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The New Zealand Stock Exchange Rules 1983

RONALD DAVISON,

Administrator of the Government

At the Government House at Wellington this 4th day
of July 1983

Present:

HIS EXCELLENCY THE ADMINISTRATOR OF THE GOVERNMENT
IN COUNCIL

PURSUANT to the Sharebrokers Amendment Act 1981, His Excellency the Administrator of the Government in Council hereby approves the following rules made by the Stock Exchange Association of New Zealand for and in anticipation of the establishment of the New Zealand Stock Exchange.

Analysis

- 1.0 Interpretation
- 2.0 Objects
- 3.0 Membership
- 3A.0 Transitional Provisions
- 4.0 Application for Membership
- 5.0 Election to Membership
- 6.0 Conditions of Membership
- 7.0 Council
- 8.0 Executive
- 9.0 Regional Exchanges
- 10.0 General Meetings
- 11.0 Conduct of Members
- 12.0 Listing
- 13.0 Prospectuses
- 14.0 Underwriting
- 15.0 Quotations and Sales Reporting
- 16.0 Brokerage
- 17.0 Contracts
- 18.0 Delivery and Settlement

- 19.0 Short-term Money Market, Commercial Bills,
Contributory Mortgages
- 20.0 Discipline
- 21.0 Disputes
- 22.0 Defaulting Members
- 23.0 Members Books of Account and Audit
- 24.0 Fidelity Guarantee Fund
- 25.0 General
- 26.0 Miscellaneous
- 27.0 Common Seal
- 28.0 Financial
- 29.0 Amendment to Rules

1.0 Interpretation

- 1.01 "bylaws" in relation to any regional exchange means its bylaws made under Rule 9.04 and for the time being in force.
- 1.02 "Exchange" or "N.Z. Stock Exchange" means the New Zealand Stock Exchange (which body is referred to in section 3 of the Sharebrokers Amendment Act 1981 as the successor of the Stock Exchange Association of New Zealand, the Auckland Stock Exchange, the Wellington Stock Exchange, the Christchurch-Invercargill Stock Exchange Limited and the Dunedin Stock Exchange).
- 1.03 "Executive" means the Executive of the Exchange as constituted by Rule 8.01.
- 1.04 "Executive Director" means the executive director of the Exchange or the person for the time being carrying out the duties of the executive director.
- 1.05 "committee" means the committee of a regional exchange as provided for by Rule 9.03.
- 1.06 "Council" means the Council of the Exchange as constituted by Rule 7.02.
- 1.07 "member" means a member of the Exchange and includes both ordinary and country members except where a contrary intention appears.

- 1.08 "regional exchange" means a regional exchange constituted by Rule 9.01.
- 1.09 "regulations" means the regulations made by the Executive under Rule 8.08 and for the time being in force.
- 1.10 "share" or "shares" shall include stock and vice versa.
- 1.11 "sharebroker" shall include stockbroker and vice versa.
- 1.12 "sharebroking" shall include stockbroking and vice versa.
- 1.13 Any marginal notes or headings shall not affect the construction hereof.
- 1.14 References to a member's regional exchange means the regional exchange within whose territory the member practices.
- 1.15 "The Act" means the Sharebrokers Amendment Act 1981 or any statutory modification thereof.
- 1.16 Words importing persons include firms and corporations unless the context otherwise requires.
- 1.17 Words importing the masculine gender shall include the feminine gender.
- 1.18 Words importing the singular number include the plural number also, and vice versa.
- 2.0 Objects**
- 2.01 As prescribed by section 4 (1) of the Act, the functions of the Exchange are—
- 2.011 To operate a national stock exchange, which may be wholly or in part operated through the establishment of regional stock exchanges:
- 2.012 To promote and specify the conditions and terms for the listing and trading of securities on its exchange:
- 2.013 To regulate and promote uniformity in the conduct of its members and of business by its members:
- 2.014 To promote the interests of its members and members of the public in relation to the listing, trading, underwriting, and marketing of securities.
- 2.02 As prescribed by section 4 (2) of the Act, the Exchange shall have all such powers as are reasonably necessary or expedient to carry out its functions.
- 3.0 Membership**
- 3.01 Members shall consist of all persons who have become members pursuant to any rule for the time being in force and all persons elected to membership as hereinafter provided.
- 3.02 There shall be two classes of members—ordinary members and country members.
- 3.03 Only a natural person shall be eligible for membership.
- 3.04 A person shall become a member upon election as hereinafter provided but no person shall be eligible for election as a member unless—
- 3.041 He holds a sharebroker's licence, and
- 3.042 His assets exceed his liabilities by such sum (not being less than \$20,000) as may from time to time be determined by the Executive, which may accept a guarantee as part of a person's assets, and
- 3.043 He has been employed full-time for not less than three years in the sharebroking office of a member, or of a member of an overseas stock exchange recognised by the Exchange, or he can provide evidence of qualification or experience which the Executive may accept on the recommendation of the regional exchange in reduction of the three year period, and
- 3.044 He has obtained a pass in such examinations as the Council may from time to time prescribe.
- 3.05 A person shall cease to be a member—
- 3.051 If he shall have delivered his resignation in writing to his regional exchange and the Executive shall have accepted the same on the recommendation of such regional exchange.
- 3.052 On expulsion pursuant to Rule 20.0821.
- 3A.0 Membership—Transitional Provisions**
- 3A.01 Every person who is a member of the Auckland Stock Exchange, the Wellington Stock Exchange, the Christchurch-Invercargill Stock Exchange Limited or the Dunedin Stock Exchange at the date of establishment of the Exchange shall ipso facto become a member of the N.Z. Stock Exchange if he shall prior to that date have signed an application for membership incorporating an undertaking to be bound by these Rules upon their coming into force. A person who at the said date was a country member of one of the said exchanges shall upon becoming a member of the N.Z. Stock Exchange retain that class of membership and every other person who was a member of one of the said exchanges at the said date shall upon that event become an ordinary member.
- 3A.02 Upon the date of establishment of the Exchange, the Council shall be deemed to have determined pursuant to Rule 9.01 that there shall be regional exchanges situated in Auckland, Wellington, Christchurch-Invercargill, and Dunedin. The territory of each such regional exchange shall, at the date of such establishment, be the territory of the trading exchange (as defined by the Act) of similar name which existed prior to such establishment.
- 3A.03 Notwithstanding anything contained in these Rules, on the date of establishment of the Exchange—
- 3A.031 The President and Vice-President of the Stock Exchange Association of New Zealand ("the Association") elected to those offices in February 1983 shall be, respectively, the first President and the first Vice-President of the Exchange and each shall hold office until the conclusion of the meeting at which his successor in office is appointed.
- 3A.032 Each delegate of a trading exchange holding such office in the Association immediately prior to the date of establishment of the Exchange shall be deemed to have become on that date the delegate of the regional exchange having the same territory as that trading exchange.
- 3A.033 Each member of the Executive of the Association appointed by a trading exchange having 20 or more members and holding office as such immediately prior to the date of establishment of the Exchange shall be deemed to become on that date the appointee to the Executive of the regional exchange having the same territory as that trading exchange.
- 3A.034 The first Council of the Exchange shall accordingly comprise the persons referred to in Rules 3A.031, 3A.032, and 3A.033 and the first Executive of the Exchange shall accordingly comprise the persons referred to in Rules 3A.031, 3A.033, and those delegates referred to in Rule 3A.032 who are the delegates of regional exchanges having fewer than 20 ordinary members.
- 3A.035 For the purposes of Rule 8.03, in determining the period a member of the Executive has held office since his last appointment, the holding of equivalent office in the Association shall be included in determining that period.
- 4.0 Application for Membership**
- 4.01 Application for membership shall be made in writing to the committee of the regional exchange within whose territory the applicant seeks to carry on business as sharebroker.
- 4.02 An application for ordinary membership shall state:
- 4.021 The applicant agrees to be bound by the rules of the Exchange and the bylaws of the appropriate regional exchange.
- 4.022 He intends to engage in full-time (or substantially full-time) practice as a sharebroker.
- 4.023 He intends to practice within the territory of the regional exchange to which he is applying.
- 4.024 Evidence of his eligibility under Rule 3.04.
- 4.03 An application for country membership shall state:
- 4.031 The applicant agrees to be bound by the rules of the Exchange and the bylaws of the appropriate regional exchange.
- 4.032 He intends to practice as a part-time sharebroker within the territory of the regional exchange to which he is applying.
- 4.033 Details of his present business including the names and qualifications of any partners he may have.
- 4.034 Evidence of his eligibility under Rule 3.04.
- 5.0 Election to Membership**
- 5.01 A person who has completed an application for membership approved by the committee of the appropriate regional exchange shall be elected to membership by a majority of not less than 2/3 of the votes cast in a ballot of ordinary members whose places of business are within the territory of that regional exchange.
- 5.02 The chairman of a regional exchange shall forward to the Executive every successful application duly certified as to the result of the ballot.
- 5.03 The chairman of a regional exchange shall report all unsuccessful applications (whether voted on or not) to the Executive.
- 5.04 The membership of a country member shall terminate upon 31 December each year unless prior to that date the committee of his regional exchange shall extend membership for a further year.

6.0 Conditions of Membership

- 6.01 No member shall:
- 6.011 Enter into partnership with a person who is not a member for the purpose of carrying on a business which includes sharebroking unless that partner has first been approved by the member's regional exchange and no regional exchange shall approve as a partner for purposes of this paragraph any non-member who holds a sharebroker's licence.
- 6.012 In respect of his activities as a sharebroker, describe his occupation in any way other than as a member of the Exchange. A country member shall use that designation.
- 6.013 Have more than one place of sharebroking business.
- 6.02 Except with the consent of the Executive, no member shall:
- 6.021 Be in any way associated with any group or association, whether incorporated or not, who are associated for the purpose of carrying out in New Zealand the objects of the Exchange or any of them. In considering any application for consent in relation to this provision, the Executive shall have regard to the standing and reputability of the group or association and to the best interests of the Exchange and its members in furthering the objects of the Exchange.
- 6.022 If an ordinary member, engage in, or be concerned in, or be employed in any business other than that of a member of the Exchange to such an extent that, in the opinion of the Executive, the member is unable to engage in substantially full-time practice as a sharebroker. In considering any application for consent in relation to this provision, the Executive shall have regard to the time the member is likely to be involved in the other business, the possibility of his incurring financial liability in regard to it and such other matters as the Executive may consider to be relevant in the interests of the Exchange and its members in the proper and efficient conduct of the Exchange's affairs.
- 6.03 Subject to Rule 6.04 no member shall permit any part of his sharebroking business to be conducted through a limited liability company nor permit any contract note to be issued in the name of a limited liability company as sharebroker.
- 6.04 A member may, with the consent of the Executive, conduct his underwriting business through a limited liability company provided that all the shareholders in such company shall be members of the Exchange or their immediate families and that the effective control of the company shall remain with such shareholders.
- 6.05 Every member shall maintain accounting and other records of his sharebroking business separate and distinct from the accounting and other records of any other business in which he may be involved.
- 6.06 Every member shall pay such fees and levies as shall from time to time be fixed by the Exchange and by his regional exchange. There may be differentiation between ordinary and country members.
- 6.07 A member shall not change his place of sharebroking business from the territory of one regional exchange to that of another without the consent of both regional exchanges involved.
- 6.08 A country member desiring to change his status to ordinary member shall comply with Rules 4.01, 4.022, and shall be subject to election under Rule 5.01.

7.0 Council

- 7.01 The management and control of the business and affairs of the Exchange shall be in the hands of the Council. The powers of the Council shall only be subject to such limitations as are expressly or impliedly imposed by these rules.
- 7.02 The Council shall consist of the President, the Vice-President, one delegate appointed by each regional exchange and those members of the Executive appointed by regional exchanges having 20 or more ordinary members.
- 7.03 Each regional exchange shall notify the Exchange in writing immediately following the annual meeting of the regional exchange of the name of the member appointed delegate under Rule 9.06. Such delegates shall take office at the commencement of the annual meeting of the Council immediately following such notification of their appointment and, subject as hereinafter provided, shall continue in office until the commencement of the next succeeding annual meeting. Any delegate may be removed from office at any time by the regional exchange he represents and in that event or in the event of the death

or resignation of any delegate another delegate may be appointed in his place by the regional exchange he represents by notice in writing to the Executive Director. No person shall be entitled to act as a delegate unless and until notice of his appointment has been received by the Executive Director and then only in accordance with these rules.

- 7.04 Neither the President nor the Vice-President shall be eligible for appointment as a delegate.
- 7.05 At each annual meeting the Council shall elect ordinary members to be President and Vice-President respectively of the Exchange and the following provisions shall apply—
- 7.051 An election shall be required for each such office even if there is only one nomination under Rules 7.06 and 7.07.
- 7.052 If there shall be no nomination for one of those offices or if any nomination made is declined by the candidate prior to election or if a nomination made should be voted against by the Council, then the Council shall elect to that office any ordinary member who has signified in writing his willingness to be elected, notwithstanding that he has not been nominated under Rule 7.06 or Rule 7.07.
- 7.053 A nominee need not be a delegate.
- 7.054 The President and the Vice-President shall hold office until the conclusion of the meeting at which their successors in office are appointed.
- 7.06 A candidate for each of the offices of President and Vice-President shall be nominated by the Executive not later than 31 October in each year and each such candidate shall signify in writing his willingness to be elected. All regional exchanges shall be notified immediately such nominations have been made.
- 7.07 Notwithstanding the preceding rule, a regional exchange may nominate a candidate for either office. Each such candidate shall signify in writing his willingness to be elected. Nominations must be received by the Executive Director not later than 30 November in each year. Regional exchanges shall be notified of the names of all candidates for each position as soon as practicable after nominations have closed.
- 7.08 The financial year of the Exchange shall end on 30 September and an annual meeting of the Council shall be held not later than the last day of February in the following year at a place and on a date to be appointed by the President. In default of any such appointment being made by the President prior to 30 November in any year the annual meeting shall be held in Wellington on a date in the month of February following to be fixed by the Executive Director.
- 7.09 At the annual meeting of the Council or any adjournment thereof, the business shall be to receive the report and balance sheet, elect a President and Vice-President, consider remits from regional exchanges and transact any other business whatever that may be introduced in accordance with these rules. All other meetings of the Council shall be deemed to be special meetings.
- 7.10 14 days' notice shall be given of all annual meetings.
- 7.11 Special meetings other than those convened pursuant to Rule 29.0 shall be called by the Executive Director on the direction of the President or the Executive or upon a requisition in writing or by telex by two regional exchanges. Seventy-two hours' notice in writing or by telex shall be given by the Executive Director to each regional exchange specifying the place, the day, the hour of meeting, and the nature of the business to be transacted but with the consent of all regional exchanges entitled to receive such notices a meeting may be convened by such shorter notice, and in such manner, as the Council shall think fit.
- 7.12 A regional exchange shall be liable to the penalties provided by these rules for breach thereof if it fails to be represented by delegate or proxy for two consecutive annual meetings of the Council.
- 7.13 No business shall be transacted at any meeting of the Council unless a quorum of members is present at the time the meeting proceeds to business. Five members of the Council (of whom not less than 3 shall be delegates) shall be a quorum.
- 7.14 If within half an hour of the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to a date and time fixed by the majority of those present.
- 7.15 The President and Vice-President of the Exchange shall be the chairman and vice-chairman of the Council respectively. If neither the President nor the Vice-President shall be present at any meeting of the Council then the Council members present shall elect a chairman from their number.
- 7.16 On voices or a show of hands each member of the Council

- shall have one vote except when the President and the Vice-President are members of the same regional exchange and are both present at the meeting in which case the Vice-President shall not be entitled to vote.
- 7.17 A poll shall be taken if demanded by any one member of the Council and shall be demanded by any delegate so instructed by a remit meeting (as defined in Rule 9.09).
- 7.18 On a poll relating to a question dealt with by a remit meeting (as defined in Rule 9.09) each delegate shall cast in total the number of votes cast at the remit meeting of his regional exchange and such votes shall be cast in accordance with the voting of the meeting in respect of the remit concerned.
- 7.19 On a poll relating to any other question each delegate shall be entitled to exercise one vote for each ordinary member of his regional exchange.
- 7.20 Where a regional exchange does not appoint a delegate or where at any meeting of the Council no delegate of a regional exchange attends then it may be represented by proxy. The appointment of a proxy may be in favour of any ordinary member (including any member of the Council other than a delegate). The appointment must be delivered to the Executive Director by the chairman of the regional exchange which desires to be so represented and may be delivered by letter, telex, telegram, or telephone. A proxy appointed under this rule shall be regarded as a delegate for the purposes of the meeting for which he is appointed.
- 7.21 A Council member cannot represent by proxy more than one regional exchange.
- 7.22 Any casual vacancy occurring in the office of President or Vice-President may be filled by the Council but the person so appointed to fill either position shall retire from office at the next annual meeting.
- 7.23 The Council shall cause to be kept proper minutes of its proceedings. It shall have power to appoint sub-committees with such powers, special or general, as the Council may from time to time and in any particular case determine.
- 7.24 Where by these rules any thing or matter is prescribed to be done by the President and the President is unwilling or unable to act, such thing or matter may be done by the Vice-President, or failing the Vice-President, then by the Executive.
- 7.25 A member of the Council shall not vote at any meeting on any matter in which he is personally interested, and on that matter he shall not be included among the members present for the purpose of the quorum.
- 7.26 Except as otherwise provided in these rules, questions arising at any meeting of the Council shall be decided by a majority of the votes cast and in the case of an equality of votes the Chairman shall have a casting vote in addition to any deliberative vote he may have.
- 8.0 Executive**
- 8.01 The Executive shall consist of the President, the Vice-President, one member appointed by each regional exchange having 20 or more ordinary members and the delegates to the Council appointed by regional exchanges having fewer than 20 ordinary members.
- 8.02 A member appointed by a regional exchange shall subject to Rule 8.03 continue in office until his successor is appointed.
- 8.03 One member of the Executive appointed by a regional exchange shall retire at the conclusion of the annual meeting of the Council in each year. The member to retire each year shall be the one who has been longest in office since his last appointment but as between persons who became members of the Executive at the same time the one to retire shall, failing agreement between them, be determined by lot.
- 8.04 A regional exchange shall notify the Exchange in writing of the name of a member appointed to the Executive whenever a new appointment is made.
- 8.05 Where a member of the Executive appointed by a regional exchange is temporarily unable to act his regional exchange may in writing appoint another of its ordinary members to act in all matters for him as his deputy during his temporary inability to act.
- 8.06 In the event of any member of the Executive appointed by a regional exchange being unwilling or unable to act for the term or balance of the term for which he was appointed (as to which inability his regional exchange shall be the sole judge) then his regional exchange shall appoint another of its ordinary members to the Executive in his stead.
- 8.07 The Executive may exercise all the powers and functions of the Council not specially reserved to the Council by these Rules except such powers and functions as the Council shall by resolution from time to time determine shall be exercised only by the Council.
- 8.08 The Executive shall have power to make regulations (being not inconsistent with these rules) governing incidental matters of detail or administrative machinery relating to matters provided for by these rules, and from time to time to amend or replace such regulations. The regulations shall be as binding on all members as if they were incorporated in these rules. A copy of the regulations shall be available for public inspection free of charge at the offices of the Exchange and every regional exchange.
- 8.09 Meetings of the Executive shall be held at such time and place and upon such notice to its members as the President may from time to time appoint or determine.
- 8.10 The President, or in his absence the Vice-President, shall be Chairman of the Executive and in the absence of both, the members of the Executive present shall elect from their number a chairman for that meeting.
- 8.11 The quorum for a meeting of the Executive shall be 4.
- 8.12 Questions arising at meetings of the Executive shall be decided by a majority of the votes cast.
- 8.13 Each member of the Executive shall have 1 vote except when the President and the Vice-President are members of the same regional exchange in which case the Vice-President shall not be entitled to vote.
- 8.14 In the event of an equality of votes the chairman shall have a second or casting vote.
- 8.15 A member of the Executive may not appoint a proxy.
- 8.16 The Executive may, in lieu of meeting, transact business by letter, telegram, telex or telephone but the following rules shall apply—
- 8.161 Every reasonable effort (having regard to the urgency of the matter) shall be made to refer the business to every member of the Executive.
- 8.162 The provisions of Rules 8.12, 8.13, and 8.14 shall apply as if the questions were being determined at a meeting.
- 8.163 A minimum of 4 votes cast shall be necessary to determine the question.
- 8.17 The secretariat of the Exchange shall be the responsibility of the Executive Director who shall be appointed by, and be accountable to, the Executive.
- 9.0 Regional Exchanges**
- 9.01 There shall be regional exchanges situated in such places in New Zealand as the Council from time to time determines.
- 9.02 Each regional exchange shall consist of members of the Exchange whose places of business are within the territory of the regional exchange. The territory of a regional exchange may be changed by the Council only with its consent which shall be given by a resolution passed by a majority of the members of the regional exchange present at a general meeting thereof.
- 9.03 The affairs and business of each regional exchange including the operation of a trading floor (if any) shall be managed by a committee elected by its members.
- 9.04 The members of each regional exchange shall have power—
- 9.041 With the prior approval of the Executive, to make bylaws (being not inconsistent with these Rules or any regulations made hereunder) for the conduct of its members and of business in relation to that regional exchange and, with such prior approval, from time to time to amend or replace the same. Such bylaws and all amendments thereto shall, as prescribed by the Act, be published in the *Gazette* and shall come into force upon such publication. Such bylaws may delineate areas within which only ordinary members may operate. In the event of any conflict between any bylaw and any of these Rules or any of the regulations made hereunder then the Rules and regulations shall prevail.
- And each regional exchange committee shall have power—
- 9.042 To invest and use the funds of the Exchange under the control of the regional exchange in such manner as the committee shall think fit.
- 9.05 The committee of each regional exchange shall consist of a chairman, a vice-chairman and not less than two other members who shall be elected annually and shall hold office until the conclusion of the annual meeting after their election.
- 9.06 At the annual meeting in each year, each regional exchange shall appoint one of its ordinary members to be its delegate on the Council.
- 9.07 Each regional exchange having 20 or more ordinary members shall from time to time in general meeting appoint one of its members as a member of the Executive. Neither the President nor the Vice-President shall be eligible for appointment.
- 9.08 Each regional exchange may formulate remits for

- consideration by the Council and remits to be considered at the annual meeting of the Council shall be forwarded to the Executive Director by 10 December each year.
- 9.09 Each regional exchange shall convene a meeting of members as needed to consider and vote on every remit to be presented to the next meeting of the Council and such a meeting shall be known as a remit meeting.
- 9.10 The notice of every remit meeting shall include a proxy form. A proxy must be a member of the regional exchange.
- 9.11 Every remit considered at a remit meeting shall be voted on separately and voting shall be by ballot, cast either in person or by proxy.
- 9.12 The ballot paper shall provide for each member to vote for or against the remit or alternatively to give the delegate of the regional exchange discretion to cast the member's vote according to the delegate's sole judgement.
- 9.13 If a member considers that a poll should be demanded on any remit at a Council meeting, he may, at a remit meeting, put forward a motion to instruct the delegate accordingly. Such a motion shall be decided on voices unless a show of hands or poll is demanded at the remit meeting.
- 9.14 The voting strength of each regional exchange delegate on the Council shall be determined, in respect of each remit, by the number of votes cast at the remit meeting.
- 9.15 Should the ordinary membership of a regional exchange be reduced to less than 7 members, the Council shall take steps to disband such regional exchange and to that end the following provisions shall take effect—
- 9.151 The territory of such regional exchange shall be transferred by the Council to another regional exchange or divided between two other regional exchanges but such transfer shall be subject to the consent of such other regional exchange or exchanges which consent shall in every case be given by a resolution passed by a majority of the members of the regional exchange present in general meeting.
- 9.152 In the event of more than one regional exchange seeking the territory of the regional exchange to be disbanded or some part thereof the dispute shall be resolved by the Council.
- 9.153 Upon the territory of the regional exchange to be disbanded having been transferred or divided as aforesaid, such regional exchange shall for purposes of the Exchange be deemed thereupon to have ceased to exist but members of the Exchange whose place of business was within the territory of the disbanded regional exchange shall nevertheless continue to be members of the Exchange.
- 9.16 The maintenance of a trading floor within the territory of a regional exchange shall be determined only by a majority vote of the members of the regional exchange concerned.
- 9.17 A country member shall not be entitled to vote at any meeting of the members of a regional exchange nor be eligible for election to the committee or as a delegate or to any office of the Exchange.
- 10.0 General Meeting**
- 10.01 General meetings of members shall be convened on the requisition of the President, the Council, the Executive or by not less than 15 ordinary members.
- 10.02 Every requisition shall be in writing, shall state the objects of the meeting and shall be deposited at the office of the Executive Director.
- 10.03 The Executive shall within 7 days of the date of deposit of the requisition proceed to duly convene a meeting to be held within 40 days from the said date. Notice in writing of such meeting shall be sent by post to all members not later than 21 days prior to the meeting. The accidental omission to post a notice to a member or the non-receipt of a notice by a member shall not invalidate the proceedings of that meeting. The notice shall specify the place, day and hour of the meeting and also the objects of the meeting as specified in the requisition and any other business which the Executive may wish to refer to the meeting.
- 10.04 The President shall preside as Chairman at every general meeting but if he is not present a member appointed by the Executive shall preside.
- 10.05 No business shall be transacted at any general meeting unless a quorum of not less than 50 percent of the ordinary members is present in person or by proxy at the time of the commencement of the meeting. If within half an hour of the time appointed for the meeting a quorum is not present the meeting shall be dissolved.
- 10.06 The Chairman may adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than business left unfinished at the meeting from which the adjournment took place. It shall not be necessary to give notice of an adjourned meeting.
- 10.07 No business other than that specified in the notice of meeting shall be transacted at any general meeting except with the consent of the Chairman.
- 10.08 At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll shall be demanded by the Chairman or by not less than 5 ordinary members. Each ordinary member present in person or by proxy shall be eligible to vote and shall have one vote. Country members shall not be entitled to vote. In the case of an equality of votes the Chairman shall have a second or casting vote. In all cases of dispute doubt or difficulty respecting or arising out of matters or procedure and voting the decision of the Chairman shall be final and binding.
- 10.09 A resolution passed at a general meeting by a simple majority of the votes cast shall operate as a recommendation to the Council. A resolution passed by a majority of not less than 75 percent of the votes cast shall be binding on the Council.
- 10.10 Ordinary members unable to attend any general meeting may vote by proxy. Proxies shall be in the hands of the Executive Director at least 24 hours before the time of the meeting. No person shall hold a proxy to attend and vote unless he is an ordinary member.
- 11.0 Conduct of Members**
- 11.01 Every member shall—
- 11.011 At all times observe proper ethical standards.
- 11.012 Refrain from any action or conduct which might bring discredit to the Exchange and its members or bring the Exchange or members generally into disrepute.
- 11.02 A member shall not be a shareholder in, or a director of, or knowingly transact business for or on behalf of any limited liability company which represents to the public that it engages in the business of stock and sharebroking or makes use, in the conduct of its business, of sharehawking or other similar methods discountenanced by the Council for the sale or disposal of stocks, shares, debentures, bonds, or other securities. The Executive may grant, from time to time, dispensation in respect of named merchant banks.
- 11.03 No member shall buy or sell securities for an employee of any other member.
- 11.04 No member shall accept money on deposit, provided that nothing in this rule shall be construed as preventing or restricting the borrowing of money by a member from bankers or other financial institutions in the ordinary course of business.
- 11.05 No member shall send or deliver by post or otherwise or cause to be sent or delivered as aforesaid to any person other than a client any communication in relation to shares or stockbroking business or interview or cause to be interviewed by an employee or agent any person not his client. However, members or their employees may accept invitations to address groups, write articles for newspapers and financial publications, or participate in television or radio programmes upon such terms as may be laid down by the Executive or prescribed by the regulations.
- 11.06 For the purposes of Rule 11.05 a client means and includes a person, firm, association, or body corporate for whom a member has carried out share and/or stockbroking business. No person whose only business with a member has been to apply for shares comprised in a placement, flotation, or new issue or issues shall be considered a client. Communication means and includes every form of invitation direct or indirect to transact or pass shares and/or stockbroking business through the member making the communication or through any other broker named in the communication.
- 11.07 Members may, if they pay due regard to Rule 11.01 and the regulations, initiate business or communicate with any of the undermentioned bodies, or such other bodies as may be advised by the Executive from time to time.
- 11.071 Government, quasi- and semi-Governmental institutions, bodies and departments; public and municipal bodies;
- 11.072 Trading banks, Trustee or other Savings Banks, other banks, Life Insurance Companies and Trustee Companies including the Public Trustee;
- 11.073 Fire Insurance Companies and Building Societies.
- 11.074 Any public company or subsidiary thereof.
- 11.075 Provident or superannuation or staff or employee benefit or welfare or other similar funds authorised by or associated or connected with any organisation mentioned in paragraphs 071, 072, 073 and 074 of this Rule.

- 11.076 Finance Companies, Merchant Banks, official dealers in the short term money market and their subsidiary or parent companies.
- 11.08 Members are not permitted to approach directors or officers of any body mentioned in Rule 11.07 for the purpose of obtaining an introduction to shareholders or holders of other classes of quoted securities; or for the purpose of enquiring from such a director or officer the names of possible buyers or sellers of quoted securities issued by the body; or for the purpose of utilising in any way the services of such a director or officer to initiate business other than in quoted securities owned by the body; provided that the provisions of this Rule shall not restrict an approach by a member to a company or other body to submit a proposal relating to the capital or loan securities of that body.
- 11.09 No member shall advertise in any manner whatsoever in connection with sharebroking business without first obtaining the approval of the Committee of his regional exchange that the proposed advertisement is in accordance with these Rules and regulations.
- 11.091 A member may advertise by way of a card which has been approved by the Committee of his regional exchange and which contains any or all of the following:
The member's full name and the full name of his firm, the full names of his partners, if any, the fact that he is a stock and sharebroker and a member of the Exchange, his street address, post office box number, telephone number, and telegraphic and telex address and a list of the services offered by the firm.
- 11.10 No member may solicit clients or business by such means as personal canvass, circular, or the undignified display of unduly large name plates or painted or illuminated signs.
- 11.11 A member or his firm may issue clients with a factual or objectively worded account of the services available from the firm. Such a communication may also be made to a non-client in response to any unsolicited request.
- 12.0 Listing**
- 12.01 Right of Quotation—The right of quotation on the official list shall be granted only by the Exchange and upon such terms and conditions as the Executive may generally or in any particular case from time to time determine.
- 12.011 Notwithstanding the foregoing the Executive may delegate to the Executive Director or other officer or officers of the Exchange (subject to such conditions as it shall from time to time determine) a general power to grant such right of quotation in respect of any securities where the general requirements and conditions from time to time laid down by the Executive as a condition precedent to the right of quotation on the official list have been complied with.
- 12.02 A company desiring to have its equity or loan securities or any class or classes thereof granted the right of quotation on the official list shall make application in that behalf to the Executive Office of the Exchange and pay the fee from time to time prescribed by the Executive. The Exchange may, without assigning any reason, refuse to grant such securities or any class of such securities the right of quotation on the official list, and similarly may at any future time suspend or cancel such right of quotation.
- 12.021 Such right shall also be cancelled when the Exchange is so requested by the company.
- 12.03 The Exchange may grant by way of courtesy and either with or without payment of any fee the right of quotation on the official list of any class of shares of a company registered outside New Zealand in respect of which the right of quotation on its official list has been granted by a stock exchange, outside New Zealand, recognised by the Exchange.
- 12.04 Where a prospectus states that listing has been applied for no member shall deal in the securities concerned until they have been listed by the Exchange or listing has been refused.
- 13.0 Prospectuses**
- 13.01 No member of the Exchange shall act as broker to, or be associated with any flotation where a prospectus or other document soliciting application for shares or other securities, or capable of promoting inquiries for the shares or other securities, of a particular company is issued to persons other than the directors or employees of a company or their wives unless consent of the Executive in that behalf has first been given. In considering an application for consent under this Rule, the Executive shall have regard to whether the requirements of the general law and the rules, regulations and listing requirements of the Exchange have been or are likely to be complied with, the standing and repute of the issuer and such other matters as the Executive may consider to be relevant in the interests of the investing public and the standing of members.
- 13.011 Where application for such consent is made by a member, it shall be made to the Executive.
- 13.012 Where application for such consent is made by a non-member, it shall first be made to the chairman of the regional exchange nearest the head office of the company concerned. The chairman shall arrange for a member, acceptable to the company, to act for the purpose of ensuring compliance with all the requirements of the Exchange but such member need not be named in the documentation and he may charge a fee for the service. The application should then be forwarded to the Executive in the usual way.
- 13.013 Such application shall be accompanied by such fee as may be prescribed from time to time by the Executive.
- 13.014 The word "flotation" where it is used herein shall not include the issue of debentures or stock by the New Zealand Government or by a local body within New Zealand, nor shall it have any application to the formation of a private company nor to the increasing of the capital of a private company.
- 13.02 A member shall not without the consent of the Executive act as broker for a company in conjunction with anyone other than a member, but a consent given in this behalf shall be deemed to be an authority for all other members to so act. In considering an application for consent under this provision, the Executive shall have regard to the standing and repute of the non-member and the best interests of the Exchange and its members in furthering the objects of the Exchange.
- 13.03 Where a member has sought and been granted permission to act as a broker in connection with a non-member then such member shall be responsible for any action by the non-member which, if committed by the member so acting, would have been a breach of these Rules or any of the regulations made hereunder.
- 13.04 A consent given to any one member pursuant to Rule 13.01 to act as broker to, or be associated with a flotation, shall be deemed to be authority for all other members to be associated with that flotation, but shall not confer upon such other members any right to demand to be allowed to place a portion of the issue.
- 13.05 In each case in which consent to act as broker to or to be associated with any flotation is given pursuant to Rule 13.01 unless the Executive in granting such consent shall (in any particular case) direct otherwise, there shall be endorsed upon the relevant prospectus or other document soliciting applications for shares or capable of promoting inquiries for the shares, the following endorsement, "The New Zealand Stock Exchange has authorised members to act in this issue."
- 14.0 Underwriting**
- 14.01 Upon receipt of an application for consent pursuant to Rule 13.01 for a member to act in a flotation which he is underwriting whether wholly or in part or in conjunction with any other person, the Executive may request the committee of the regional exchange to require the inspector appointed under Rule 23.04 to verify, by examination of the records of the applicant, the details contained in the application insofar as they relate to the underwriting of the flotation and to report to the regional exchange committee on the accuracy of such application with any comments which he considers may affect that committee's consideration of the application. In considering the application, the committee shall satisfy itself that the obligations likely to devolve upon the member are within his financial capacity.
- 14.02 No member shall underwrite local body loans without the consent of the committee of his regional exchange. Application for such consent shall be made in the form from time to time prescribed by the Executive. In considering such application, the committee shall satisfy itself that the obligations likely to devolve upon the member are within his financial capacity. The committee may require the Inspector appointed under Rule 23.04 to make the same verification and report as are referred to in Rule 14.01.
- 14.03 A member shall not without the consent of the Executive act as underwriter for a company in conjunction with

- anyone other than a member, but a consent given in this behalf shall be deemed to be an authority for all other members to so act. In considering an application for consent under this provision, the Executive shall have regard to the standing and repute of the non-member and the best interests of the Exchange and its members in furthering the objects of the Exchange.
- 14.04 Where a member has sought and been granted permission to act as an underwriter in connection with a non-member then such member shall be responsible for any action by the non-member which, if committed by the member so acting, would have been a breach of these Rules or any of the regulations made hereunder.
- 14.05 A member shall not permit his name to appear as a broker or underwriter in connection with the flotation of any company or any issues of shares or other securities where it is advertised that such issues are underwritten or co-underwritten or in any way organised by others than members unless such underwriters or co-underwriters or organisers have been approved by the Executive.
- In an application for approval under this rule, the Executive shall have regard to the same criteria as are specified in Rule 14.03 in regard to an application for consent under that provision.
- 15.0 Quotations and Sales Reporting**
- 15.01 To maintain a quotation at official trading periods, members offering to buy or sell shall be bound to deal in numbers prescribed by the regulations, which numbers shall be known as marketable parcels.
- 15.02 Sales shall be reported within such times and in such manner as shall from time to time be prescribed by the regulations.
- 16.0 Brokerage**
- 16.01 Brokerage — Fixed Interest Securities —
- 16.011 On Government and local body securities, whether issued or domiciled in New Zealand or overseas, and on the securities of such New Zealand corporations as the Executive may from time to time define as semi-government corporations, rates of brokerage, calculated on nominal value, shall be—
- On the first \$5,000—50 cents per \$100
On the next \$5,000—25 cents per \$100
On the next \$40,000—12 cents per \$100
- Save that on a parcel of more than \$50,000 no fixed rates of brokerage apply.
- 16.012 On the bonds, debentures, and debenture stock, whether registered or not, of companies and all other corporations, not having been defined as semi-government under Rule 16.011, and on note issues not carrying the right of conversion into shares, the rate of brokerage calculated on nominal values shall be—
- Listed—
On the first \$5,000—\$1 per \$100
On the next \$5,000—50 cents per \$100
On the next \$40,000—25 cents per \$100
- Unlisted—the above rates plus 50 percent.
- Save that on a parcel of more than \$50,000 no fixed rates of brokerage apply.
- 16.013 If the final or advised date of maturity is within 12 months of the date of sale, brokerage shall be at half the rates specified in Rules 16.011 and 16.012.
- 16.014 Where securities specified in Rules 16.011 and 16.012 are sold and within 24 hours of the time of sale the selling broker purchases other securities specified in those Rules for the same client, then brokerage at half the rate which would otherwise be chargeable may be charged on that part of the transaction (if not the whole) involving the sale of securities and the purchase of other securities of the same face value.
- 16.015 Where securities specified in Rules 16.011 and 16.012 are sold and within 24 hours of the time of sale the selling broker arranges a reinvestment for the same beneficial interest of any part of the proceeds of sale in other securities specified then brokerage (on so much of the securities in respect of which the net proceeds of sale are reinvested as aforesaid) may be charged at half the rate which would otherwise be chargeable, provided that a placement commission is allowed to the broker by the issuer.
- 16.016 The foregoing concessional rates as to quantity apply as to the total of securities specified in either Rule 16.011 or 16.012 (but not to an aggregation or substitution of securities between those clauses) to the extent that a single instruction, given at the one time to buy or to sell on behalf of the one beneficial interest such securities (which may be of different issuers, interest rates, and/or maturities), is completed within one calendar month from the date of such instruction. The balance of the uncompleted order shall after one calendar month be deemed to be a new instruction from the date of commencement of the 2nd and subsequent months.
- 16.017 The rates of brokerage prescribed shall be charged to both buyer and seller.
- 16.018 Notwithstanding the provisions of the preceding Rules, it shall be competent for the Executive from time to time to increase, reduce, or waive payment of rates of brokerage therein prescribed in respect of any transactions in government or local body securities undertaken for and on behalf of the New Zealand Treasury or the Reserve Bank of New Zealand.
- 16.019 Subject to the provisions of the Rules and subject to the laws of the country wherein the register of securities dealt in is situated, stamp duty and transfer fees shall be paid by the purchaser. Where the transaction is for less than a marketable parcel as defined by the regulations the buyer and/or the seller shall pay such stamp duty and fees as may be prescribed from time to time by odd lot regulations of the Exchange.
- 16.02 Brokerage—Equity Capital.
- 16.021 Rates of brokerage on shares, capital stock, rights to new issues, share options or convertible loan securities in companies listed on an exchange recognised by the New Zealand Stock Exchange (except as hereinafter provided) shall be—
- On each order given at the one time, buy or sell, on behalf of the one beneficial interest, securities in the one company of the same class and paid up value—
- (i) On the first \$5,000 of consideration 2.5 percent
(ii) On the next \$45,000 of consideration 1.5 percent
(iii) On the next \$450,000 of consideration 1 percent
(iv) On that amount by which consideration exceeds \$500,000 0.5 percent
- In the case of an order to purchase rights to a new issue consideration means the sum of the purchase price of the rights and the minimum application money payable.
- PROVIDED THAT the concessional rates in sub-paragraphs (ii) and (iii) above shall apply only—
- (a) on that part of the order completed within three calendar months from the date of the first transaction carried out against the order. The balance of the uncompleted order shall after three calendar months from the date of the first transaction be deemed to be a new order, and
- (b) in the case of an order to buy comprising both shares and rights to a new issue if the money payable on application for the new issue would make the shares arising from the issue of the same paid up value as the quoted shares.
- PROVIDED FURTHER THAT in the case of an order when the consideration is less than \$20 total brokerage shall be \$2.00.
- AND PROVIDED FURTHER THAT in the case of an order when the consideration is more than \$20 but less than \$200 total brokerage shall be \$5.00.
- 16.022 When a client gives an order to resell or repurchase securities in the one company where the consideration exceeds \$5,000 and the order is completed within thirty days of the date on which the securities were purchased or sold the following rates shall apply to the resale or repurchase:
- (i) on the first \$5,000 of consideration 1.25 percent
(ii) on the next \$45,000 of consideration 0.75 percent
(iii) on the amount by which the consideration exceeds \$50,000 0.5 percent
- PROVIDED THAT for any balance of an order to re-sell uncompleted within one calendar month brokerage shall be charged at the rate set out in Rule 16.021 and such balance shall have the benefit of concessional rates provided in such

clause if applicable.

PROVIDED FURTHER THAT the concessional rates in Rule 16.022 above shall apply only when the client, in the case of a re-sale unless otherwise arranged, has within five business days of the date of the original transaction, made payment in full of the purchase price and other charges for the securities or in the case of a re-purchase makes delivery within 10 days of the date of the original transaction.

- 16.023 On securities of the types set out in Rule 16.021 which are not listed or rights of which quotation has not been authorised, the rates of brokerage shall be as prescribed in Rule 16.021 plus 50 percent.
- 16.024 The rates of brokerage prescribed in the preceding Rules shall be charged to both buyer and seller.
- 16.025 Subject to the provisions of the Rules and subject to the laws of the country wherein the register of securities dealt in is situated, stamp duty and transfer fees shall be paid by the purchaser. Where the transaction is for less than a marketable parcel as defined by the regulations the buyer and/or the seller shall pay such stamp duty and fees as may be prescribed from time to time by odd lot regulations of the Exchange.
- 16.03 Notwithstanding the provisions of the foregoing Rules, special brokerage rates may be charged in the following circumstances—
- 16.031 Charges in excess of those prescribed by Rules 16.01 and 16.02 may be made according to the circumstances of the case for the negotiation of flotations (other than offers of securities made to existing holders) of securities not on the official list provided that in the case of any placement of existing securities the amount of any such excess shall with the prior consent of the committee of the member's regional exchange be paid by the vendor or issuing company concerned.
- 16.032 On flotation of all securities excepting bonds, debentures, or debenture stock (other than placement of existing securities), brokerage (based on the issue price or nominal value whichever is the greater) shall be payable to members lodging applications in respect of so much of such applications as is accepted at the rates prescribed by Rule 16.021 provided that the foregoing rates may be reduced with the prior consent of the Executive.
- 16.033 On flotation of bonds, debentures, or debenture stock and term deposits, brokerage shall be payable to members lodging applications in respect of so much of such application as is accepted at a minimum of one percent. Provided that in respect of such securities of a maturity of two years and under, the foregoing rate may be reduced with the prior consent of the Executive.
- 16.034 In the case of any placement of any unlisted, issued and allotted shares in any company, brokerage may be charged as follows:
— to the vendor such rate as may be approved by the Executive in any instance.
— to the buyer the rates as prescribed in Rule 16.021 in which case the member may charge the selling fee and buying brokerage and stamp duty against the vendor or company whose shares are being sold.
- PROVIDED THAT in either of the above cases the undermentioned precedent conditions have been satisfied, namely:
— that consent to act under Rule 13.01 has been obtained and a prospectus is issued.
— that the object of the placement is to enable a spread of shareholders to be obtained to facilitate the listing of such shares.
— that all the listing requirements of the Exchange have been complied with at the date of issue of such prospectus.
— that a signed application for listing of the shares in question shall have been duly made in accordance with the provisions of Rule 12.02.
- 16.035 In circumstances not covered by these Rules, the member involved may charge a fee as mutually arranged between the member and his client.
- 16.036 Of the foregoing provisions of the Rules, nothing herein contained is intended to apply to the services of underwriting, organising, or advising and the fees to be charged therefor shall be a mutual arrangement to be determined between broker and client in each instance.
- 16.037 Notwithstanding the provisions of this or any other Rule, the brokerage rate or handling fee payable to members in respect of acceptances of an offer of conversion made to existing holders of interest bearing securities, or by the original offeree, of securities in a rights issue, shall be such rate or fee as may be negotiated in any particular instance by the member associated with the offer.
- 16.04 The Council may by resolution notify regional exchanges forbidding business on any terms by all members with a particular person, firm, or company, or in some particular share, stock, or debentures, should they deem such an action to be in the interests of the investing public, the interests or standing of the Exchange or its members, or for such other reasons as they may consider to be relevant.
- 16.05 Dividing Commission—No member shall divide any commission earned as a broker except with a member or with a member of a stock exchange out of New Zealand recognised by the Exchange. Nothing in this Rule shall be construed to permit a member to reduce his commission to the person from whom he earns that commission, nor to prevent a member acting as an underwriter from dividing any commission received as an underwriter or sub-underwriter with any sub-underwriter whether a member or not.
- 16.06 No member shall do business for or with any broker or other person (other than a member of the Exchange or a stock exchange out of New Zealand recognised by the Exchange) at net prices or at less than the rates of commission specified in these Rules.
- 16.07 No member shall do business for or with any member of a stock exchange outside New Zealand who either alone or in partnership with any other person or through an agent or employee has or acquires a place of business in New Zealand or who in any way carries on business in New Zealand.
- 16.08 No rates other than those fixed in these Rules shall be charged and it shall not be allowable under any circumstances whatever to pay an agent not a member of any stock exchange a remuneration of any kind for introducing business.
- 16.09 A member may not act as a principal nor adopt any other procedure for the purpose of evading these Rules.
- 16.10 Accrued interest shall not be taken into account on the sale of government or local body securities or bonds, debenture stock, but shall be included in the sale price.
- 16.11 The following scale of fees shall be adopted by all members for valuation of all listed securities provided that the chairman of a regional exchange may authorise a member of such exchange to negotiate with his client for a greater or lesser charge should circumstances in the chairman's opinion warrant such actions:
0.2 percent on first \$25,000 of the total valuation
0.1 percent on the balance of the total valuation in excess of \$25,000
- 16.111 The minimum charge per line shall be \$2 and the minimum overall fee shall be \$10.
- 16.12 The examination of a portfolio is a service not falling within this Rule and may be subject to a reasonable fee.
- 17.0 **Contracts**
- 17.01 In contracts between members for the sale and purchase of shares and stocks, they shall be held to be principals to each other, unless a written arrangement to the contrary is made between buying and selling brokers at the time the contract is made.
- 17.02 Contract notes for all transactions shall be passed between members and shall be prima facie evidence that the transaction has taken place and the terms thereof.
- 17.03 Refusal of the Board of Directors of any company to register a transfer shall not invalidate a sale.
- 18.0 **Delivery and Settlement**
- 18.01 Delivery shall not be made earlier than the business day following the contract.
- 18.02 Save where the contract otherwise provides, the seller shall be deemed to have contracted to deliver not later than 1 p.m. on the tenth business day after the day of sale. In each case such day is referred to in these Rules as the due date.
- 18.021 Prompt or immediate delivery shall mean delivery within 24 hours from time of sale.
- 18.03 The seller shall be entitled to require settlement for cash or marked cheque or bank cheque or through a bank, upon delivery of documents on a business day, save that a seller is not so entitled unless he delivers in accordance with these Rules and before the time specified by these Rules or any regulations made hereunder.

- 18.031 Where the buyer carries on business at a distance from the seller the seller may draw on the buyer on sight with documents attached for presentation not earlier than the seller is entitled to deliver.
- 18.04 Where delivery has been tendered by the seller in accordance with these Rules and the buyer has not paid or tendered the price in settlement, the seller may give notice to the buyer demanding settlement immediately.
- 18.041 Any notice aforesaid delivered after 4 p.m. shall be deemed to be delivered upon the next business day.
- 18.042 In the event of the buyer failing to settle upon the day upon which such notice shall be given or deemed to be given, then upon the day next following upon which such notice is delivered or deemed to be delivered, the seller may at his option cancel the contract or without further notice to the buyer re-sell the subject-matter thereof through the chairman of the seller's regional exchange.
- 18.043 Such last-mentioned chairman may thereupon re-sell and after deducting expenses shall pay to the seller the proceeds, and shall certify to any loss upon resale, whereupon the buyer shall pay to the seller the amount so certified.
- 18.05 Where the seller has not tendered delivery in accordance with these Rules, the buyer may at any time after 1 p.m. upon the due date give notice in writing to the seller demanding delivery immediately. A copy of such notice shall be lodged with the selling broker's regional exchange.
- 18.051 Any notice as aforesaid delivered after 4 p.m. shall be deemed to be delivered upon the next business day.
- 18.052 The selling member may forthwith upon receipt of such notice or earlier, tender in writing to the chairman of his regional exchange a statement of the reason for the non-delivery and the chairman may at his discretion and with the consent of the buying member, which shall not be unreasonably withheld, fix a later date for delivery. Such discretion shall not be exercised unless the non-delivery is the result of some factor which occurs subsequent to the time of sale, or which, if existing at the time of sale, could not then have been ascertained by the selling broker using due diligence.
- 18.053 Where the selling member has part of the securities available, he may make a part delivery provided the part delivery:
- Is a marketable parcel; or
 - Is such other quantity as the buying member agrees to accept; and
 - Is accompanied by a delivery slip marked "Under Notice—Part Delivery"—and sets out full details of the contract, the quantity and amount of the part delivery and the balance of securities and the amount still outstanding; and
 - Is made on or before the fifth business day after the giving of the notice.
- 18.054 The selling broker may give notice in succession in terms of the foregoing clauses of this Rule to any other broker whether or not a member of the same regional exchange either as to all or as to part of the securities in the original notice, and any broker receiving such a notice in succession shall have a similar right. A notice in succession shall state the name of the broker first giving notice and shall operate as direct notice from that broker to the selling broker named in each notice in succession to the extent that a further notice in succession is not given.
- 18.055 Every giver of a notice in succession shall forthwith send a copy of such notice to his regional exchange, to the regional exchange of the recipient and to the broker first giving notice.
- 18.06 Where any broker receives notice under Rule 18.05 and fails to give notice in succession to another broker as to all of the securities in the first notice then if delivery has not been made within 4 clear business days of the receipt of a copy of a demand for delivery, or notice in succession, whichever is applicable, the selling broker's regional exchange shall give notice of the demand in the exchange on the next Wednesday.
- 18.061 Upon the posting of the notice of overdue delivery the selling broker shall become liable to pay his regional exchange a fee of \$10.
- 18.062 If delivery has not been made on the Monday following the posting of the notice of overdue delivery, the Chairman of the regional exchange shall buy in against the selling broker, the securities in respect of which such broker has not given notice in succession unless there are circumstances, such as undeliverable benefits, which in the Chairman's view are exceptional.
- 18.063 At the trading session during which the buying-in takes place the Chairman, or his nominee, shall offer to purchase the securities concerned at the following margins above the current market price as established by the Chairman of the regional exchange:
- For the first day the margin shall be 20 percent;
 - For each of the 3 days thereafter the margin shall increase by 10 percent per day;
- Provided that the total margin shall not exceed \$500.
- 18.064 The Chairman or his nominee shall purchase for prompt delivery as defined in Rule 18.021 but may, in his discretion, stipulate a longer period.
- 18.065 The Chairman may adopt any booking procedure to comply with his office system but shall issue a contract note to the original selling broker for the securities bought in which shall include brokerage at standard rates.
- 18.066 Delivery and settlements shall be completed through the regional exchange.
- 18.067 Where a Monday or Wednesday is a public holiday the next business day shall apply.
- 18.07 Where the seller makes delivery in part or in whole before the chairman has bought in in accordance with Rule 18.06 he shall advise the chairman accordingly and such advice shall be deemed to cancel the notice to the extent of the delivery made.
- 18.08 A member giving, under Rule 18.054 or 18.07, notice or advice which is false in any material particular shall be liable to a fine not exceeding \$1,000.
- 18.09 When a chairman buys in in accordance with Rule 18.06 he shall advise the ultimate buyer of such fact and upon the further advice from the chairman that the documents concerned have been delivered, the ultimate buyer will forthwith tender to the chairman the consideration of the transaction from which the notice arose or such proportion of such transaction as is applicable and upon receipt of such consideration the chairman will forward the appropriate documents.
- 18.091 Upon receipt of the moneys as aforesaid the chairman receiving the same shall as far as they will extend use the same in adjustment of differences. For this purpose, such chairman shall obtain and shall be entitled to demand the necessary information from any regional exchange of which members are concerned in the transaction. All moneys available from time to time shall be distributed rateably to those members thereto entitled.
- 18.092 If the moneys received are deficient for this purpose, the chairman shall demand from the seller ultimately named the deficiency and to the extent to which moneys are so recovered, distribute the same to adjust the difference between brokers connected with the transaction.
- 18.093 Any surplus after adjustment of differences and payment of the chairman's expenses in connection with the transaction shall be the property of the original seller.
- 18.10 The chairman purchasing securities as aforesaid may purchase in one or more lots at such time or times as he thinks fit.
- 18.11 Nothing in these Rules shall relieve any member from the liability to the member with whom he has immediately contracted, save insofar as such liability is satisfied by the adjustment of differences and save as provided in Rule 18.14.
- 18.12 If the chairman has bought in in accordance with these Rules in whole or in part, then the original seller shall not be entitled to deliver save to the extent that the chairman has not bought in.
- 18.13 If the chairman required to buy in by these Rules has not bought in at the expiration of 3 days from the date first upon which he is to buy in, the ultimate buyer may require the President of the Exchange to fix a cash price as the basis for settlement of the transaction. In that case the chairman shall adjust the transaction between all parties with money demanded from the original seller in a like manner to the adjustment where such chairman actually buys in.
- 18.14 Where the provisions of Rule 18.13 have been invoked, the transaction shall be deemed to have been cancelled and such cancellation shall be operative as between all members in the transaction.
- 18.15 On the first business day of no more than 2 months in

- each calendar year, it shall be mandatory for all members to give notice in accordance with Rule 18.05 in respect to all deliveries which have been outstanding for more than 1 month.
- 18.151 For the purpose aforesaid, the President shall nominate the month or months in each calendar year and members will be given at least 10 business days' notice of any day so fixed.
- 18.16 The seller shall deliver separate transfers representing the total number of shares in the sale where the buyer requests at the time of sale separate transfers provided always that where a marketable parcel is bought and no conditions are agreed upon at the time of sale it shall not be obligatory for the seller to deliver more than one transfer.
- 18.17 In no case is it incumbent on a seller to deliver scrip otherwise than in accordance with the terms of the contract. Save that, unless otherwise agreed, where a buying broker requests split transfers for shares in a company which does not permit marking of transfers, scrip must be delivered to match up with each transfer at time of delivery.
- 18.18 The selling broker shall be responsible for a reasonable time from date of delivery for the validity of all documents delivered, and for the shares being free from all liability due or payable at the time of sale.
- 18.19 It shall not be incumbent upon a member to accept a marked transfer of any security where there are less than 14 days in the case of transfers on an overseas register and 7 days in the case of transfers on a New Zealand register before the expiry of the period for which scrip is being held in support.
- 18.20 A seller of shares in an overseas company having a New Zealand register shall deliver scrip on an overseas register unless the contract otherwise provides.
- 18.21 A seller of shares in an overseas company not having a New Zealand register, shall deliver scrip on the register of the head office of the company unless the contract otherwise provides.
- 18.22 Delivery of bonds shall be in single \$1000 bonds unless otherwise arranged at time of sale.
- 18.23 In the event of a member's client dying or becoming otherwise incapable of receiving and paying for, or delivering or transferring stocks or shares which the client has ordered to be bought or sold and, after reasonable inquiry the member has no knowledge of anyone legally authorised to complete such purchases or sales on the client's behalf, the member may, through the chairman or with his authority, resell or repurchase as the case may be, and the client (or his estate) shall be liable for any deficiency and be entitled to any surplus which may result.
- 18.24 In the event of a member's client failing or refusing to complete a contract or a number of contracts on demand (which demand need not be in writing) the member may resell or repurchase as the case may be, the securities the subject of the contract or contracts at the client's risk and expense, which expenses shall include brokerage and stamp duty.
- 18.241 Any deficiency arising from any such resale or repurchase shall constitute a debt owing by the client to the member and in any case where there shall be a surplus arising from any such transaction the member shall account to his client accordingly subject in either instance to any right of set off which may exist.
- 18.242 Any written communication (including any demand) from a member to his client shall if sent by cable, telegram, telex or prepaid letter addressed to the last known address of the client be deemed to be delivered to the client on the next business day following the day of posting or sending.
- 18.25 Powers of Attorney—Where a transfer of securities purports to be executed under a power of attorney or by an executor or administrator such transfer shall bear an acknowledgement by the registrar or a regional stock exchange to the effect that the power of attorney, probate, or letters of administration have been exhibited.
- 18.26 Where the seller has not tendered the documents within 6 weeks of the date of sale and the buyer has not acted under Rule 18.05 the buyer may give notice to the seller that, unless the documents are tendered within 72 hours of the receipt of such notice, the buyer will not thereafter accept delivery and, if the seller fails to deliver within the said 72 hours, then he shall not be entitled thereafter to deliver.
- 18.261 Nothing in this Rule shall be deemed to prejudice the rights of the buyer against the seller in respect of non-delivery as aforesaid.
- 19.0 Short-term Money Market, Commercial Bills, Contributory Mortgages**
- 19.01 No member shall:
- 19.011 Act as an agent for an authorised money market dealer.
- 19.012 Participate in this market in conjunction with his sharebroking business.
- 19.02 No member shall without the consent of the committee of his regional exchange:
- 19.021 Be a director of an authorised money market dealer company.
- 19.022 Be named as a director in a prospectus issued by such a company.
- 19.023 Approach such a company for business.
- 19.024 Accept a procuration fee from such a company.
- 19.03 In considering an application for consent under Rule 19.02, the committee may, if it thinks fit, grant consent if the member holds no other office in the authorised money market dealer company, the company does not have a name which is indicative of, or related to, the name of the member or his firm and the company operates from a location, and through staff, entirely divorced from those of the member and his firm. If consent is given any procuration fee received from the company shall be disclosed to the client.
- 19.04 When dealing in commercial bills, Bank TCDs and other bearer securities:
- 19.041 No member shall act as a principal.
- 19.042 No member shall hold any security on behalf of a client.
- 19.043 No member shall endorse or guarantee any bill.
- 19.044 Every member shall ensure that bills are forwarded to the client or lodged at a trading bank for custody and collection.
- 19.045 Every member shall ensure that full details of every transaction are advised to the client in writing.
- 19.046 Every member shall ensure that the receipt of any fee is disclosed to the client.
- 19.05 Where any funds are placed on deposit for a client and remain to any degree under the control of a member written authority shall be obtained from the client.
- 20.0 Discipline**
- 20.01 A Disciplinary Committee of the Exchange shall be appointed by the Council and shall consist of a barrister of not less than 7 years' practice who shall be chairman, and not less than 2 or more than 7 other members none of whom shall be a sitting chairman of a regional exchange, or a member of its committee. The Council may from time to time remove from office any member of the Disciplinary Committee or fill any vacancy in its membership or appoint any additional member within the limits set by this Rule. No member who has attained the age of 70 years shall be eligible for appointment and a member of the Disciplinary Committee attaining that age shall retire from the Disciplinary Committee at the conclusion of the next annual meeting of the Council and shall not be eligible for re-appointment.
- 20.02 Subject to the proviso to Rule 20.08, a quorum shall consist of the chairman and not less than 2 other voting members of the Disciplinary Committee.
- 20.03 If the chairman, through absence or any other cause is unable to act, the Executive may appoint a qualified person in his place for a period not exceeding 6 months. Such appointment may be renewed only by the Council.
- 20.04 The chairman of the Disciplinary Committee shall appoint one member of the public (who shall not be a barrister or solicitor) residing in Wellington, to be the lay member of the Disciplinary Committee. Each such appointment shall be for a period of one year, but may be renewed.
- 20.041 The appointment shall be advised to the Securities Commission to whom the lay member shall report at least once in each year.
- 20.042 The lay member shall be entitled to receive all notices and reports sent to the Disciplinary Committee and to attend all its meetings. He may speak and take part in proceedings and deliberations on hearings and appeals, but shall not have a vote. His remuneration and expenses shall be as agreed with the chairman of the Disciplinary Committee and shall be paid by the Exchange.
- 20.043 The lay member shall have no obligation to attend hearings of the Disciplinary Committee which he considers do not involve the public interest.

- 20.05 Without limiting or derogating from any other provisions of these Rules the Disciplinary Committee shall have power to hear any charge made against any regional exchange or a member and referred to it by the Council, the Executive, or a committee or the chairman thereof. The Disciplinary Committee may appoint an investigating committee and cause or require it to conduct such further investigations as it seems appropriate on any matter before it.
- 20.06 Every appeal by a member from the decision of a committee shall be heard and determined by the Disciplinary Committee and shall be by way of a complete rehearing of the charge unless the Disciplinary Committee shall otherwise decide.
- 20.07 Members Concerned or Implicated—
- 20.071 At the hearing of a charge against a member, no member of the Disciplinary Committee who is concerned or implicated in or whose firm is concerned or implicated in that charge shall be eligible to attend any meeting of the Disciplinary Committee called to enquire into the same;
- 20.072 At the hearing of a charge against a regional exchange a member of the Disciplinary Committee who is a member of that regional exchange, or where the charge has been referred to the Disciplinary Committee by the Council or the Executive, is also a member of the Council or the Executive as the case may be, shall not be eligible to attend any meeting of the Disciplinary Committee called to enquire into the same;
- 20.073 The lay member shall declare any interest he may have in connection with the parties to or the matter of a hearing. In such case he shall not be eligible to attend that hearing and the chairman of the Disciplinary Committee shall appoint another lay member for that hearing only.
- 20.08 If after enquiry into any charge, the Disciplinary Committee is of the opinion that the regional exchange or the member has been guilty of misconduct or of a breach of any rule or any regulation or any bylaw of a regional exchange, or of any act matter or thing detrimental to the well-being or proper conduct of the Exchange or regional exchanges generally it may, if it thinks fit, do one or more of the following things:
- 20.081 In the case of a regional exchange:
- 20.0811 Order it to pay to the Exchange a sum by way of penalty not exceeding \$2,000;
- 20.0812 Censure it.
- 20.082 In the case of a member:
- 20.0821 Expel him from membership;
- 20.0822 Suspend his membership for a stated period;
- 20.0823 Order him to pay to the Exchange a sum by way of penalty not exceeding \$5,000;
- 20.0824 Censure him.
- Provided that except with the consent of the member charged, no order shall be made expelling or suspending a member unless at least 4 members of the Disciplinary Committee including the chairman are present and a majority vote in favour of the order.
- 20.09 In any case where a member is fined the Disciplinary Committee shall set the time within which the fine shall be received by the Exchange.
- 20.10 The Disciplinary Committee shall state in every finding under Rule 20.08 whether the statement to be circulated under Rule 20.46 shall identify the penalised regional exchange or member by name and whether the circulation of the statement shall be to members only or generally.
- 20.11 Where a member is charged with having been convicted of a crime involving dishonesty as defined by section 2 of the Crimes Act 1961 or any statutory modification or re-enactment thereof the charge shall not be heard by his committee but shall be submitted by such committee to the Disciplinary Committee for enquiry and action and for the purpose of this Rule, proof of conviction may be given by a certificate containing the substance of the conviction purporting to be signed by the Registrar or other proper officer of any Court by which the offender was convicted.
- 20.12 The Disciplinary Committee shall give at least 10 days' notice in writing (or such lesser time than 10 days as may be agreed upon by the parties concerned) to the regional exchange or member against whom a charge has been made, specifying the nature of such charge and the date, place and time of the meeting of the Disciplinary Committee called to consider that matter.
- 20.13 At such meeting, the regional exchange or member concerned shall be given a reasonable opportunity of being heard in defence and shall be entitled to be represented by counsel if such regional exchange or member so desires. Except as otherwise provided in these Rules, the Disciplinary Committee shall regulate its own procedures. The Disciplinary Committee, by notice in writing signed by its chairman or secretary, may require any person to attend and give evidence before it at the hearing of a charge to produce for inspection all books, documents and papers that are in his custody or under his control relating to the subject-matter of any such hearing.
- 20.14
- 20.15
- 20.16 The Disciplinary Committee by notice in writing may require any investigating committee or member thereof to appear before it and to produce all evidence arising from and the reports of the results of any investigation.
- 20.17 The Disciplinary Committee may require evidence to be given either orally or in writing and may require any evidence to be verified by statutory declaration.
- 20.18 Every member commits a breach of these Rules, who without lawful justification refuses or fails to attend and give evidence when required to do so by the Disciplinary Committee as aforesaid or to answer truly and fully any question put to him by a member of the Disciplinary Committee or to produce to the Disciplinary Committee any book, document or paper required of him.
- 20.19 At any time after a charge has been made against any member, the Disciplinary Committee may of its own motion and without the necessity of giving any prior notice to the member, make an order suspending his membership until the charge has been heard and disposed of. The Disciplinary Committee may in its discretion decide to give public notice of the fact of interim suspension.
- 20.20 The member in respect of whom any interim suspension order is made may at any time apply to the Disciplinary Committee for the revocation of the order and the Disciplinary Committee may, subject to Rule 20.13, grant on such terms as it thinks fit, or refuse any such application.
- 20.21 A member who has been suspended under Rule 20.0822 may apply to the Disciplinary Committee for revocation of his suspension and the Disciplinary Committee may grant on such terms as it thinks fit, or refuse such application.
- 20.22 The Disciplinary Committee may require as a condition of granting an application under Rule 20.21 that the member pay, as well as his current year's subscription to his regional exchange, an additional amount not exceeding a year's subscription together with the amount payable by a member to the fidelity guarantee fund during the period of the applicant's suspension. The additional amount payable, except that part due to the fidelity guarantee fund, shall be applied for the general purposes of the Exchange.
- 20.23 After the hearing of any charge or application, the Disciplinary Committee may at its discretion make an order as to costs, including the costs and expenses of and incidental to any investigation and, the legal costs of the Exchange and regional exchanges and whether in relation to the proceedings before the Disciplinary Committee or previous proceedings before a committee.
- 20.24 If any member fails within any time stated in an order of the Disciplinary Committee to pay any sum ordered to be paid by way of penalty or costs or expenses, the Disciplinary Committee may suspend that member until the sum is paid.
- 20.25 The Disciplinary Committee shall forward to the Exchange a report of every hearing and of every penalty imposed by it.
- 20.26 Every person (other than a member) giving evidence or attending to give evidence at a hearing by the Disciplinary Committee shall be entitled to tender for his proper travelling expenses before attending and every person (whether a member or not) giving evidence or so attending shall at the discretion of the Disciplinary Committee be paid such sum for his travelling and other expenses and loss of time as the Disciplinary Committee may determine. All witnesses' expenses shall be paid by the Exchange and shall be recoverable in terms of any order that the Disciplinary Committee may make in relation thereto.
- 20.27 The Disciplinary Committee shall have power to enquire into any charge made by the Council, the Executive or a committee of a regional exchange or the chairman thereof that a member is in partnership with a non-member who has been guilty of or employs a person who has been guilty of conduct which if committed by a member would justify the Disciplinary Committee imposing on him any of the penalties referred to in Rule 20.082. If the Disciplinary Committee shall find such charge proved it may order:
- 20.271 In the case of a non-member partner, that the partnership be dissolved;
- 20.272 In the case of an employee, that such employee be dismissed;

- In each case within such time as the Disciplinary Committee shall specify.
- 20.28 If any member fails to carry out an order of the Disciplinary Committee made under Rule 20.27, the Disciplinary Committee may suspend him until the order is complied with.
- 20.29 Except as provided in Rule 20.11 hereof, a committee may hear any charge made against any of the members of its regional exchange and referred to it in writing by the Disciplinary Committee, the Council, the Executive, the chairman of a regional exchange, or the investigating committee established under Rule 20.34 or by any other person.
- 20.30 A committee may decline to hear a charge and instead refer the same to the Disciplinary Committee.
- 20.31 Before hearing any charge referred to it by the Disciplinary Committee, the Council or the Executive, a committee may obtain, and in all other cases referred to it, shall obtain, a report from the investigating committee established under Rule 20.34.
- 20.32 Where it is asked to consider any complaint made by a non-member, the investigating committee shall take into account whether the complaint arose out of the employment of the member concerned by the complainant.
- 20.33 If after hearing any charge the committee is of the opinion that the member has been guilty of misconduct or of any breach of any rule or any regulation or any bylaw of his regional exchange, or of any act, matter or thing detrimental to the well-being or proper conduct of the Exchange or of regional exchanges generally, it may, if it thinks fit, do one or more of the following things:
- 20.331 Suspend such member for a stated period;
- 20.332 Order him to pay to his regional exchange a sum by way of penalty not exceeding \$5,000; or
- 20.333 Censure him.
- 20.34 Each regional exchange shall appoint an investigating committee comprising two members (not being members of its committee or the Disciplinary Committee) to investigate any alleged offence referred to it by its committee.
- 20.35 Every allegation of an offence referred to an investigating committee shall be in writing and as received by the committee. The committee of its own volition may refer matters to the investigating committee.
- 20.36 The committee may delegate to its investigating committee any power it may have relating to the inspection of members' records. Such delegation shall be in writing.
- 20.37 The investigating committee shall report to the committee within the time set by the committee whether or not there is a prima facie charge to be made.
- 20.38 If the investigating committee reports that a charge should be made against a member, it shall include in its report a formulation of the charge under the appropriate Rule. For this purpose the committee may authorise the investigating committee to employ legal assistance.
- 20.39 If the investigating committee reports there is no case to answer, the committee shall so inform the complainant and the lay member of the Disciplinary Committee shall be given a copy of the report.
- 20.40 A committee shall make the services of its investigating committee available to the Disciplinary Committee on its request in writing.
- 20.41 In any case where a charge is heard by a committee the member charged shall be entitled to appeal to the Disciplinary Committee against the decision of his committee.
- 20.42 In any case where a committee refuses an application for revocation of an interim suspension order the member concerned shall similarly be entitled to appeal to the Disciplinary Committee.
- 20.43 Every appeal shall be in writing and shall be lodged with the Executive Director not later than 10 days after the member charged has been given written notice of the decision of the committee.
- 20.44 The following Rules relating to the Disciplinary Committee, shall mutatis mutandis and with the exceptions hereinstated, apply to charges dealt with by committees as if references therein to the Disciplinary Committee were references to committees:
- Rule 20.07 as to members concerned or implicated;
- Rule 20.10 as to publication of name;
- Rules 20.12, 20.13 and 20.14 as to procedure provided representation by counsel at that committee level shall be allowed only with the consent of all the parties including the regional exchange;
- Rules 20.15 and 20.16 as to evidence;
- Rule 20.18 as to failure to attend and give evidence;
- Rules 20.19–20.22 as to interim suspension and revocation of suspension except that where the order for interim suspension or suspension was made by the Disciplinary Committee only the Disciplinary Committee shall have the power to revoke such order and except that reference to the Exchange in Rule 20.22 shall be construed as reference to the regional exchange concerned;
- Rule 20.23 as to costs;
- Rule 20.24 as to enforcement;
- Rule 20.25 as to report;
- Rule 20.26 as to witnesses and expenses;
- Rules 20.27 and 20.28 as to partners and employees of members.
- 20.45 Without the prior consent in writing of his committee, no member shall knowingly practise in partnership with or employ any person who—
- 20.451 Has been expelled or is currently suspended from membership; or
- 20.452 Has been convicted of any crime or offence referred to in Rule 20.11 hereof; or
- 20.453 As a partner or an employee has been the subject of a proved charge under Rule 20.27 hereof.
- 20.46 The Executive shall cause to be prepared a statement of the circumstances preliminary to and the findings of the Disciplinary Committee or a committee on every charge and the penalty (if any) imposed. Such statement shall contain identification of the regional exchange or member only if so stated in the findings in terms of Rule 20.10 and shall be circulated as required by the findings.
- 20.47 On the recommendation of a committee the Executive may cause to be circulated as widely as it considers appropriate a statement of the circumstances preliminary to the disposal of a complaint under terms of Rule 20.39 by an investigating committee but such statement shall not contain any reference which would tend to identify any exchange or any member.
- 21.0 Disputes**
- 21.01 All disputes between members of the same regional exchange shall be referred to its committee for determination.
- 21.02 Disputes between members of different regional exchanges shall be referred to the arbitration of either the committee of another regional exchange or the Executive. The appointment of an arbitrator shall be agreed upon by the regional exchanges concerned in the dispute; failing such agreement, the arbitrator shall be nominated by the President.
- 21.03 A dispute between any two regional exchanges or between one regional exchange and a member of another regional exchange shall be referred to the Council.
- 21.04 No right of appeal shall lie against a determination in respect of any dispute.
- 21.05 The provisions of Rule 20.07 shall mutatis mutandis apply to hearings of disputes as if references therein to the Disciplinary Committee were references to the Council, the Executive, or committee, as the case may be.
- 21.06 The Council, the Executive or committee, as the case may be, may prepare and circulate to members or to such members as it thinks fit, a statement of its findings on any dispute.
- 21.07 The Council, the Executive or committee, as the case may be, may make such order as it considers fit regarding the payment of costs of the hearing of any dispute.
- 21.08 It shall be a condition precedent to the commencement of any action, by a member against any other member upon any matter arising out of any transaction of stockbroking or out of any transaction to which any Rule, regulation or bylaw applies, that the dispute shall be first determined in the manner provided by these Rules and thereafter action shall be commenced only for the enforcement of the decision given under these Rules and then only after the member sued shall have, after 14 days' notice in writing, refused or neglected to carry out such decision. In any action as aforesaid no member shall dispute the correctness of such decision or award, or the fact that it was given in accordance with these Rules.
- 22.0 Defaulting Members**
- 22.01 A member shall be deemed to be a defaulter in each of the following cases:
- 22.011 where he is so declared by the chairman of his regional exchange after he has failed to pay forthwith the money demanded of him pursuant to any Rule relating to delivery and settlement.
- 22.012 where his regional exchange committee resolves that in its opinion he is in difficulties and has failed or is likely to fail to meet his liabilities.
- 22.013 where he has committed an act of bankruptcy or has become bankrupt or is insolvent or has called a meeting of his creditors or has made a composition with his creditors or assigned his

- estate for the benefit of his creditors.
- 22.014 where his regional exchange committee resolves that in its opinion other circumstances exist which justify such member being considered a defaulter in order to protect the financial interests of members or of the investing public or for such other reasons as may be considered to be relevant in the interests of the Exchange and its members in the proper and efficient conduct of the Exchange's affairs.
- 22.02 Where a member has been deemed to be a defaulter under Rule 22.01 that fact shall be communicated forthwith by the chairman to the Executive Director for promulgation to all members.
- 22.03 **Contracts with Defaulters—**
- 22.031 Subject to the provisions of these Rules every uncompleted contract with a member shall be deemed to be rescinded closed and terminated as from the time he becomes a defaulter and where the contract is partially uncompleted there shall be deemed to be rescission closure and termination as to the uncompleted balance.
- 22.032 The Executive (whose decision shall be final) shall determine the market price on the day the member becomes a defaulter and any surplus or deficiency, in respect of such uncompleted contract or balance thereof shall be determined accordingly.
- 22.033 The defaulter shall be liable to the other member for any such deficiency and such other members shall account to the defaulter for any surplus.
- 22.034 Every member involved with a defaulter on a rescinded contract shall forthwith inform the Exchange of the details.
- 22.04 The Council may declare any member a defaulter and may suspend such member from membership of the Exchange for such time as it shall think fit. The Council may alternatively require the regional exchange of which he is a member to declare such member a defaulter and may also require a regional exchange whereof a member is in default to deal with such member in accordance with these Rules or any of the regulations made hereunder.
- 22.05 In any case where it comes to the knowledge of a member that another member of the Exchange has failed to meet his obligations such member shall forthwith report the circumstances of the case to the chairman of his regional exchange who shall, if the member reported to have failed to meet his obligations be a member of another regional exchange, forthwith report the circumstances of the case to the chairman of that exchange. Failure to so report such circumstances shall be deemed to be a breach of these Rules.
- 22.06 The chairman of a regional exchange upon receiving a report that a member of his exchange has failed to meet his obligations, shall immediately cause an investigation of the matter to be made and shall simultaneously advise the chairmen of each regional exchange and the Executive that the affairs of such member are under investigation. He shall similarly advise the result of such investigation when completed.
- 22.07 Where any inquiries as to the credit or position of any member of the Exchange are being made by any regional exchange or by the Exchange every other regional exchange shall on request facilitate such inquiries and make all necessary inquiries into dealings of its members with the member whose position is being investigated as aforesaid.
- 23.0 Members' Books of Account and Audit**
- 23.01 Every member shall keep books of account and records containing complete and correct records and explanations of the affairs and transactions of his sharebroking business. The books, records and explanations to be kept shall be such as the Executive shall from time to time determine or prescribe by the regulations. They must be sufficient to enable an auditor to supply the certificate of audit and report as required by Rule 23.02.
- 23.02 When notified by the committee of his regional exchange, a member shall, within the time specified in such notification, supply to the chairman a certificate of audit and report from a practising chartered accountant who, failing appointment by mutual consent between the member and the committee, may be appointed by the committee at the expense of the member. The certificate and report shall deal with such financial matters as the Executive shall from time to time determine or prescribe by the regulations.
- 23.03 The committee of a regional exchange, in addition to the powers conferred by Rule 20.44 in respect of Rule 20.15 shall have full and absolute power at any time to call upon any member to produce forthwith, for inspection by themselves or their duly appointed representatives, all books, letters, telexes, telegrams or copies thereof, and other documents relating to his business as a sharebroker; and they may also require members and their clerks to appear before the committee or their duly appointed representatives at any time, and to give such information as may be required in connection with such business.
- 23.04 Each regional exchange will appoint an Inspector who shall be a chartered accountant in public practice, and not a member of the Exchange. The committee of a regional exchange may, at its sole discretion, appoint one alternate Inspector (who shall be a chartered accountant in public practice and not a member of the Exchange) if for any substantial reason it considers this necessary.
- 23.041 Each Inspector or alternate Inspector shall be directly responsible for work carried out by him under the provisions of these Rules or the regulations.
- 23.042 Neither the Inspector nor the alternate Inspector (if any) nor any member of their firm shall take any part in the accounting work involved with the day to day recording of sharebroking transactions for a member. Provided the principle of independence of the Inspector remains paramount, an Inspector may undertake for a member such accounting work as the preparation of annual accounts from a trial balance supplied by the member, preparing and lodging tax returns, or offering advice to the member on improving his accounting methods or his office procedures.
- 23.05 The Inspector is empowered to inspect the financial records and related documents of each member at any time he considers necessary and to require from any member an explanation of any item or state of affairs whatsoever in relation to the member's sharebroking business, which, in the opinion of the Inspector, appears to need an explanation or to be at variance with these Rules or the regulations or with recognised sharebroking practice.
- 23.051 The Inspector may require to be given access to information concerning the member's assets, either private or of another business when in the Inspector's opinion, it is advisable to demonstrate the member's overall solvency.
- 23.06 The responsibilities of the Inspector are to satisfy himself that the accounts and related subsidiary records of members are being maintained in a satisfactory and systematic manner and are being kept regularly up to date.
- 23.07 The Inspector shall be satisfied that reasonable internal systems and checks exist in member firms not only on the activities of staff members able to initiate and control share transactions and related accounting activities but also on the partners.
- 23.08 Every member shall supply to the Inspector on a continuing basis such information as may be prescribed by the regulations.
- 23.09 The powers in Rule 8.08 (relating to the making of regulations) shall without in any way limiting the powers in that Rule, be deemed to extend to regulations relating to the operation of the Fidelity Guarantee Fund, the inspection of the books of members and the supply by members of monthly returns of balances and other information to an inspector.
- 24.0 Fidelity Guarantee Fund**
- 24.01 There shall be a Fidelity Guarantee Fund ("the fund") for the purpose of meeting just claims from persons who have suffered pecuniary loss from a sharebroking transaction as a result of a member being unable to meet his financial obligations provided however that nothing in this Rule or the establishment and maintenance of the fund shall constitute a legal obligation to any such claimant.
- 24.02 The management of the fund shall be vested in and controlled solely by the Executive which may in its absolute discretion constitute a Fidelity Guarantee Fund Board ("the Board") to assist with such management. The Board shall be accountable to the Executive and shall have such powers as the Executive from time to time determines.
- 24.03 Every member who carries on whether alone or in partnership any business in addition to the business of sharebroking shall give security by bond (at such time for such amount and in such form as shall be determined by the Executive) conditioned to secure the fidelity of such member.
- 24.04 Every member who is in partnership with any person who is not a member (whether or not such person is in the opinion of the Executive actively engaged in sharebroking) shall (in addition to compliance with Rule 24.03) take out and maintain a bond to secure the fidelity of that person

- in respect of each type of business (other than sharebroking) engaged in by him each such bond to be in the sum of \$20,000 or such larger figure as the Executive may from time to time determine and such bond shall be in favour of or assigned to the Exchange provided that this Rule shall not apply in respect of any business where that person is already covered by a fidelity fund covering real estate agents or chartered accountants or by some other fidelity fund approved for the time being by the Executive.
- 24.05 Every member shall (except as provided in Rule 24.06) pay such annual contribution being not more than \$200 nor less than \$50 and such additional levy not exceeding \$200 in any one year, as may be fixed by the Executive but no member shall be required in the whole period of his practice as a stockbroker to pay additional levies under this rule totalling (including additional levies paid to the Stock Exchange Association of New Zealand) more than \$1,000. No person shall be entitled to a refund of any contributions or additional levies paid into the fund.
- 24.06 If at the beginning of any financial year the amount of the fund after deducting the amount of all unpaid claims and other liabilities outstanding is not less than \$250,000, the amount of the annual contributions payable in respect of that year may be reduced by the Executive but nothing herein shall be construed to limit the power of the Executive to fix any additional levy in respect of that year.
- 24.07 Subject to Rule 24.09, a person claiming to be entitled to reimbursement from the fund shall not be entitled to receive more than \$15,000 in respect of any loss suffered as a result of the acts or defaults of any one member or his firm.
- 24.08 Subject to Rule 24.09, the total amount payable out of the fund to meet claims (as limited by Rule 24.07) arising out of the inability of any member or his firm to meet the financial obligation of such member or his firm shall be limited to \$200,000 or such other amount as may be from time to time determined by the Council.
- 24.09 Subject to Rules 24.07 and 24.08, the Executive in its absolute discretion shall determine the extent (if any) to which any claim on the fund shall be met.
- 25.0 General**
- 25.01 Where any dispute arises or complaint or charge is being investigated or any decision is to be made as to which or any of which these Rules or the regulations made thereunder are silent, then such decision, complaint, or charge shall be dealt with and decision made in accordance with good sharebroking practice and where such exists in accordance with the established custom in New Zealand. The transaction out of which such dispute, complaint, or charge arises or in respect of which a decision is made shall be deemed to be a transaction to which these Rules apply. The Council shall be the sole judge as to what is good sharebroking practice in accordance with this Rule and where any ambiguity arises as to the meaning and effect of these Rules or the regulations made thereunder, shall be the sole judge as to the interpretation thereof.
- 26.0 Miscellaneous**
- 26.01 Odd lot dealers shall be appointed to deal with sales of parcels of shares not amounting to a marketable parcel as defined by or under these Rules. The operation of dealings in odd lots shall be prescribed by the regulations.
- 26.02 Where existing shareholders are given the right to apply for new shares, notes, debentures, or other securities offered to shareholders prior to delivery of shares sold for cash, members shall take such action as may be necessary or prescribed by the regulations to protect the rights of the buyers in respect of the securities so offered.
- 26.03 Members shall take such action as may be necessary or shall be prescribed by the regulations to protect the rights of buyers in respect of entitlements to dividends or interest and the Exchange may by regulation or otherwise lay down Rules for determining the respective rights of buyers and sellers in regard to dividends, interest or capital distributions and in regard to settlement procedures relating to matters affected by this Rule.
- 26.04 The Exchange may by regulation or otherwise make such provision as it thinks fit for dealing with the rights and obligations of buyers and sellers with regard to calls made on shares the subject of sale.
- 26.05 Securities transfers as defined by the Securities Transfer Act 1977 must be used for all transactions in New Zealand registered securities and the Exchange may determine, by regulation or otherwise, the procedures to be adopted with regard to the completion and processing of all such transfers.
- 26.06 The provisions of a certain agreement entered into with the Commissioner of Inland Revenue pursuant to section 51A of the Stamp and Cheque Duties Amendment Act 1977 are binding on the Exchange and regulations may be made to ensure that the provisions thereof are known to and binding on all members and to prescribe procedures to facilitate proper compliance with such Act and agreement.
- 27.0 Common Seal**
- 27.01 The Exchange shall have a Common Seal which shall be kept in the custody of the Executive Director and shall only be used by the authority of a resolution of the Executive and every instrument to which the Common Seal is affixed shall be signed by a member of the Executive and countersigned by the Executive Director or a second member of the Executive.
- 28.0 Financial**
- 28.01 Subject to any directions which may be given by the Council from time to time, the Executive shall have power to invest the funds of the Exchange in such manner as it shall think fit.
- 28.02 The Exchange shall have power to borrow or raise or secure the payment of money in such manner as the Executive may think fit and may for that purpose mortgage charge or otherwise encumber all or any of the assets of the Exchange.
- 28.03 The control of the funds of the Exchange shall be vested in the Executive.
- 28.04 The Executive may permit regional exchanges to control, invest and use such part of the funds of the Exchange as it thinks fit.
- 29.0 Amendment to Rules**
- 29.01 These Rules or any of them may be altered, by way of rescission, amendment, addition, or otherwise by a resolution passed by a three-fourths majority of the votes cast at an annual or special meeting of the Council.
- 29.02 No resolution for alteration of these Rules or any of them shall be submitted to a meeting of the Council unless the same has been proposed by the President or by the Executive or by the delegate of a regional exchange pursuant to a resolution passed by members thereof and unless notice in writing of intention to submit such resolution shall have been given to the Executive Director within sufficient time to enable him to give the notice referred to in Rule 29.03.
- 29.03 14 days' notice in writing of details of the proposed alteration shall be given by the Executive Director to members of the Council and to each regional exchange and each regional exchange shall before the meeting of the Council at which the resolution is to be submitted convene a meeting of its members to consider and vote thereon. Each such meeting of a regional exchange shall be deemed to be a remit meeting for purposes of these Rules.
- 29.04 No proposed alteration if rejected by the Council shall without the consent of the Executive be reconsidered by the Council for 6 calendar months.
- 29.05 Where a Rule is altered, no further alteration to the Rule shall, without the consent of the Executive, be considered by the Council for 6 calendar months.

P. G. MILLEN,
Clerk of the Executive Council.