



Guidance Note

Trading Halts and Suspensions

| Exposure Draft for Consultation

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The purpose of this guidance note is to provide guidance to issuers in relation to NZX Limited's (**NZX**) use of trading halts and suspensions, the circumstances in which NZX may apply trading halts and suspensions, and the process issuers should follow to request a trading halt from NZX. This guidance note replaces the previous guidance note issued in December 2014, 'Trading Halts and the Public Release of Information by NZX'.

Under rule 9.15.1 of the NZX Listing Rules (**rules**), NZX may act by and through NZX Regulation Limited (**NZ RegCo**) in performing any function or discharging any power set out in the Rules. References in this Guidance Note to NZX therefore also include NZ RegCo in relation to any regulatory activity or discretion.

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This guidance note applies to the provisions relating to trading halts and suspensions contained in the NZX Listing Rules the Fonterra Shareholders Market Rules (together the "rules"). Issuers should note that this guidance note is not intended to be a definitive statement of the application of the rules in every situation, and is only a guide to NZX's policy and practice. This guidance note reflects the rules and law as at [10 December 2020], which is subject to change. NZX takes no responsibility for any error contained in this guidance note. This guidance note does not limit NZX's discretion under the rules. NZX may replace guidance notes at any time and issuers should ensure that they have the most recent version of this guidance note by checking NZX's website at www.nzx.com.

1. Introduction

As a general rule, trading interruptions on NZX's markets should be kept to a minimum and a security should be allowed to trade if it is able to do so.

Trading halts and suspensions are important tools for NZX to use to ensure the fair, orderly and transparent operation of its markets and NZX may use these tools to interrupt trading in some circumstances. The rules and Fonterra Shareholders' Market Rules (**FSM rules**) give NZX broad discretion to apply trading halts and suspensions in respect of securities quoted on its markets. Issuers may also request a trading halt from NZX and the rules set out the information that issuers should supply when making a request to NZX.

The trading halt and suspension provisions of the rules apply to all listed issuers (including foreign exempt issuers). The relevant rules are set out in Section 9 of the rules (and in Section 4 in the case of the FMS rules). These sections of the rules are set out in Appendix 1 of this guidance note.

For further information about trading halts and suspensions in the context of continuous disclosure, issuers should refer to NZX's Guidance Note [Continuous Disclosure](#).

2. Trading Halts

2.1 What is a trading halt?

A trading halt is a temporary halt in the trading of the market or in the trading of particular quoted securities. The primary purpose of a trading halt is to ensure that the market trades on a fair, orderly and transparent basis.

Trading halts may be applied to assist issuers to manage their continuous disclosure obligations in certain circumstances or to give the market an opportunity to digest material information. Trading halts may also be used in other situations where trading needs to be halted to ensure the fair, orderly and transparent operation of the markets.

During a trading halt, the order book is not purged and participants may withdraw orders, amend orders or place orders in the halted security. However, no orders will be matched while the halt remains in place. NZX Participant Rule 10.18.3 prohibits market participants from effecting off market transactions, including crossings, in quoted securities subject to a trading halt.

2.2 When can a trading halt be applied?

NZX has the power to apply a trading halt either at the request of an issuer or at NZX's discretion. These categories of trading halts are explained further in sub-sections 2.4 and 2.6 below.

2.3 What is the difference between a trading halt and a suspension?

Trading halts and suspensions are separate tools that are used in different circumstances. They are also treated differently in NZX's trading system.

While a trading halt can usually only be imposed for up to two business days, a suspension may be imposed for a longer period. This impacts the circumstances in which each tool may be used, as discussed below.

During both a trading halt and a suspension, orders will not be matched. A suspension imposes further restrictions that are discussed in more detail in section 3 below.

This guidance note addresses each of the matters identified above relevant to trading halts in more detail. This guidance note also includes a separate section in relation to suspensions (see section 3 “Suspensions”).

2.4 Issuer requested trading halts

An issuer may request a trading halt to meet its continuous disclosure obligations in certain circumstances. Although the rules require an issuer to release material information promptly and without delay upon becoming aware of it, subject to limited exceptions, the circumstances may require an issuer to request a trading halt until such time as an announcement can be prepared and released.

NZX expects and encourages issuers to request a trading halt whenever an issuer is not able to make an announcement required under rule 3.1 promptly and without delay. This can allow a halt to be applied until an announcement can be made. Further commentary on the use of trading halts in this context is provided within NZX’s Guidance Note [Continuous Disclosure](#).

It may also be appropriate for an issuer to request a trading halt if:

- there has been a significant or sudden increase in trading volumes or movement in the price of the issuer’s quoted securities which cannot be explained by reference to announcements from the issuer or by information generally available to the market, or if there are indications that information may have leaked ahead of an announcement;
- there is information in the public domain that an issuer needs to respond to because it needs to confirm, deny or clarify information of a material nature that has been released by another party or explain the impact of that information on the issuer. In situations where an issuer must respond to information released by a third party it may need time to consider the likely impact before a response can be provided; or
- the issuer is undertaking a book build for a private placement. Where such placements are made there is a risk of material information leaking ahead of an announcement.

Prior to granting a trading halt, NZX will consider the information provided by the issuer in support of a request (as discussed below) and will not grant a trading halt unless it is satisfied that it is in the best interests of the market.

Trading halt requests should not be used as a tactic to delay the release of material information and therefore NZX will consider all requests on a case-by-case basis. NZX encourages early engagement on such requests.

2.5 Procedure for requesting a trading halt

Requests should be made in writing to NZ RegCo (by email to issuer@nzregco.com) and should provide:

- the template [Application for Trading Halts](#) if it is a NZX listed issuer; or
- the template [Application for Trading Halts \(NZX and ASX Dual Listed Issuers\)](#) for issuers listed on both the ASX and NZX.

If NZX agrees to grant a trading halt request, it will advise the issuer and apply a trading halt to the issuer’s quoted financial product at the agreed time. NZX will also release a memorandum notifying the market of the trading halt, which may be accompanied by an announcement from the issuer. If the reasons for a trading halt request are confidential or commercially sensitive and should not be released to the market, this should be noted in the issuer’s request to NZX. Generally, NZX will not release specific details in relation to the reasons for a trading halt.

If NZX declines to grant a trading halt request, it will advise the issuer of the decision and discuss options with the issuer for release of information to the market or possible suspension from trading.

Where possible, issuers are advised to contact NZ RegCo well in advance of the event to which the halt relates. Given the time critical nature of a trading halt, issuers should consider calling NZ RegCo on (04) 4952825 prior to submitting a request in writing so that NZ RegCo can begin to consider the issues as soon as possible.

2.6 NZX initiated trading halts

Rule 9.9.3 provides NZX with broad discretion to apply a trading halt. The following sections describe when NZX may exercise its discretion to apply a trading halt – either to the market generally or to an issuer’s quoted securities.

a) Administrative trading halts

Trading halts are automatically applied where an announcement is submitted for release that an issuer has indicated is material information (by marking the announcement with the “P” flag in the Market Announcements Platform) or which has been released in a prescribed category.

In these cases, NZX will apply a trading halt from release of the relevant announcement up to a period of not greater than 15 minutes, or in the case of securities of an NZX Foreign Exempt Issuer (as defined in the rules) for a period of not greater than 10 minutes, from release of the announcement.

These automatic trading halts allow trading participants to manage their orders in a quoted security following the release of new information to the market so that the market can re-price a quoted security in an orderly manner.

NZX acknowledges that trading interruptions should be kept to a minimum and that it is important for market participants to have a degree of certainty on when NZX may apply a routine trading halt.

Trading halts applied in these circumstances are considered routine, and NZX will not release a memorandum notifying the market of the trading halt.

b) Non-administrative trading halts

NZX may also apply a trading halt at its discretion for other reasons to ensure fair, orderly and transparent markets. These non-administrative trading halts tend to be applied in more limited circumstances – for example:

- in instances of significant movements in trading volumes and/or prices where the trading behaviour in relation to an issuer’s securities does not appear to be linked to information available to the market in relation to that issuer, NZX may apply a halt so that enquiries can be made of the issuer to determine the reasons for the trading behaviour and whether an announcement is required; or
- where NZX becomes aware that an issuer may be aware of material information that has not been released to the market, NZX may apply a halt so that enquiries can be made to determine whether disclosure of information is required.

When NZX exercises its discretion and applies a trading halt to an issuer’s securities (other than in the case of administrative trading halts that are applied upon the release of an announcement that an issuer has identified as containing material information or which is released in a prescribed category), NZX will attempt to consult with the issuer or provide prior notice to the issuer concerned, unless the delay involved in consulting with the issuer or providing such notification may prejudice the interests of other participants in the market. Where NZX does not

consult with the issuer or provide prior notice to the issuer concerned, it shall do so as soon as practicable after the trading halt has been applied.

When NZX exercises its discretion and applies a non-administrative trading halt to an issuer's securities, NZX will release a memorandum notifying the market of the trading halt.

NZX has an absolute discretion to exercise apply a trading halt under Rule 9.9.3. This may include where:

- a false market exists in any or all of an issuer's securities;
- any provision of the rules has not been complied with by an issuer or a director or officer of an issuer;
- the spread requirements specified in the rules are not being met;
- it is in the best interests of the market, or attainment of the intent and objectives of the rules, to exercise such power; or
- there occurs a change in control of votes of an issuer or in the essential nature or business activities of an issuer.

In addition to the specific situations outlined above, NZX may exercise its discretion to apply a trading halt in other situations where it is necessary for the fair, orderly and transparent operation of its markets. Some of these situations are discussed below.

Imbalance of information in market

NZX may exercise its discretion to apply a trading halt if there is an imbalance of information in the market and, as a result, all investors are not able to make informed investment decisions. For example, where NZX detects an increase or decrease in the price of an issuer's securities in the absence of a release of an announcement in relation to the issuer, NZX may exercise its discretion to apply a trading halt to that issuer's securities so that enquiries can be made of the issuer to determine whether an announcement is required.

Third Party Announcements

NZX may also exercise its discretion to apply a trading halt where it becomes aware that a third party, such as the Takeovers Panel, the Financial Markets Authority or the Commerce Commission, will release an announcement containing information that will be material to an issuer's securities.

NZX will, wherever possible, consult with the issuer concerned prior to applying a trading halt. However, if the issuer cannot be contacted, NZX may exercise its discretion and apply a trading halt until the issuer has been able to prepare and release an announcement in response to the third party's announcement.

An issuer which becomes aware that a regulatory body or other party is going to make an announcement to the market that may contain information that will be material to that issuer is encouraged to contact NZ RegCo as soon as possible to discuss arrangements for its own response to that announcement, if any.

Other Administrative Trading Halts

NZX may apply a trading halt as an administrative tool where necessary to ensure the fair, orderly and transparent operation of the markets – for example, where a quorum of brokers for trading does not exist due to a system outage or impaired connectivity.

In such cases, a trading halt will be applied to the market as a whole instead of to individual securities.

2.7 Lifting a trading halt

A trading halt will usually be lifted after the issuer has made the announcement that related to the request for a trading halt or after another matter has been resolved. If a series of announcements is anticipated, then the halt will generally remain in place until the last of the announcements is made.

3 Suspensions

3.1 What is a suspension?

A suspension of quotation (“suspension”) can be distinguished from a trading halt because it relates to the quotation of an issuer’s securities rather than a simple halt in trading and because a suspension may be applied for longer than two business days.

A suspension is usually applied in more serious situations where a trading halt is not appropriate or where trading in securities is not expected to resume. Sometimes a trading halt may be replaced by a suspension.

During a suspension, the relevant securities are placed into a ‘suspend’ state and participants can withdraw orders but cannot amend orders or place orders for the suspended security. Any existing orders in the order book for the suspended securities will be purged after market close of the date the suspension is applied. NZX Participant Rule 10.18.3 prohibits trading participants from effecting off market transactions, including crossings, in securities that are subject to a suspension.

3.2 When can a suspension be applied?

NZX has discretion under rule 9.9.3(b) to apply a suspension if it deems such action is appropriate and to ensure the fair, orderly and transparent operation of its markets. For example, NZX may exercise its discretion to apply a suspension where:

- a false market exists in any or all of an issuer’s securities;
- any provision of the rules has not been complied with by an issuer or director or officer of that issuer;
- the spread requirements specified in the rules are not being met;
- it is in the best interests of the market, or attainment of the intent and objects of the rules, to exercise such power; or
- there occurs a change in control of votes of that issuer or in the essential nature or business activities of the issuer.

Whilst an issuer might request that NZX apply a suspension under the rules identified above, such requests will be granted at the discretion of NZX. NZX may also impose a suspension on its own initiative. NZX may also exercise its discretion to apply a suspension in other situations where it is necessary for the fair, orderly and transparent operation of its markets. Some of these situations are discussed below.

Where an issuer breaches periodic reporting rules

NZX will usually suspend an issuer who fails to publish its preliminary full year or half year announcement report, annual or half yearly report or quarterly report of consolidated cash flows, by their respective due dates, if the issuer has still failed to publish the relevant information five business days following the due date. NZX will apply a suspension until the relevant information

has been released to the market.

Where an issuer is placed in liquidation or receivership

NZX may also apply a suspension in circumstances where an issuer is subject to an insolvency event, such as the appointment of a liquidator or receiver and there is sufficient uncertainty as to the state of the issuer as a going concern. In these situations, NZX may apply a suspension to protect investors. NZX encourages issuers and their advisers to contact NZ RegCo to discuss such issues as early as possible.

Where securities are maturing or delisting

Where a security is to mature or is to be delisted, a suspension of at least three business days will be applied to allow trades to settle prior to the maturity or delisting date. In some cases, a longer suspension may be required. For example, where a trust deed specifies a record date for a final payment, a suspension will need to be applied on the ex date in relation to the record date until the delisting date so that holders' positions do not change in the intervening period.

Applying a suspension in these circumstances allows the market to operate in an orderly manner and facilitates the maturity or delisting of securities.

Where an issuer receives a compulsory acquisition notice

NZX will generally suspend an issuer's securities five business days after it receives a compulsory acquisition notice under the Takeovers Code. NZX generally interprets this to mean five business days after an issuer receives a notice that the 90% threshold has been reached and that the offeror intends to compulsorily acquire all remaining shares in the issuer. The suspension will remain in place until the issuer is delisted at the request of the offeror. NZX considers that this is appropriate as there is no longer any benefit in the issuer remaining listed once an offeror moves to compulsory acquisition, and the Takeovers Code governs the process for payment of compulsory acquisition monies.

3.3 Procedure for requesting a suspension

NZX recognises that it will be appropriate in some circumstances for an issuer to request a suspension. The following information should be provided with such a request:

- the issuer's reasons for requesting a suspension;
- how long it wants the suspension to last (noting that the precise timing may not be known in some cases);
- the event the issuer expects to occur that will end the suspension;
- confirmation that the issuer is not aware of any reason why the suspension should not be granted; and
- any other information that is necessary to inform the market about the suspension, or that NZX asks for.

NZX encourages issuers to contact NZ RegCo as early as possible in relation to requests for suspensions. Although the information outlined above should be provided in writing it may also be appropriate to call NZ RegCo as a first step so that we can begin to consider the issues as soon as possible.

3.4 Lifting a suspension

Usually, a suspension will be lifted upon resolution of the issue that led to the suspension, for example:

- Upon release of an announcement by an issuer.
- Upon release of the relevant annual report, or other report, to which the imposition of the suspension related.
- Upon the happening of an agreed event.

Some suspensions may never be lifted and will stay in place until the relevant issuer is delisted and its securities cease to be quoted.

4 Contact us

If issuers have any questions on the matters in this guidance note they may direct them to NZ RegCo. Please direct all queries to issuer@nzregco.com or (04) 495 2825.



Appendix 1: Relevant Listing Rules

References to NZX Alternative Market Listing Rules are in brackets where they differ from the provisions of the NZX Listing Rules. References to the relevant FSM Rules are noted beside each rule reference.

NZX Listing Rule (equivalent FSM Rule refer to FSM Rule 4.2.1, 4.2.2, 4.4.3 and 4.4.4)

9.94 Trading Halts, Suspension, Cancellations and other Powers

9.94.1 An Issuer may request, by notice in writing to NZX in the prescribed form:

- (a) that trading in its Quoted Financial Products be halted for a period not to exceed 2 Business Days,
- (b) that trading in its Quoted Financial Products be suspended for a period specified in the notice, or
- (c) with at least one month's notice, that it will cease to be Listed or that some or all of its Quoted Financial Products will cease to be Quoted.

9.94.2 Upon receipt of a written notice under Rule 0, NZX may at its discretion accept or reject such applications or impose such conditions as it thinks fit.

9.94.3 NZX may at its absolute discretion at any time, without giving any reasons and without prior notice to the Issuer:

- (d) cancel the Listing of any Issuer,
- (e) cancel, halt or suspend for such period as NZX thinks fit, the Quotation of any or all of an Issuer's Quoted Financial Products, or
- (f) refer the conduct of any Issuer, or Director or Associated Person of any Issuer, to the Tribunal or any statutory or governmental authority.

9.94.4 Where NZX exercises its power under Rule 0 without giving prior notice or reasons to the Issuer, it will provide that notice, and the reasons for NZX exercising its powers in that manner, as soon as practicable.

9.94.5 Suspension of Quotation or trading does not release the Issuer from any obligation under the Rules. Cancellation of Listing or Quotation does not release the Issuer from any prior obligations in respect of any period or matter occurring before the cancellation.

Foreign Exempt Issuers

1.7.2 An NZX Foreign Exempt Issuer must:

...

- (e) promptly and without delay request a trading halt in respect of its Quoted Financial Products if trading in those Financial Products is halted (or the Issuer has applied for a trading halt) on its Home Exchange, and...

1.7.3 As a general rule, NZX will follow the actions of the Home Exchange in respect of an NZX Foreign Exempt Issuer. NZX will cancel the Listing, suspend Quotation or institute a trading halt on the same terms and, to the extent practicable, at the same time as the Home Exchange of the NZX Foreign Exempt Issuer.