



# NZX Limited

## NZX Participant Rule Procedures

~~8 October 2018~~ 19 July 2021



# Contents

|   |    |
|---|----|
| Section A: Interpretation and Construction .....            | 3  |
| A.1 Interpretation .....                                    | 3  |
| A.2 Construction .....                                      | 3  |
| Section 1: Error Trade Cancellation Procedure .....         | 4  |
| 1.1 Notice by Trading Participant .....                     | 4  |
| 1.2 NZX Action .....  | 4  |
| 1.3 Information to be provided to NZX .....                 | 5  |
| 1.4 Trading Error Register.....                             | 5  |
| Section 2: Trade Flags.....                                 | 7  |
| 2.1 Required Trading Flags.....                             | 7  |
| Section 3: Recognised Markets and Indices.....              | 9  |
| 3.1 Recognised Market Index.....                            | 9  |
| 3.2 Recognised Market .....                                 | 10 |
| Section 4: FSM Legal Title Transfer Procedure               | 11 |
| 4.1 FSM Share Legal Title Transfer Procedure.....           | 11 |
| 4.2 Transfer of Legal Title to FSM Shares .....             | 11 |
| 4.3 Failure/Delay in Delivery of FSM Shares to Client ..... | 11 |
| Section 5: NXT Warning Procedure                            | 12 |
| 5.1 NXT Warning Procedure .....                             | 12 |



## Section A: Interpretation and Construction

### A.1 Interpretation

- A.1.1 Definitions incorporated by reference: Capitalised terms defined in the NZX Limited Participant Rules have the same meaning when used in these Procedures, unless expressly stated or the context requires otherwise.

### A.2 Construction

- A.2.1 Without limiting any provision in a Rule relating to the application of that Rule to one or more Procedures, the following Rules shall also apply to these Procedures, with such necessary modifications to assist such application, including references to “a Rule” or “these Rules” being replaced with references to “a Procedure” or “these Procedures” mutatis mutandis:

Rules 1.2, 1.5, 10.1, 10.2 and 10.3.

# Section 1:

## Error Trade Cancellation Procedure

*Procedures for Rules 10.14.1, 10.14.2, 10.14.4 and 10.14.10*

Rule 10.14.1

**10.14.1** *If a Trading Participant considers that an Error has occurred in respect of a Trade and wishes to have or retain the right to request to have that Trade cancelled or amended under this Rule 10.14, the Trading Participant must notify NZX of the Error by the time and in the manner set out in Procedures and request that the Trade be cancelled or amended in accordance with this Rule 10.14.*

Rule 10.14.2

Rule 10.14.4

Rule 10.14.10

**10.14.2** *If a Trading Participant becomes aware that an Error has occurred in respect of a Trade and the Error may have a Market Impact, then the Trading Participant must notify NZX of the Error immediately.*

**10.14.4** *Upon receipt of a request for cancellation or amendment of a Trade under Rule 10.14.1 NZX will:*

- (a) Use its reasonable endeavours to either confirm or query the request within the time set out in Procedures;*
- (b) If required, use reasonable endeavours to contact the counterparty Trading Participant to the Trade within the time set out in Procedures to ascertain whether the counterparty Trading Participant agrees to the cancellation or amendment to the trade.*

**10.14.10** *Each Trading Participant must keep a record of all Errors and cancellations of that Trading Participant's Trades resulting from Errors in accordance with Procedures.*

Rule 10.14.1

### **1.1 Notice by Trading Participant**

**1.1.1** A Trading Participant must notify NZX of an Error in respect of a Trade within the time set out in the table below.

Rule 10.14.2

| Type of Trade   | Participant must notify NZX  |
|---|--|
| Crossing (not having a Market Impact)   | 15 minutes after the Crossing has been reported through the Trading System         |
| Negotiated Deal (not having a Market Impact)  | 30 minutes after the negotiated deal has been confirmed through the Trading System |
| Trade effected as a result of matching of Orders in the Trading System (not having a Market Impact) | 15 minutes after the matching of Orders in the Trading System                      |
| Any Trade that may have a Market Impact   | Immediately when the Trading Participant becomes aware that there is an Error      |

Rule 10.14.4

### **1.2 NZX Action**

**1.2.1** NZX will use its reasonable endeavours to:

- (a) either confirm or query a request; and
- (b) if required, contact the counterparty Trading Participant to the Trade to ascertain whether the counterparty Trading Participant agrees to the cancellation or amendment to the Trade; and
- (c) as soon as possible within the time set out in the table below:

| Type of Trade   | Time by which NZX will endeavour to respond to the Trading Participant's Request |
|---|--|
| Crossing (not having a Market Impact)   | 30 minutes after being notified by the Trading Participant                       |
| Negotiated Deal (not having a Market Impact)  | 30 minutes after being notified by the Trading Participant                       |
| Trade effected as a result of matching of Orders in the Trading System (not having a Market Impact) | 30 minutes after being notified by the Trading Participant                       |
| Any Trade that may have a Market Impact   | 60 minutes after being notified by the Trading Participant                       |

### 1.3 Information to be provided to NZX

1.3.1 A Trading Participant must notify or make a request by contacting NZX Surveillance by telephone or by chat through the Trading System or NZX Client & Market Services by telephone providing the following information:

- (a) date of notice or request;
- (b) Trade date;
- (c) deal ID/Trade reference number;
- (d) security code;
- (e) number of Securities;
- (f) price;
- (g) counterparty (if known); and
- (h) nature of Error and reason for seeking cancellation.

Rule 10.14.10

### 1.4 Trading Error Register

1.4.1 A Trading Participant or an NZX Advising Firm must keep a record of all Trades and Crossings with a value of \$1,000 or more in respect of which an Error has occurred. The Trading Error register must, as a minimum, contain the following information:

- (a) the nature of the Error;

- (b) the Security the Error related to;
- (c) any effect the Error has had on that Trading Participant and/or client of that Trading Participant;
- (d) whether, and if so how, the Error was remedied;
- (e) the date the Error was made and who made the Error; and
- (f) the date the Error was remedied.



## Section 2: Trade Flags

### Procedure for Rule 10.1.5

10.1.5 Each Trading Participant must ensure that all Orders entered or submitted into the Trading System by that Trading Participant are entered or submitted with the trading flags and data required by Procedures. This Rule extends to all Orders entered or submitted into the Trading System by a Trading Participant's Dealers and by DMA Authorised Persons authorised by that Trading Participant to enter or submit Orders.

### 2.1 Required Trading Flags

2.1.1 All Orders submitted into the Trading System must include the appropriate flag in the "Account" field to indicate whether the order relates to a Retail Client, Wholesale Client, Employee /Prescribed Person, or the Trading Participant is Acting as Principal, as follows:

| Account Type               | Trading Flag |
|----------------------------|--------------|
| Retail                     | R            |
| Wholesale                  | W            |
| Employee/Prescribed Person | E            |
| Principal                  | P            |
| Market Maker               | M            |

Where more than one of the available options applies, the flag which represents the majority of the volume of that Order should be selected. However, where any part of the Order is as Principal the Principal flag should be selected. In all of these cases, Trading Participants should also indicate that multiple Orders have been included by noting "m" in the "CSN" field.

2.1.2 All Off-Market Trades entered/reported into the Trading System must include the applicable flag(s) in the "Trade Source" field to indicate the nature of the transaction. Where more than one of the available options applies, the Trade Source flags must be prioritised in the following order:

- (a) Late Reported/Late Trade
- (b) Put Through
- (c) Portfolio
- (d) Special
- (e) VWAP
- (f) Private Negotiated Deal

2.1.3 All Orders, or Trades, that are Short Sales of Securities must be entered into the Trading System with the designated “Short Sale” field selected.





## Section 3: Recognised Markets and Indices

*Procedures for Rule 1.1,*

1.1 “Recognised Market Index” means an index specified in the Procedures;

1.1 “Recognised Market” means a market specified in the Procedures;

Rule 1.1

### 3.1 Recognised Market Index

3.1.1 Each of the indices specified in the following table is a Recognised Market Index:

| Country     | Index                  |
|-------------|------------------------|
| Australia   | S&P/ASX200             |
| Austria     | ATX                    |
| Belgium     | BEL 20                 |
| Canada      | TSE 35                 |
| France      | CAC 40                 |
| Germany     | DAX                    |
| Hong Kong   | Hang Seng              |
| Italy       | MIB 30                 |
| Japan       | Nikkei 225             |
| Netherlands | EOE 25                 |
| Spain       | IBEX 35                |
| Sweden      | OMX                    |
| Switzerland | SMI                    |
| UK          | FTSE 100; FTSE mid-250 |
| US          | S&P 500                |

## **3.2 Recognised Market**

3.2.1 Each of the markets specified below (and any successor thereof) is a Recognised Market:

Australian Securities Exchange  
Toronto Stock Exchange  
Deutsche Borse  
Hong Kong Exchange  
Tokyo Stock Exchange  
Singapore Exchange  
SIX Swiss Exchange  
NASDAQ OMX  
London Stock Exchange  
NYSE Euronext



## **Section 4:**

# **FSM Legal Title Transfer Procedure**

*Procedures for Rule 22.11*

### **4.1 FSM Share Legal Title Transfer Procedure**

*Procedure for Rule 22.11.2*

22.11.2 *If at the Prescribed Time on any Trading Day for any reason an FSM Participant, an FSM Participant's Relevant Clearing Participant or an FSM Participant's Legal Title Transfer Depository Participant is holding legal title to FSM Shares, the FSM Participant must procure that those FSM Shares are transferred immediately to the Custodian.*

### **4.2 Transfer of Legal Title to FSM Shares**

4.2.1 The Prescribed Time for the purposes of Rule 22.11.2 is 5.00pm.

### **4.3 Failure/Delay in Delivery of FSM Shares to Client**

*Procedure for Rule 22.11.3*

22.11.3 *If the delivery of FSM Shares to a client of an FSM Participant has not been completed within the Prescribed Time, then the FSM Participant must procure the sale of the FSM Shares subject of the Trade or FSF Redemption within a further Prescribed Time and the client or their estate shall be liable for any deficiency and be entitled to any surplus which may result.*

4.3.1 The Prescribed Times for the purposes of Rule 22.11.3 are:

- (a) 5.00pm on the eighth Trading Day after the Trading Day on which the relevant Trade or FSF Redemption was executed; and
- (b) 5.00pm on the fifth Trading Day referred to in paragraph (a) above.

## Section 5: NXT Warning Procedure

*Procedure for Rule 23.1.2(d)*

*Rule 23.1.2(d) The NXT Warning is a statement in the form set out in Procedure.*

### **5.1 NXT Warning Procedure**

5.1.1 The statement that is the NXT Warning for the purposes of Rule 23.1.2(d) is as follows:

*“The NXT Market (“NXT”) is a licensed market operated by NZX Limited that is designed for smaller companies that are typically at an earlier stage of business development and accordingly, the risks of investing in companies listed on NXT may be higher than investing in other companies.*

*Under the NXT Market Rules, NXT companies are required to immediately disclose information concerning specific events prescribed in the NXT Market Rules, however it is possible that some price sensitive information may not be required to be disclosed, and therefore you could trade on NXT without the benefit of all price sensitive information in relation to a NXT company. The NXT Market Rules require NXT companies to have an insider trading policy and insider trading law applies to anyone trading on the NXT Market.*

*NZX has appointed market makers and research providers for NXT, however, there is uncertainty as to the level of liquidity on NXT, which may impact upon your ability to sell shares when you want to.”*