterparty Risk Requirement

16.7.1 A Participant Requiring Capital may calculate the Positive Credit Exposure under Rule 16.7.3 and Rule 16.7.4 for an individual Counterparty on a net basis across all currencies only where and to the extent that netting is permissible on a "first in first out" basis under Generally Accepted Accounting Practice.

16.7.2 Liability of a Counterparty to a Participant Requiring Capital may be netted against:

(a) assets held by that Participant Requiring Capital pending settlement of that liability; and/or

(b) assets of that Counterparty under the control of that Participant Requiring Capital in respect of which that Participant Requiring Capital has a right or lien that may be exercised in order to satisfy that liability.

16.7.3 A Participant Requiring Capital's Counterparty Risk Requirement shall be calculated in respect of each of its Positive Credit Exposures for each Counterparty. In calculating Positive Credit Exposures, the Participant Requiring Capital shall, having regard to any relevant Guidance Note or Procedure:

(a) include all trade and intragroup debtors;

(b) include all transactions in Financial Instruments; and

(c) exclude all transactions with CHO and all Net Underwriting Commitments.

16.7.4 The Positive Credit Exposure for an individual Counterparty shall be calculated as the sum of:

(a) 4% of the value of all transactions with that Counterparty remaining unsettled, but that are not Overdue;

(b) 10% of the Initial Margin Capital Requirement for all clients in respect of margined transactions with that Counterparty;

(c) 50% of the value of all transactions with that Counterparty that are Overdue if the Counterparty is an AFSL holder, a financial market participant that is regulated in the United States of America, the United Kingdom, or other OECD country, a Bank or a Market Participant Requiring Capital, a Clearing Particpant or a Participant Requiring Capital (as defined in the applicable rules of the NZX Market in which they participate); and

(d) 100% of all other transactions with that Counterparty.

16.7.5 Where a right of set-off exists and a single Counterparty has outstanding balances in more than one category specified in Rule 16.7.4, the debit or credit balance is first applied to the Positive Credit Exposure with the greatest Counterparty Risk Requirement.

16.8 Large Position Risk Requirement

16.8.1 The Large Position Risk Requirement is calculated as being the aggregate of the:

(a) Large Position Counterparty Risk Requirement; and

(b) Large Position Issuer Risk Requirement,

but must exclude any Net Underwriting Commitment.

16.8.2 The Large Position Counterparty Risk Requirement applies when a Participant Requiring Capital's Positive Credit Exposure to an individual Counterparty exceeds 19% of that Participant Requiring Capital's total liabilities and will be the sum of:

(a) 2% of the value of transactions with that Counterparty that are not Overdue; and

(b) 10% of the value of transactions with that Counterparty that are Overdue.

16.8.3 The Large Position Issuer Risk Requirement applies when a Participant Requiring Capital has a principal position in a class of an individual Issuer's Securities that is more than 10% of all the securities in that class or that has a value that exceeds 19% of that Participant Requiring Capital's total liabilities and will be an additional 5% of the total of the value of the relevant Securities.

16.9 Position Risk Requirement Calculation

16.9.1 The Position Risk Requirement represents the aggregate of a Participant Requiring Capital's individual absolute net position risk amounts in particular Financial Instruments or transactions. The Position Risk Requirement for a Participant Requiring Capital's net position in a particular Financial Instrument or transaction is:

(a) For debt and equity Securities:

(i) 3% of the value of Securities issued by central government Issuers, senior ranking Unsubordinated Debt Securities issued by Bank Issuers and Investment Grade Securities issued by local government Issuers;

(ii) 6% of the value of fully paid ~~Listed~~Quoted Equity Securities within the NZX50 index or any Recognised Market Index and fully paid senior ranking Investment Grade Debt Securities;

(iii) 8% of the value of other fully paid New Zealand or Australian ~~Listed~~Quoted Securities (excluding Structured Finance Products), unrated Securities issued by local government Issuers and Subordinated Debt Securities issued by Bank Issuers (excluding Structured Finance Products);

(iv) 15% of the value of all other Securities (including Structured Finance Products) ~~Listed~~Quoted on a Recognised Market or issued by Bank Issuers;

(v) 50% of the value of all other Securities issued by New Zealand and Australian Issuers; and

(vi) 100% of the value of all other Securities.

(b) For derivative products:

(i) in respect of margined transactions that are bought Options, the amount of any unpaid premium;

(ii) in respect of margined transactions that are sold Options, the aggregate of twice the Initial Margin Capital Requirement and all unrealised losses (including any unpaid margins);

(iii) in respect of all other margined transactions, twice the Initial Margin Capital Requirement; and

(iv) in respect of non-margined transactions, an amount calculated on a basis from time to time approved by NZX.

16.9.2 In calculating the absolute net position in a particular Financial Instrument or transaction under Rule 16.9.1:

(a) the value of each debt or equity Security position under Rule 16.9.1(a) may be off-set by a derivative product over the same underlying debt or equity Security, to the extent that the exposure to that debt or equity Security is reduced by that derivative product;

(b) a derivative product over an underlying debt or equity Security need not be taken into account in the calculation under Rule 16.9.1(b) to the extent that the exposure to that debt or equity Security from the derivative product has been off-set as permitted under Rule 16.9.2(a);

and

(c) if Rule 16.9.2(a) does not apply, but a particular debt or equity Security position is off-set in full or part by a derivative product where there is a demonstrable correlation between the exposure to that debt or equity Security position and the derivative product, the value of the debt or equity Security position under Rule 16.9.1(a) may be reduced to the extent expressly permitted and approved in writing by NZX.

16.9.3 NZX may determine the Position Risk Requirement for a particular Financial Instrument or transaction or class of Financial Instrument or transaction or a particular Issuer or class of Issuer ~~by~~in the Procedures or in a Guidance Note.

16.10 Currency Risk Requirement

16.10.1 The Currency Risk Requirement is calculated as the sum of the following adjustment factors:

(a) 3% of the net of that Participant Requiring Capital's unhedged Financial Assets and Financial Liabilities denominated in AUD; and

(b) 6% of the net of the Participant Requiring Capital's unhedged Financial Assets and Financial Liabilities denominated in a currency other than the Base Currency or AUD.

16.11 Primary Market Risk Requirement

16.11.1 The Primary Market Risk Requirement is calculated in respect of all Net Underwriting Commitments and in relation to each Net Underwriting Commitment is the particular percentage applicable to the Securities the subject of the commitment under Rule 16.9.1(a).

16.12 Market Risk Requirement

16.12.1 From time to time NZX may by written Notice, require any Participant Requiring Capital or all Participants Requiring Capitals to include a Market Risk Requirement in its or their Total Risk Requirement. In determining whether a Market Risk Requirement is necessary and in determining the amount or method of calculating a Market Risk Requirement, NZX will have regard to:

(a) the risk profile of the Participant Requiring Capital;

(b) domestic and global market volatility; and

(c) any other factor that NZX considers to be relevant.

16.12.2 A Participant Requiring Capital will be required to calculate and include the Market Risk Requirement in its Total Risk Requirement in accordance with any Notice given by NZX from time to time.

16.13 Valuation and Foreign Currencies

16.13.1 In calculating its NTCA or Total Risk Requirement, a Participant Requiring Capital must mark to market each of its principal positions in Financial Instruments on each Business Day. Except where provided for in the Rules, all assets and liabilities are to be valued in accordance with Generally Accepted Accounting Practice.

16.13.2 An Option or right may be valued using an option pricing model approved by NZX from time to time. The model used must be specified in all relevant reporting to NZX.

16.13.3 In arriving at a mark to market value for an Option or rights position with no published market price, or that cannot otherwise be valued under Rule 16.13.2, the position must be valued as follows:

(a) for a purchased Option or right that is In the Money, the In the Money Amount multiplied by the quantity underlying the Option or right; and

(b) for a written Option, the sum of:

(i) the In the Money Amount multiplied by the quantity underlying the Option; and

(ii) the initial premium received for the Option.

16.13.4 In arriving at a mark to market value for a Swap or Forward Rate Agreement, the position must be valued as follows:

(a) having regard to the net present value of the future cash flows of the contracts; and

(b) using current interest rates relevant to the period in which the cash flows will arise.

16.13.5 In calculating its NTCA, a Participant Requiring Capital must apply such discount or haircut to any item that may be included in the calculation as notified to that Participant Requiring Capital by NZX on such conditions and for such periods notified by NZX.

16.13.6 Where NZX has made a determination under Rule 16.13.5, it will advise the Participant Requiring Capital in writing, specifying the reasons for its determination.

16.13.7 In calculating NTCA or any component of the Total Risk Requirement, in respect of a Business Day, a Participant Requiring Capital must convert any amounts in foreign currency other than the Base Currency to the Base Currency at the prevailing spot rate on or about the close of business on that Business Day from a readily available market source and the Participant Requiring Capital must specify the rate and source in all relevant reporting to NZX.

16.13.8 For the purpose of Rule 16.13.7 NZX may, from time to time, stipulate that a specific source cannot be used as a source for currency conversion or may stipulate the source that must be used by the Participant Requiring Capital.

~~Appendix 1:~~
~~Capital Adequacy~~

~~A Participant Requiring Capital must calculate its Net Tangible Current Assets and Total Risk Requirement in accordance with this Appendix.~~

1 ~~In this Appendix 1 and in the Rules, the following terms bear the following meanings:~~

1.1 ~~**Definitions**~~

~~**AFSL** means an Australian Financial Services Licence issued to financial planners and financial services industry corporations by the Australian Securities and Investment Commission;~~

~~**AUD** means the lawful currency of Australia from time to time;~~

~~**Base Currency** means NZ$;~~

~~**Call** or **Call Option** means an Option where the buyer has the right (but not the obligation) to acquire or notionally acquire a Commodity or Futures Contract;~~

~~**Clause** means a clause in this Appendix 1;~~

~~**Contingent Liabilities** has the meaning determined in accordance with Generally Accepted Accounting Practice;~~

~~**Counterparty** means, in respect of a transaction to which a Participant Requiring Capital is a party, another party to that transaction;~~

~~**Counterparty Risk Requirement** means the amount calculated under Clause 2.7;~~

~~**Currency Risk Requirement** means the amount calculated under Clause 2.10;~~

~~**Financial Asset** and **Financial Liability** have the meaning determined in accordance with Generally Accepted Accounting Practice;~~

~~**Financial Instrument** means:~~

~~(i) a Commodity, including a Security and an Emission Unit;~~

~~(ii) a Derivatives Contract; and~~

~~(iii)~~(i) ~~any other instrument prescribed as such by NZX from~~

time to time by Notice;

Forward Rate Agreement means an agreement in which two parties agree that:

(i) one party will make payments to the other party of an amount of interest for a specified period in respect of an agreed principal amount;

(ii) no commitment is made to lend or borrow the principal amount; and

(iii) the exposure is limited to the difference between the agreed and actual market interest rates at settlement;

Intangible Assets has the meaning determined in accordance with Generally Accepted Accounting Practice;

Investment Grade means a Security with a credit rating that is BBB- or higher by Standard & Poor's or Baa3 or higher by Moody's or BBB (low) or higher by DBRS;

In the Money means:

(i) in relation to Call Options, that the current market price of the underlying instrument is greater than the exercise price; and

(ii)(i) in relation to Put Options, that the current market price of the underlying instrument is less than the exercise price;

In the Money Amount means, in relation to an Option or right that is In the Money, the absolute value of the difference between the current market price of the underlying instrument and the exercise price;

Large Position Counterparty Risk Requirement means the amount calculated under Clause 2.8.2;

Large Position Issuer Risk Requirement means the amount calculated under Clause 2.8.3;

Large Position Risk Requirement means the amount calculated under Clause 2.8;

Listed means, in relation to Securities of an Issuer, those Securities of the Issuer that are approved for trading on the relevant Registered Exchange's Securities Market (and, for the avoidance of doubt, Securities do not cease to be Listed merely because trading in those Securities is suspended);

Market Risk Requirement means the amount calculated under Clause 2.12;

Net Underwriting Commitment means the aggregate of underwriting, sub-underwriting and firm allocation commitments of the Participant Requiring Capital in respect of a particular Security less any sub-underwriting commitment, or firm allocation commitment or legally binding applications from clients or other third parties in relation to that commitment;

OECD means the Organisation for Economic Co-operation and Development;

Operational Risk Requirement means the amount calculated under Clause 2.5;

Overdue means where an unconditional obligation of a Counterparty remains unpaid after the date on which the obligation was due for payment under the terms of the transaction, except that:

(i) for trades in Financial Instruments, the transaction shall be considered overdue if unsettled 10 Business Days after the date on which Settlement was due; and

(ii) for a written Option, the transaction shall be considered overdue if the Counterparty has not paid the premium on the due date; and

~~(iii)~~(i) for transactions where the Participant holds on trust as security for the amount outstanding, Securities with a current market value of at least 140% of the amount payable, shall not be considered overdue;

Position Risk Requirement means the amount calculated under Clause 2.9;

Positive Credit Exposure means an exposure to a Counterparty where, if the Counterparty were to default, the Participant Requiring Capital would suffer financial loss and includes a Counterparty's aggregate gross liabilities to deliver Securities and cash;

Primary Market Risk Requirement means the amount calculated under Clause 2.11;

Property, Plant and Equipment has the meaning determined in accordance with Generally Accepted Accounting Practice;

Put or **Put Option** means an Option where the buyer has the right (but not the obligation) to dispose of or notionally dispose of, a Commodity or Futures Contract;

Recognised Market means a market specified in the Procedures for this Appendix 1;

Procedures for Appendix 1

Recognised Market Index means an index specified in the Procedures for this Appendix 1;

Procedures for Appendix 1

Registered Exchange means a Person who is:

(ii) a licensed market operator within the meaning of section 6 of the FMC Act; or

(iii) an existing exchange within the meaning of clause 42, Part 3 of Schedule 4 to the FMC Act; or

(iv)(i) an entity with comparable status under the laws of any other jurisdiction as NZX may approve.

Securities Market means a market, exchange, or other facility for trading Securities;

Structured Finance Product means a Security that has been issued in respect of an asset pool or as part of any asset-backed or mortgage-backed Securities transaction and includes residential mortgage-backed Securities, collateralised or credit enhanced debt obligations (including synthetic and hybrid collateralised or credit enhanced debt obligations), collateralised loan or fund obligations, credit derivatives, perpetual debt obligations and any other Security or class of Security specified in the Procedures for this Appendix 1;

Procedures for Appendix 1

Subordinated Debt means, in respect of a Person, any indebtedness of that Person that, in terms of priority for payment and otherwise, would, on a winding up, dissolution or liquidation of that Person, rank behind claims in respect of general unsecured unsubordinated indebtedness of the Person and the terms "**Subordinated**" and "**Unsubordinated**" shall be interpreted accordingly; and

Swap means a transaction in which two parties agree to exchange streams of payments over time on a pre-determined basis.

2 Capital Adequacy Provisions

2.1 Valuation and Foreign Currencies

2.1.1 In calculating its NTCA or Total Risk Requirement, a Participant Requiring Capital must mark to market each of its principal positions in Financial Instruments on each Business Day. Except where provided for in this Appendix 1, all assets and liabilities are to be valued in accordance with Generally Accepted Accounting Practice.

2.1.2 An Option or right may be valued using an Option pricing model approved by NZX from time to time. The model used must be specified in all relevant reporting to NZX.

2.1.3 In arriving at a mark to market value for an Option or rights position with no published market price, or that cannot otherwise be valued under Clause 2.1.2, the position must be valued as follows:

for a purchased Option or right that is In the Money, the Money Amount multiplied by the quantity underlying the Option or right;

for a written Option, the sum of:

(a) the In the Money Amount multiplied by the quantity underlying the Option; and

(i) the initial premium received for the Option.

2.1.4 In arriving at a mark to market value for a Swap or Forward Rate Agreement, the position must be valued as follows:

(i) having regard to the net present value of the future cash f the contracts; and

(b) using current interest rates relevant to the period in he cash flows will arise.

2.1.5 In calculating its NTCA, a Participant Requiring Capital must apply such discount or haircut to any item that may be included in the calculation notified to that Participant Requiring Capital by NZX on such conditions and for such periods notified by NZX.

2.1.6 Where NZX has made a determination under Clause 2.1.5, it will advise the Participant Requiring Capital in writing, specifying the reasons for its determination.

2.1.7 In calculating NTCA or any component of the Total Risk Requirement in respect of a Business Day, a Participant Requiring Capital must convert any amounts in foreign currency other than the Base Currency to the Base Currency at the prevailing spot rate on or about 9.00am on that Business Day from a readily available market source and the Participant Requiring Capital must specify the rate and source in all reporting to NZX.

2.1.8 For the purposes of Clause 2.1.7, NZX may, from time to time, stipulate that a particular source may not be used as a source for currency conversion or may stipulate the source which must be used by a Participant Requiring Capital.

2.2 Items excluded from NTCA

2.2.1 The following items must be excluded from the calculation of NTCA:

(a) all Intangible Assets (but liabilities including Contingent es associated with Intangible Assets must be included in the tion);

(b) guarantees, except guarantees approved by NZX where the extent to which the Participant Requiring Capital has a Net vriting Commitment for the purposes of calculation of the Primary Market equirement;

(c) any Subordinated Debt approved by NZX in accordance ause 2.4;

(d) Property, Plant and Equipment;

(e) any asset which, in the normal course of business, is not e of being realised within 12 months; and

(f) any item excluded under Clause 2.2.2.

2.2.2 NZX may, from time to time, notify a Participant Requiring Capital that it must exclude any items that otherwise would be included in its NTCA calculation on such conditions and for such period notified by NZX.

2.2.3 Where NZX has made a determination under Clause 2.2.2, it will advise the Participant Requiring Capital in writing, specifying the reasons for its determination.

2.3 Items included in NTCA

2.3.1 The following items must be included in the calculation of NTCA:

(a) all Contingent Liabilities; and

(b) assets and liabilities in respect of segregated client held on the Participant Requiring Capital's balance sheet.

2.4 Subordinated Debt

2.4.1 A Participant Requiring Capital may only exclude a Subordinated Debt from calculation of its liabilities, for the purposes of these Rules, with the prior approval of NZX.

2.4.2 NZX will not approve the exclusion of Subordinated Debt from the calculation of a Participant Requiring Capital's liabilities unless the Subordinated Debt is issued on terms that include that:

(a) the terms of issue of the Subordinated Debt are subject e Rules;

(b) the terms of issue of the Subordinated Debt cannot be ed without the prior approval of NZX;

(c) any repayment of the Subordinated Debt is subject to ticipant Requiring Capital holding Net Tangible Current Assets above f its Minimum NTCA after repayment;

(d) no repayments of the Subordinated Debt can be made the prior approval of NZX;

(e) the obligation to pay any amount owing in respect of the inated Debt, including interest or distributions, is suspended during any in which the Participant Requiring Capital fails to comply with its ons under Rule 4.25; or

(f) any other provision NZX considers necessary to protect bility of the Participant Requiring Capital's business and ensure inated Debt is validly and effectively subordinated to the general red creditors of the Participant Requiring Capital.

2.4.3 NZX will not withhold approval to repayment of any Subordinated Debt if, in the opinion of NZX, the Participant Requiring Capital's Net Tangible Current Assets will continue, immediately following repayment to be greater than 120% of its Prescribed Minimum Capital Adequacy.

2.5 Operational Risk Requirement

2.5.1 A Participant Requiring Capital's Operational Risk Requirement is equal to 1% of the higher of:

(a) the Participant Requiring Capital's budgeted total e for the month in which the calculation is made; and

(b) the Participant Requiring Capital's average actual y total revenue of the three consecutive calendar months immediately ing the date on which the calculation is made.

2.6 Netting

2.6.1 A Participant Requiring Capital may calculate the Positive Credit Exposure under Clause 2.7.1 and Clause 2.7.2 for an individual Counterparty on a net basis across all currencies only where and to the extent that netting is permissible on a "first in first out" basis under Generally Accepted Accounting Practice.

2.6.2 Liability of a Counterparty to a Participant Requiring Capital may be netted against:

(a) assets held by that Participant Requiring Capital pending ent of that liability; and/or

(b) assets of that Counterparty under the control of that ant Requiring Capital in respect of which that Participant Requiring has a right or lien that may be exercised in order to satisfy that liability.

2.7 Counterparty Risk Requirement

2.7.1 A Participant Requiring Capital's Counterparty Risk Requirement shall be calculated in respect of each of its Positive Credit Exposures for each Counterparty. In calculating Positive Credit Exposures, the Participant Requiring Capital shall:

(a) include all trade and intra-group debtors and all tions in Financial Instruments; and

(b) exclude all transactions with CHO and all Net riting Commitments.

2.7.2 The Positive Credit Exposure for an individual Counterparty shall be calculated as the sum of:

(a) 4% of the value of all transactions with that Counterparty ing unsettled, but that are not Overdue;

(b) 10% of the initial margin requirement for all clients in of margined transactions with that Counterparty;

(c) 50% of the value of all transactions with that rparty that are Overdue where the Counterparty is an AFSL holder or a l market participant that is:

(d) regulated in the United States of America or United Kingdom or other OECD country;

(i) a Bank;

(ii) a Clearing Participant, a Participant Requiring Capital or a Market Participant Requiring Capital (as defined in the applicable rules of the NZX Market in which they participate); and

(iii) 100% of all other transactions with that Counterparty.

2.7.3 Where a right of set-off exists and a single Counterparty has outstanding balances in more than one category specified in Clause 2.7.2, the debit or credit balance is first applied to the Positive Credit Exposure with the greatest Counterparty Risk Requirement.

2.8 Large Position Risk Requirement

2.8.1 The Large Position Risk Requirement is calculated as being the aggregate of the:

(a) Large Position Counterparty Risk Requirement; and

(b) Large Position Issuer Risk Requirement;

but must exclude any Net Underwriting Commitment.

2.8.2 The Large Position Counterparty Risk Requirement applies when a Participant Requiring Capital's Positive Credit Exposure to an individual Counterparty exceeds 19% of that Participant Requiring Capital's total liabilities and will be the sum of:

(a) 2% of the value of transactions with that Counterparty e not Overdue; and

(b) 10% of the value of transactions with that Counterparty e Overdue.

2.8.3 The Large Position Issuer Risk Requirement applies when a Participant Requiring Capital has a principal position in a class of an individual Issuer's Securities that is more than 10% of all the Securities in that class or that has a value that exceeds 19% of that Participant Requiring Capital's total liabilities and will be an additional 5% of the total of the relevant Securities.

2.9 Position Risk Requirement Calculation

2.9.1 The Position Risk Requirement represents the aggregate of a Participant Requiring Capital's individual absolute net position risk amounts in particular Financial Instruments or transactions. The Position Risk Requirement for a Participant Requiring Capital's net position in a particular Financial Instrument or transaction is:

(a) For debt and equity Securities:

(b) 3% of the value of Securities issued by central government Issuers, senior ranking Unsubordinated debt Securities issued by Bank Issuers and Investment Grade Securities issued by local government Issuers;

(i) 6% of the value of fully paid Listed equity Securities within the NZX50 index or any Recognised Market Index and fully paid senior ranking Investment Grade debt Securities;

(ii) 8% of the value of all other fully paid New Zealand or Australian Listed Securities (excluding Structured Finance Products) and unrated Securities issued by local government Issuers and Subordinated Debt Securities issued by Bank Issuers (excluding Structured Finance Products);

(iii) 15% of the value of all other Securities Listed (including Structured Finance Products) on a Recognised Market or issued by Bank Issuers;

(iv) 50% of the value of all other Securities issued by New Zealand and Australian Issuers; and

(v) 100% of the value of all other Securities.

(vi) For derivative products:

(c) in respect of margined transactions that are bought Options, the amount of any unpaid premium;

(i) in respect of margined transactions that are sold Options, the aggregate of twice the initial margin requirement and all unrealised losses (including any unpaid margins);

(ii) in respect of all other margined transactions, twice the initial margin requirement; and

(iii) in respect of non-margined transactions, an amount calculated on a basis from time to time approved by NZX.

2.9.2 NZX may determine the Position Risk Requirement for a particular Financial Instrument or transaction or a particular Issuer or class of Issuer by the Procedures.

Procedures for Appendix 1

2.10 Currency Risk Requirement

2.10.1 The Currency Risk Requirement is calculated as the sum of the following adjustment factors:

(i) 3% of the net of a Participant Requiring Capital's
ed Financial Assets and Financial Liabilities denominated in AUD; and

(b) 6% of the net of the Participant Requiring Capital's
ed Financial Assets and Financial Liabilities denominated in a currency
an the Base Currency or AUD.

2.11 Primary Market Risk Requirement

2.11.1 The Primary Market Risk Requirement is calculated in respect of all Net Underwriting Commitments and in relation to each Net Underwriting Commitment is the percentage of that Net Underwriting Commitment applicable to the Securities that are the subject of the commitment under Clause 2.9.1(a).

2.12 Market Risk Requirement

2.12.1 From time to time NZX may, by written Notice, require any Participant Requiring Capital or all Participants Requiring Capital to include a Market Risk Requirement in its or their Total Risk Requirement. In determining whether a Market Risk Requirement is necessary and in determining the amount or method of calculating a Market Risk Requirement, NZX will have regard to:

(a) the risk profile of the Participant Requiring Capital;

(b) domestic and global market volatility; and

(c) any other factor NZX considers to be relevant.

2.12.2 A Participant Requiring Capital will be required to calculate and include the Market Risk Requirement in its Total Risk Requirement in accordance with any Notice given by NZX from time to time.