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NEW ZEALAND
FUTURES AND OPTIONS
EXCHANGE LIMITED

NEW ZEALAND FUTURES AND OPTIONS EXCHANGE LIMITED

PAUL REEVES, Governor-General

Dated at Wellington this 24th day of September 1990

Present:

HIS EXCELLENCY THE GOVERNOR-GENERAL IN COUNCIL

Pursuant to section 11 of the Sharebrokers Act 1908, His Excellency the Governor-General, acting by and with the advice and consent of the Executive Council, hereby approves the following articles of association of the New Zealand Futures and Options Exchange Limited.

ARTICLES OF ASSOCIATION
OF
NEW ZEALAND FUTURES AND OPTIONS EXCHANGE LIMITED

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1. DEFINITIONS

1.1 In these Articles and all By-laws made pursuant hereto, except where inconsistent with the subject or context:

- ‘‘Act’’ means the Companies Act 1955, as amended from time to time.
- ‘‘another exchange’’ or ‘‘other exchange’’ means a futures or option exchange, whether in New Zealand or elsewhere, other than the Exchange.
- ‘‘Articles’’ means these Articles of Association, as amended from time to time.
- ‘‘Affiliate Member’’ means any person who has been admitted as an Affiliate Member in accordance with these Articles and has not ceased for any reason to be an Affiliate Member.
- ‘‘Auditors’’ means the auditor or auditors for the time being of the Exchange.
- ‘‘Board’’ means the Directors, or any number thereof not being less than a quorum, acting as the board of Directors of the Exchange.
- ‘‘business day’’ means any day of the week except Saturdays, Sundays, public holidays which are observed throughout New Zealand and any other day from time to time declared by the Exchange not to be a business day.
- ‘‘By-Laws’’ means such By-Laws, made by the Board or the Exchange in accordance with Article 42, as shall from time to time be in force and includes the Contract By-Laws and the General By-Laws.
- ‘‘Clearing House’’ means International Commodities Clearing House Limited or any other company appointed by the Exchange to act as a clearing house for the Exchange.
- ‘‘Clearing Member’’ means any partnership or company which is a member of the Clearing House.
- ‘‘client’’ in relation to a Member means any customer on behalf of whom the Member trades, has traded, or proposes to trade, in futures or option contracts.
- ‘‘close out’’ means either:
- (a) the act of a person in obtaining a futures contract or an option contract which is for the same quantity, of the same commodity, with the same delivery date, and in the case of an option contract the same exercise price, as a contract presently held by that person but which has the opposite

obligation to the last mentioned contract whereby:

(i) the Clearing House may match the two contracts, thereby satisfying the respective obligations of delivery; and

(ii) the obligations to pay moneys may be satisfied immediately by actual payment or the raising of appropriate credits or debits between the parties; or

(b) the act of delivery pursuant to the contract.

- ‘‘commodity’’ includes any security which is deliverable in accordance with the By-Laws.
- ‘‘contract’’ means a futures contract or an option contract.
- ‘‘Contract By-Laws’’ means By-Laws of the Exchange which prescribe the specific terms of, and terms of trading in, each class of futures contract or option contract which may from time to time be traded on the Market.
- ‘‘differentials’’ means the discount or premium allowed for grade, type or location of a deliverable commodity which is lower or higher than the par or basis grade, type or location specified in a futures contract.
- ‘‘Directors’’ means the directors from time to time of the Exchange and includes alternate Directors.
- ‘‘the Exchange’’ means New Zealand Futures and Options Exchange Limited.
- ‘‘Facilities Procedures Manual’’ means the manual approved by the Board which prescribes procedures for trading on the Market, as amended from time to time by the Board.
- ‘‘Fidelity Fund’’ means the fund established by the Exchange for the benefit of persons dealing with Members in accordance with Article 45.
- ‘‘futures contract’’ means a futures contract as defined by the Securities Amendment Act 1988.
- ‘‘General By-Laws’’ means the By-Laws of the Exchange which prescribe general terms and conditions applicable to trading in futures or option contracts and to membership of the Exchange.
- ‘‘initial margin’’ means the amount which a Member requires to be paid by a client in respect of a futures contract or an option contract entered into, or

proposed to be entered into, on behalf of that client.

“Introducing Broker Member”

means any person who has been admitted as an Introducing Broker Member in accordance with these Articles and has not ceased for any reason to be an Introducing Broker Member.

“Investigations” Committee”

means the committee appointed in accordance with Article 32.

“liquid assets”

means any of the following assets:

- (i) cash;
- (ii) a guarantee in favour of the Member concerned issued by a registered bank (as defined in the Reserve Bank of New Zealand Act 1989) other than the client but only to the extent of the liability under such guarantee;
- (iii) shares or debentures listed on the New Zealand Stock Exchange;
- (iv) bills of exchange accepted or endorsed by a registered bank (as hereinbefore defined);
- (v) New Zealand government or local authority securities;
- (vi) such other assets as may be approved from time to time by the Board or the Investigations Committee.

“Local Member”

means any person who has been admitted as a Local Member in accordance with these Articles and has not ceased for any reason to be a Local Member.

“margin”

means an initial margin or a variation margin.

“Market”

means the market operated by the Exchange for trading in futures and option contracts.

“Members”

means Trading Members, Affiliate Members, Local Members and Introducing Broker Members.

“misconduct”

means behaviour or conduct which is or may be prejudicial to the interests of the Exchange or its Members or the public.

“month”

means calendar month.

“net tangible assets”

means the sum of the values of the assets (both fixed and current) owned by a Member, or by a prospective Member, as the case may be, (such value being the lower of cost or market) less the sum of any liabilities (secured and unsecured)

attached to those assets or to the Member or prospective Member generally (and in the case of a partnership, attaching to the partners) other than contingent liabilities except those expressly included in this definition; provided however that for the purposes of this definition:

- (i) the values of assets shall not include the value attributed to any future tax benefits, goodwill, patent, trademark, membership of the Exchange, preliminary expenses or other items of a like nature which in the opinion of auditors approved by the Exchange for the purpose ('the auditors') are regarded in current accounting practice as intangible, or the value attributed to any debt owed to the Member or prospective Member which may be regarded as doubtful, or the value of any asset for which in the opinion of the auditors there is no ready market;
- (ii) liabilities shall include provision for estimated liability for income tax, long service leave and any other contingency for which in the opinion of the auditors provision should properly be made in accordance with current accounting practice.

- 'Office' means the registered office of the Exchange.
- 'open position' means a position where the obligations under a futures contract or an option contract held by a party are yet to be fulfilled.
- 'option contract' means a contract which gives the buyer the right but not the obligation to buy (in the case of a call option) or sell (in the case of a put option) the subject matter of the option.
- 'partnership' means a partnership of two or more persons.
- 'Register of Members' means the register of Trading Members of the Exchange to be kept pursuant to the provisions of the Act.
- 'related company' has the meaning assigned to that

- expression by Section 2(5) of the Act.
- “the Seal” means the common seal of the Exchange.
- “Secretary” means the Secretary of the Exchange and includes any person appointed as acting Secretary in accordance with these Articles.
- “secured creditor” means a creditor whose debt is secured in a manner which at law gives it priority over unsecured creditors upon bankruptcy or winding up.
- “special resolution” has the meaning assigned to that expression by Section 145 of the Act.
- “straddle position” means the holding of a bought futures or option contract for one delivery month and a sold futures or option contract for another delivery month, in the same class of futures or option contract.
- “to trade” means to buy or sell futures or option contracts and the words “trade” and “trading” shall have corresponding meanings.
- “Trading Member” means any partnership or company which has been elected as a Trading Member in accordance with these Articles and has not ceased for any reason to be a Trading Member.
- “variation margin” means the difference between the value of a futures contract or an option contract at the time at which the contract is made and the value of the contract at any subsequent time.
- “in writing” and “written” means written, typed, printed or lithographed, or partly one and partly another, and includes any other mode of representing or reproducing words in a permanently visible form.
- “year” means calendar year.

Words importing the singular number only shall include the plural number and vice versa.

The word “person” and words importing a person or persons shall include partnerships and companies and vice versa. The word “company” shall include any corporation or other body corporate and reference to “directors” of a company shall in the case of a corporation or other body corporate mean reference to persons holding the corresponding office.

Words importing one gender shall include the other genders.

Headings are included for convenience only and shall not affect the construction of these Articles.

1.2 For the purposes of these Articles a person shall be

deemed to have control of another person:

- (a) where the first person, or any related company or companies of the first person, directly or indirectly by any means whatever, holds or beneficially owns twenty per cent or more of the nominal, issued or paid up capital or of the voting power of the other person or of a third person which has control (in terms of this definition) of that other person; or
- (b) where a partner or director of the first person or of any related company of the first person is also a partner or director of the other person; or
- (c) where by reason of any contract, agreement or arrangement of any nature, whether legally enforceable or not, the first person effectively controls the management, or twenty per cent or more of the voting power, of the other person, or is entitled to nominate or appoint one or more directors of the other person.

2. MEMBERSHIP

Classes of Members

2.1 There shall be the following classes of membership of the Exchange:

- (a) Trading Members, each of which shall hold one share in the capital of the Exchange, and shall have the rights, privileges and obligations conferred or imposed on shareholders of the Exchange by law and on Trading Members by these Articles and the By-Laws;
- (b) Affiliate Members, which shall not be shareholders of the Exchange and shall have only the rights, privileges and obligations expressly conferred or imposed on Affiliate Members by these Articles and the By-Laws;
- (c) Local Members, who shall not be shareholders of the Exchange and shall have only the rights, privileges and obligations expressly conferred or imposed on Local Members by these Articles and the By-Laws;
- (d) Introducing Broker Members, who shall not be shareholders of the Exchange and shall have only the rights, privileges and obligations expressly conferred or imposed on Introducing Broker Members by these Articles and the By-Laws.

2.2 Admission to, and expulsion from, any class of membership shall be determined in accordance with these Articles.

2.3 The rights, privileges and obligations attaching to each class of membership shall be as set out in these Articles; provided that unless stated herein to the contrary, such rights, privileges and obligations may at any time be altered by a special resolution of the Exchange.

2.4 Upon making application for membership every applicant shall sign a form acknowledging its awareness and acceptance of these Articles and the By-Laws and agreeing to be bound thereby and by any amendments thereto made in accordance with these Articles.

- 2.5 Except as required by law no Member shall be recognised by the Exchange as holding its membership or any share in the capital of the Exchange upon any trust, and the Exchange shall not be bound by or compelled in any way to recognise (even where it has notice thereof) any equitable, contingent, future or partial interest in any membership or share in the capital of the Exchange or any other rights in respect of any membership or share in the capital of the Exchange, except an absolute right to the entirety thereof in the registered holder.

Restrictions on Eligibility

- 2.6 (a) Individuals shall not be eligible to be Trading Members.
(b) Only individuals shall be eligible to be Local Members.
- 2.7 No person shall be eligible to be a Member where that person, or in the case of a partnership where any of the partners, or in the case of a company where any director of the company, has within a period of five years prior to application for membership been declared bankrupt or been convicted of an indictable offence.

3. TRADING RIGHTS

Trading Members

- 3.1 A Trading Member shall have the following rights in respect of the trading facilities provided by the Exchange (such rights being referred to in these Articles as a Trading Member's trading rights):
- (a) the right to trade in its own name, free of commission, on the Market, in such manner as the Board may from time to time direct;
 - (b) the right to charge a commission on all business transacted by it on behalf of clients at such rate or rates as it may from time to time consider appropriate;
 - (c) the right to transfer its membership in accordance with Article 18;
 - (d) all other rights conferred on Trading Members by these Articles and the By-Laws in respect of trading in futures and option contracts.
- 3.2 A Trading Member's trading rights shall cease entirely for the duration of any period of suspension of that Member and shall cease permanently in the event of the Trading Member being expelled or otherwise ceasing to be a Trading Member.

Affiliate Members

- 3.3 An Affiliate Member shall have the following rights in respect of the trading facilities provided by the Exchange, (such rights being referred to in these Articles as an Affiliate Member's trading rights):
- (a) the right to charge commission on all business transacted by it on behalf of clients at such rate or rates as it may from time to time consider appropriate;
 - (b) the right to transfer its membership in accordance with Article 19;
 - (c) all other rights conferred on Affiliate Members by

these Articles and the By-Laws in respect of trading in futures and option contracts.

- 3.4 An Affiliate Member's trading rights shall cease entirely for the duration of any period of suspension of that Member and shall cease permanently in the event of the Affiliate Member being expelled or otherwise ceasing to be an Affiliate Member.

Local Members

- 3.5 A Local Member shall have the following rights in respect of the trading facilities provided by the Exchange (such rights being referred to in these Articles as a Local Member's trading rights):
- (a) the right to be appointed by a Trading Member to trade in the name of that Trading Member by using the automated trading system terminal device maintained by the Trading Member on its premises for the Local Member, in such manner as the Board may from time to time direct;
 - (b) all other rights conferred on Local Members by these Articles and the By-Laws in respect of trading in futures and option contracts.
- 3.6 A Local Member's trading rights shall cease entirely for any period of suspension of that Member and shall cease permanently in the event of the Local Member being expelled or otherwise ceasing to be a Local Member.

Introducing Broker Members

- 3.7 An Introducing Broker Member shall have the following rights in respect of the trading facilities provided by the Exchange (such rights being referred to in these Articles as an Introducing Broker Member's trading rights):
- (a) the right to deal in futures and option contracts on behalf of clients of the Introducing Broker Member and:
 - (i) in respect of trading on the Market, to give all instructions for buying or selling of futures and option contracts to Trading Members, or to Affiliate Members for passing on to Trading Members;
 - (ii) in respect of trading on other exchanges, to have all instructions for buying or selling of futures or option contracts effected on the relevant exchange in accordance with the business rules of that exchange;
 - (b) all other rights conferred on Introducing Broker Members by these Articles and the By-Laws in respect of trading in futures and option contracts.
- 3.8 An Introducing Broker Member shall be subject to the following restrictions (in addition to any others imposed on it by these Articles and the By-Laws):
- (a) its membership shall not be transferable;
 - (b) it shall not accept or hold money or property on behalf of clients in connection with trading in futures contracts except to the extent permitted by clause 9.1(p).
- 3.9 An Introducing Broker Member's trading rights shall cease entirely for any period of suspension of that Member and shall cease permanently in the event of the

Introducing Broker Member being expelled or otherwise ceasing to be an Introducing Broker Member.

4. ADMISSION TO MEMBERSHIP

Trading Members

4.1 Admission as a Trading Member shall occur in the following manner:

- (a) An applicant for admission as a Trading Member (in this clause 4.1 called "the Applicant") shall lodge, or caused to be lodged with the Exchange an application in such form and providing such information, as the Board may from time to time require, together with the non-refundable Trading Membership application fee prescribed by the Board. The form shall contain an acknowledgement that the Applicant has perused the Articles of Association and By-Laws of the Exchange and agrees to abide by them. The information to be provided by the Applicant shall include evidence that the Applicant has the power to carry on business as a Trading Member, and in the case of a partnership evidence that the relationship of the partners is satisfactorily defined.
- (b) The Applicant shall also provide evidence that the Applicant has applied to the Clearing House for admission to membership of the Clearing House.
- (c) The Board shall consider the application and may call for such further information as it considers necessary. Any meeting of the Board held for the purpose of approving an application shall only be held on notice in writing of not less than fourteen days given to all members of the Board, and any resolution approving an application for election shall require the affirmative votes of not less than seventy-five per cent of the Board members entitled to receive notice of the meeting at which the application is to be considered. The Board shall not be obliged to hear the Applicant or to furnish any reason for its decision.
- (d) In determining whether to approve an application the Board shall be entitled to consider not only the character, business integrity, financial probity and trading expertise of the Applicant but also the effect of admission of the Applicant in terms of the balance, support and development of the various classes of contract, the degree of accessibility of the Market through the Applicant for both the trade and the public at large, as well as such other matters as the Board may regard as relevant from time to time. Prior to election the Board shall use its best endeavours to ascertain whether the Applicant is of good character and high business integrity.
- (e) If the Board approves an Applicant for Trading Membership then it shall submit the Applicant's name for election at a general meeting of Trading Members provided that the Applicant is nominated by one Trading Member and seconded by another. The nominator and seconder shall speak to the

application at the election. An Applicant shall not be entitled to attend the general meeting at which his election is to be proposed.

- (f) Any resolution of a general meeting to elect an Applicant shall require the affirmative votes of not less than either:
- (i) two-thirds of those Trading Members who are present at the meeting in person or by proxy and entitled to vote; or
 - (ii) one-half of all the Trading Members who are entitled to vote;
- whichever is the greater. Voting shall be by secret ballot.

- 4.2 Following upon election at a general meeting the Applicant shall forthwith lodge with the Secretary:
- (a) the Trading Membership entrance fee and initial contribution to the Fidelity Fund prescribed by the Board from time to time and such portion of the annual subscription as the Board may determine;
 - (b) a statement of its net tangible assets, its liquid assets and secured creditors, in such form as the Board shall from time to time prescribe, signed by the Applicant or by a partner or director thereof;
 - (c) written confirmation that it has been admitted to membership of the Clearing House.
- 4.3 Trading Membership shall not be effective until the Applicant has complied with clause 4.2.

Affiliate Members

- 4.4 Admission as an Affiliate Member shall occur in the following manner:
- (a) An applicant for admission as an Affiliate Member (in this clause and clause 4.5 called the 'Applicant') shall lodge, or cause to be lodged, with the Exchange an application in such form, and providing such information, as the Board shall from time to time prescribe. The form shall contain an acknowledgement that the Applicant has perused the Articles of Association and By-Laws of the Exchange and agrees to abide by them. The Applicant shall also pay to the Exchange the non-refundable Affiliate Membership application fee prescribed by the Board. Prior to consideration of the application by the Board, the Secretary shall cause at least seven days' prior notice of the application to be given to all Trading Members.
 - (b) An Applicant must be nominated by a Trading Member and seconded by another Trading Member or an Affiliate Member.
 - (c) The Board shall consider the application and may call for such further information as it deems necessary. A resolution by the Board to approve an Affiliate Member shall require the affirmative votes of not less than seventy-five per cent of the Board members entitled to receive notice of the meeting at which the application is to be considered. The Board shall not be obliged to hear the Applicant or to furnish any reason for its decision.

- (d) In determining whether to approve an application the Board shall be entitled to consider not only the character, business integrity, financial probity and trading expertise of the Applicant, but also the effect of admission of the Applicant in terms of balance, support and development of the various classes of contract, the degree of accessibility of the Market through the Applicant for the public at large, as well as such other matters as the Board may regard as relevant from time to time. Prior to election the Board shall use its best endeavours to ascertain whether the Applicant is of good character and high business integrity.
- (e) Where an Applicant is approved by the Board for Affiliate Membership the Applicant shall forthwith lodge with the Exchange the Affiliate Membership entrance fee prescribed by the Board, any initial contribution to the Fidelity Fund prescribed by the Board and such proportion of the annual subscription as the Board may determine, and the membership shall not be effective until such amounts have been so lodged.

4.5 The Board shall maintain a register for the purposes of this clause in which shall be entered from time to time particulars of any Affiliate Member which shall have advised the Exchange in writing of its desire to dispose of its Affiliate Membership and requested the Exchange to enter its name in such register. The Board shall not admit any person as an additional Affiliate Member so long as the register discloses that there is any existing Affiliate Member willing to transfer its membership to an eligible Applicant for a sum which in the opinion of the Board (whose decision shall be final) is fair and reasonable.

Local Members

4.6 Admission as a Local Member shall occur in the following manner:

- (a) An applicant for admission as a Local Member (in this clause and clauses 4.7 and 4.8 called the 'Applicant') shall lodge with the Exchange an application in such form, and providing such information, as the Board shall from time to time prescribe. The form shall contain an acknowledgement that the Applicant has perused the Articles of Association and By-Laws of the Exchange and agrees to abide by them. The Applicant shall also pay to the Exchange the non-refundable Local Membership application fee prescribed by the Board. Prior to consideration of the application by the Board the Secretary shall cause at least seven days' prior notice of the application to be given to all Trading Members.
- (b) The applicant must be nominated for Local Membership by a Trading Member. That Trading Member (in these Articles called the 'Nominating Member' of that Local Member so long as the nomination shall not have been cancelled) shall provide the Exchange with a legally enforceable

undertaking to the Exchange in the form of Undertaking of Nominating Member set out in the Schedule. The Nominating Member shall comply with that undertaking until it has cancelled its nomination of the Local Member in accordance with clause 4.7. The Nominating Member shall be treated in all respects by the Exchange, the Clearing House and other Members as the party making each futures or option contract traded on the Exchange by the Local Member; provided however that that shall not affect the Nominating Member's rights against the Local Member (including the right to take any action or commence any proceedings against the Local Member) in respect of any futures or option contract traded on the Exchange by the Local Member.

- (c) The Board shall consider the application and may call for such further information as it deems necessary. A resolution by the Board to approve a Local Member shall require the affirmative votes of not less than seventy-five per cent of the Board members entitled to receive notice of the meeting at which the application is to be considered. The Board shall not be obliged to hear the Applicant or to furnish any reason for its decision.
- (d) In determining whether to approve an application the Board shall be entitled to consider not only the character, business integrity, financial probity and trading expertise of the Applicant but also the effect of admission of the Applicant in terms of balance, support and development of the various classes of contract, as well as such other matters as the Board may regard as relevant from time to time. Prior to the election the Board shall use its best endeavours to ascertain whether the Applicant is of good character and high business integrity.
- (e) Where an Applicant is approved by the Board for Local Membership the Applicant shall forthwith lodge with the Exchange the Local Membership entrance fee prescribed by the Board, any initial contribution to the Fidelity Fund prescribed by the Board and such proportion of the annual subscription as the Board may determine, and the membership shall not be effective until such amounts have been so lodged.

- 4.7 The Nominating Member of a Local Member may at any time, without assigning any reason, cancel its nomination of the Local Member by giving written notice of cancellation to the Local Member, the Exchange and the Clearing House. Such cancellation shall automatically:
- (a) suspend the trading rights of the Local Member, without any necessity for a resolution of the Board, until such time as another Trading Member becomes his Nominating Member as provided in clause 4.8 or until the Local Member ceases for any reason to be a Member; and
 - (b) release the Nominating Member from its undertaking given pursuant to clause 4.6(b) in respect of any

futures or option contracts entered into by that Local Member after receipt of the notice of cancellation by the Exchange and the Clearing House.

- 4.8 Where the Nominating Member of a Local Member has cancelled its nomination of the Local Member, or there has ceased for any other reason to be a Nominating Member of a Local Member, another Trading Member may elect to become the Nominating Member of that Local Member. The appointment of that other Trading Member as the new Nominating Member shall take effect upon receipt by the Exchange of:
- (i) an undertaking by the new Nominating Member in the form of Undertaking of Nominating Member set out in the Schedule; and
 - (ii) satisfactory evidence that no monies are owing by the Local Member to his previous Nominating Member (if any) in respect of trading on the Exchange.
- 4.9 No Local Member shall be a director, partner or employee of another Member or of a client of another Member.

Introducing Broker Members

- 4.10 Admission as an Introducing Broker Member shall occur in the following manner:
- (a) An applicant for admission as an Introducing Broker Member (in this clause called the 'Applicant') shall lodge, or cause to be lodged, with the Exchange an application in such form, and providing such information, as the Board shall from time to time prescribe. The form shall contain an acknowledgement that the Applicant has perused the Articles of Association and By-Laws of the Exchange and agrees to abide by them. The Applicant shall also pay to the Exchange the non-refundable Introducing Broker Membership application fee prescribed by the Board.
 - (b) An Applicant must be nominated by a Trading Member or an Affiliate Member and seconded by another Trading Member or an Affiliate Member.
 - (c) The Board shall consider the application and may call for such further information as it deems necessary. A resolution by the Board to approve an Introducing Broker Member shall require the affirmative votes of not less than seventy-five per cent of the Board members entitled to receive notice of the meeting at which the application is to be considered. The Board shall not be obliged to hear the Applicant or to furnish any reason for its decision.
 - (d) In determining whether to approve an application the Board shall be entitled to consider not only the character, business integrity, financial probity and trading expertise of the Applicant, but also the effect of admission of the Applicant in terms of balance, support and development of the various classes of contract, the degree of accessibility of the Market through the Applicant for the public at large, as well as such other matters as the Board may regard as relevant from time to time. Prior to election the Board shall

use its best endeavours to ascertain whether the Applicant is of good character and high business integrity.

- (e) Where an Applicant is approved by the Board for Introducing Broker Membership the Applicant shall forthwith lodge with the Exchange the Introducing Broker Membership entrance fee prescribed by the Board, any contribution to the Fidelity Fund prescribed by the Board and such portion of the annual subscription as the Board may determine, and the membership shall not be effective until such amounts have been so lodged.

5. SUBSCRIPTIONS AND LEVIES

Trading Members

- 5.1 (a) Trading Members shall pay, in addition to the application fee and membership entrance fee, annual subscriptions or levies of such amounts, calculated in such manner (including the allowance of rebates based on the volume of business transacted by each Trading Member with the Exchange) as the Board may from time to time think fit. Payment shall be due on such date or dates in each year as the Board may from time to time determine.
- (b) The Board shall have power to impose from time to time annual contributions and levies by way of contribution to the Fidelity Fund as provided in Article 45.
- (c) The Board shall have power to impose special levies from time to time on Trading Members for specified purposes, provided such levies have first been approved by a special resolution of the Exchange.
- (d) If a Trading Member fails to pay any subscription, contribution or levy within one month of the due date, its trading rights shall thereupon be suspended until the sum due is paid together with interest from the due date at twenty per cent per annum or such other rate as may be fixed by the Board from time to time. Should the default not be remedied within a further month of the due date then the Board shall forthwith give notice of an extraordinary general meeting for the purpose of determining whether to expel the defaulting Member. Notwithstanding the decision of that meeting, the Board may pursue payment of the amount due by legal action or accept security therefor.
- (e) There shall be no entitlement to a refund of any portion of the membership entrance fee or transfer fee or any subscription, contribution or levy which has been paid by a Trading Member which has ceased for any reason to be a Member or whose trading rights have been suspended, and all fees, subscriptions, contributions and levies which have become due and payable by a Trading Member which has ceased for any reason to be a Member or whose trading rights have been suspended, but have not

been paid, shall remain due and payable by it notwithstanding such cessation or suspension.

Affiliate Members

- 5.2 (a) Affiliate Members shall pay, in addition to the application fee and membership entrance fee, annual subscriptions or levies of such amounts, calculated in such manner, as the Board may from time to time think fit. Payment shall be due on such date or dates in each year as the Board may from time to time determine.
- (b) The Board shall have power to impose from time to time annual contributions and levies by way of contribution to the Fidelity Fund as provided in Article 45.
- (c) The Board shall have power to impose special levies from time to time on Affiliate Members for specified purposes, provided such levies have first been approved by a special resolution of the Exchange.
- (d) If an Affiliate Member fails to pay any subscription, contribution or levy within one month of the due date its trading rights shall thereupon be suspended until the sum due is paid together with interest from the due date at twenty per cent per annum, or at such other rate as may be fixed by the Board from time to time. Should the default not be remedied within a further month of the due date, the Board may without further notice terminate the membership of the Affiliate Member.
- (e) There shall be no entitlement to a refund of any portion of the membership entrance fee or transfer fee or any subscription, contribution or levy which has been paid by an Affiliate Member which has ceased for any reason to be a Member or whose trading rights have been suspended, and all fees, subscriptions, contributions and levies which have become due and payable by an Affiliate Member which has ceased for any reason to be a Member or whose trading rights have been suspended, but have not been paid, shall remain due and payable by it notwithstanding such cessation or suspension.

Local Members

- 5.3 (a) Local members shall pay, in addition to the application fee and membership entrance fee, annual subscriptions or levies of such amounts, calculated in such manner, and payable on such date or dates, as the Board may from time to time determine.
- (b) The Board shall have the power to impose special levies from time to time on Local Members for specified purposes, provided such levies have first been approved by a special resolution of the Exchange.
- (c) If a Local Member fails to pay any subscription or levy within one month of the due date his trading rights shall thereupon be suspended until the sum due is paid together with interest from the due

date at twenty per cent per annum, or at such other rate as may be fixed by the Board from time to time. Should the default not be remedied within a further month of the due date the Board may without further notice terminate the membership of the Local Member.

- (d) There shall be no entitlement to a refund or remission of any portion of the membership entrance fee or of any subscription or levy which has been paid by a Local Member who has ceased for any reason to be a Member or whose trading rights have been suspended, and all fees, subscriptions and levies which have become due by a Local Member who has ceased for any reason to be a Member or whose trading rights have been suspended, but have not been paid, shall remain due notwithstanding such cessation or suspension.

Introducing Broker Members

- 5.4 (a) Introducing Broker Members shall pay, in addition to the application fee, membership entrance fee, annual subscriptions or levies of such amounts, calculated in such manner, as the Board may from time to time think fit. Payment shall be due on such date or dates in each year as the Board may from time to time determine.
- (b) The Board shall have power to impose from time to time initial contributions, annual contributions and levies by way of contribution, to the Fidelity Fund as provided in Article 45.
- (c) The Board shall have power to impose special levies from time to time on Introducing Broker Members for specified purposes, provided such levies have first been approved by a special resolution of the Exchange.
- (d) If an Introducing Broker Member fails to pay any subscription, contribution or levy within one month of the due date its trading rights shall thereupon be suspended until the sum due is paid together with interest from the due date at twenty per cent per annum, or at such other rate as may be fixed by the Board from time to time. Should the default not be remedied within a further month of the due date, the Board may without further notice terminate the membership of the Introducing Broker Member.
- (e) There shall be no entitlement to a refund or remission of any portion of the membership entrance fee or of any subscription or levy which has been paid by an Introducing Broker Member which has ceased for any reason to be a Member or whose trading rights have been suspended, and all fees, subscriptions, contributions and levies which have become due and payable by an Introducing Broker Member which has ceased for any reason to be a Member or whose trading rights have been suspended, but have not been paid, shall remain due and payable by it notwithstanding such cessation or suspension.

6. TRADING MEMBERS - CONDUCT

- 6.1 A Trading Member shall at all times act in a manner consistent with the promotion and protection of the goodwill and public image of the Exchange and its Members, and in particular it shall be the responsibility of each Trading Member:
- (a) to maintain internal records showing the time, date and nature of instructions received from, and trades executed for, clients and to maintain separate internal records showing the time, date and nature of its own orders and trading and the source of funds used for that trading. Such records are to be maintained for a period of not less than two years from the date of a trade;
 - (b) to maintain such accounting records as correctly record and explain the transactions of the Member and the financial position of the Member, and in addition as will enable compliance with these Articles and the By-Laws to be conveniently ascertained by the Investigations Committee and otherwise conveniently and properly audited;
 - (c) to ensure that at all times the value of the net tangible assets of the Trading Member is not less than five hundred thousand dollars (\$500,000) or such greater amount as may from time to time be fixed by special resolution of the Exchange, or by a resolution of the Board duly passed at a meeting specially convened to consider the matter and which is supported by the affirmative votes of at least four Directors appointed in accordance with clause 24.2(a)(i) or alternates for such Directors;
 - (d) to provide the Investigations Committee with such financial reports, within such time, as the Investigations Committee requires. Such information shall include true and correct statements of the following:
 - (i) a monthly return of the Member's position with regard to clients' funds, within five working days of the last business day of the month;
 - (ii) a quarterly return of the Member's financial position, within two months of the last business day of the months of March, June, September and December in each year, and at such other times as may be requested in writing by the Committee;
 - (iii) signed audited annual financial accounts, within three months of the Member's annual balance date.
- Such statements shall be binding on the Member, and are to be signed by the Member, or by a partner or director of the Member, as the case may be, or by a person duly authorised by the Member to sign such statements;
- (e) to obtain appropriate written acknowledgements from clients, which shall include as a minimum the matters contained in the appropriate form set out in the Schedule hereto;
 - (f) to obtain proper authorities from clients in relation to accepting instructions from any person

- or persons on behalf of a client;
- (g) not to apply or permit or suffer any monies or securities standing to the credit of accounts of clients in respect of futures trading to be applied against debits to its own futures trading account (which expression shall include accounts of its partners, directors and employees), or for the benefit of futures trading accounts of any other clients who either ought to have been called upon for payment of margins pursuant to the General By-Laws and have not been or, having been called, have not paid or lodged cover as required by the General By-Laws;
 - (h) not to permit any one client (in which context the expression 'client' shall include all persons, partnerships and companies related to or associated or affiliated with the client or otherwise financially dependent upon the client) to represent such a percentage of the trading by the Trading Member as may reasonably be likely to prejudice or diminish the ability of the Trading Member to meet its obligations;
 - (i) to co-operate with the Investigations Committee in the performance by that Committee of its duties, and in particular to make available to the Committee its accounting and other records;
 - (j) unless otherwise instructed in writing by the client, and subject to the requirements of any applicable regulations made under the Securities Amendment Act 1988:
 - (i) to place with the Clearing House, or with such other companies as may be approved by the Board, any monies received from or held on behalf of clients, which are in excess of the obligations of the Member to the Clearing House, and to ensure that such monies, other than those held by the Clearing House, are at all times held in an account or accounts which do not include any of the Member's own funds and which are clearly designated as 'clients' funds accounts', save for accumulated interest contractually owed by the Member to the client;
 - (ii) where the Member is trading for clients on markets other than those operated by the Exchange, to place with the Clearing House, or with such other Companies as may be approved by the Board, any monies received from or held on behalf of clients, which are in excess of the obligations of the Members to members of other futures exchanges or clearing houses, and to ensure that such monies, other than those held by the Clearing House, are at all times held in an account or accounts which do not include any of the Member's own funds and which are clearly designated as 'clients' funds accounts', save for accumulated interest

contractually owed by the Member to the client;

- (iii) to ensure that no less than fifty percent of such monies held in clients' funds accounts are held on same day call;
- (k) not knowingly to transact any business on behalf of:
 - (i) any director, partner or employee of any other Trading Member or of any Affiliate Member or Introducing Broker Member; or
 - (ii) any client in which any such director, partner or employee has an interest, either direct or indirect; or
 - (iii) any Local Member other than a Local Member for whom the Trading Member is the Nominating Member.

For the purpose of this sub-clause 'employee' shall include persons who as a representative of the Member advise or solicit instructions from persons in relation to the sale or purchase of futures or option contracts on the Market. The provisions of this sub-clause shall not apply to trading by a Trading Member or an Affiliate Member through another Trading Member;

- (l) where the Trading Member is the Nominating Member of a Local Member, not to permit any person other than that Local Member to use the terminal device maintained by the Trading Member on its premises for that Local Member;
- (m) not to issue or disseminate, or permit the issue or dissemination of, any advertisement or unsolicited business communication in writing, in respect of its business as a dealer in futures or option contracts, which is false or which may be misleading or prejudicial to the goodwill or public image of the Exchange and its Members or which has been disapproved, or is of a class that has been disapproved, by the Investigations' Committee or the Board by notice in writing to the Trading Member concerned or to Trading Members generally; provided that this provision shall not prevent the issue or dissemination of unsolicited business communications to companies which are listed on recognised stock exchanges or their related companies;
- (n) not knowingly to employ any person who has been involved in any investigation by the Board as a result of which there has been a finding of misconduct involving that person, without first obtaining the written approval of the Investigations Committee;
- (o) not to act in any way which would adversely affect the goodwill or public image of the Exchange and its Members;
- (p) to effect and maintain such form of indemnity as the Board may from time to time determine to be appropriate to protect the interests of clients of Members;
- (q) to notify the Exchange in writing immediately upon the happening of any one or more of the following:

- (i) the bankruptcy of the Trading Member, or of a partner or a director of the Trading Member, as the case may be;
- (ii) where, in the case of a company or any related company, a receiver, statutory manager, provisional liquidator or liquidator or a similar officer is appointed, or any resolution is passed or order made for the winding up or dissolution of the company;
- (iii) where the Trading Member, or in the case of a partnership any of the partners, or in the case of a company, any of the directors, is convicted of an indictable offence;
- (r) to observe, comply with and act consistently with these Articles and the By-Laws and with decisions of the Board and its committees, and to settle any dispute with another Member in the manner provided in the By-Laws and the Facilities Procedures Manual;
- (s) to notify the Exchange of the existence of any agreement entered into by the Trading Member with an Introducing Broker Member pursuant to Article 9.1(q) and to advise the Exchange of the termination of any such agreement;
- (t) to provide to each client written confirmation of each transaction executed for that client on a daily basis;
- (u) to provide to each client a written monthly statement within seven days of the end of each calendar month showing:
 - (i) the opening cash balance for that month in the client's account;
 - (ii) all deposits, credits, withdrawals and debits affecting the client's account during that month;
 - (iii) the cash balance in the client's account at the end of that month;
 - (iv) particulars of each futures or option contract that the Trading Member has, before or during that month, acquired on behalf of the client and that, as at the end of that month has not been disposed of;
 - (v) details of each outstanding call for an initial margin or variation margin in respect of a futures or option contract that the Trading Member has acquired on behalf of the client;
- (v) to comply with all statutes and regulations for the time being in force relating to dealing in futures or option contracts;

provided that the Board may upon written application by a Trading Member dispense with, or temporarily postpone, observance by the Trading Member of any of the above obligations upon such conditions (if any) as the Board may think fit.

- 6.2 Failure by a Trading Member to comply with the provisions of clause 6.1, or otherwise to observe, comply with and act consistently with these Articles or the By-Laws or the decisions of the Board or its

committees, or failure to pay its debts as they fall due, or the occurrence of any of the events referred to in clause 6.1(q), shall prima facie be deemed to be misconduct by the Trading Member.

- 6.3 (a) Notwithstanding the provisions of clause 6.2, and without prejudice to any other action which the Board may resolve to take, where a Trading Member fails to lodge the statement referred to in clause 6.1(d)(ii) within seven days of the due date the trading rights of the Trading Member shall immediately be suspended without the necessity for a decision of the Board AND the Trading Member shall be liable to pay a fine of such amount as may be prescribed by the Board from time to time as the appropriate fine for such a failure.
- (b) When a Trading Member's trading rights have been suspended in accordance with sub-clause (a) hereof, they shall immediately be re-instated without the necessity of a decision of the Board as soon as the statement referred to in clause 6.1(d)(ii) has been received by the Exchange unless prior to receipt of such statement the Trading Member's trading rights have been suspended for reasons other than the Trading Member's failure to lodge such statement.

7. AFFILIATE MEMBERS - CONDUCT

- 7.1 An Affiliate Member shall at all times act in a manner consistent with the promotion and protection of the goodwill and public image of the Exchange and its Members and in particular it shall:
- (a) observe, comply with and act consistently with these Articles and the By-Laws and the decisions of the Board and its committees, and settle any dispute in a manner consistent with upholding the goodwill and public image of the Exchange and its Members;
- (b) maintain such accounting records as correctly record and explain the financial position of the Affiliate Member, and in addition as will enable compliance with these Articles and the By-Laws to be conveniently ascertained by the Investigations Committee and otherwise conveniently and properly audited;
- (c) maintain separate internal records showing the time, date and nature of instructions received from, and transactions executed for, clients and maintain separate internal records showing the time, date and nature of its own orders and trading and the source of funds used for that trading, such records to be maintained for a period of not less than two years from the date of instructions being received;
- (d) ensure that at all times the value of the net tangible assets of the Affiliate Member is not less than five hundred thousand dollars (\$500,000) or such greater amount as may from time to time be fixed by special resolution of the Exchange, or by a resolution of the Board duly passed at a meeting

- specially convened to consider the matter and which is supported by the affirmative votes of at least four Directors appointed in accordance with clause 24.2(a)(i) or alternates for such Directors;
- (e) provide the Investigations Committee with such financial reports and within such time as the Investigations Committee requires. Such information shall include true and correct statements of the following:
- (i) a monthly return of the Member's position with regard to clients' funds, within five working days of the last business day of the month;
 - (ii) a quarterly return of the Member's financial position, within two months of the last business day of the months of March, June, September and December in each year, and at such other times as may be requested in writing by the Committee;
 - (iii) signed audited annual financial accounts, within three months of the Member's annual balance date;
- Such statement shall be binding on the Member, and are to be signed by the Member, or by a partner or director of the Member, as the case may be, or by a person duly authorised by the Member to sign such statements;
- (f) notify the Exchange immediately upon the happening of any one or more of the following:
- (i) the bankruptcy of the Affiliate Member or of a partner or a director of the Affiliate Member, as the case may be;
 - (ii) where, in the case of a company or any related company, a receiver, statutory manager, provisional liquidator or liquidator or a similar officer is appointed, or any resolution is passed or order made for the winding up or dissolution of the company;
 - (iii) where the Affiliate Member, or in the case of a partnership any of the partners, or in the case of a company any of the directors, is convicted of an indictable offence;
- (g) co-operate with the Investigations Committee in the performance by that Committee of its duties and in particular make available to the Committee its accounting and other records;
- (h) obtain appropriate written acknowledgements from clients, which shall include as a minimum the particulars contained in the appropriate form set out in the Schedule hereto;
- (i) obtain proper authorities from clients in relation to accepting instructions from any person or persons on behalf of a client;
- (j) not apply or permit or suffer any monies or securities standing to the credit of accounts of clients in respect of futures trading to be applied against debits to its own futures trading account (which expression shall include accounts of its partners, directors and employees), or for

the benefit of futures trading accounts of any other clients who either ought to have been called upon for payment of margins pursuant to the General By-Laws and have not been, or having been called, have not paid or lodged cover as required in the General By-Laws;

- (k) not permit any one client (in which context the expression "client" shall include all persons related to or associated or affiliated with the client or otherwise financially dependent on the client) to represent such a percentage of the business of the Affiliate Member as may reasonably be likely to prejudice or diminish the ability of the Affiliate Member to meet its obligations;
- (l) unless otherwise instructed in writing by the client, and subject to the requirements of any applicable requirements made under the Securities Amendment Act 1988:
 - (i) place with Trading Members, with the Clearing House or with such other companies as may be approved by the Board, any monies received from or held on behalf of clients, which are in excess of the obligations of the Member to the Clearing House, and to ensure that such monies, other than those held by the Clearing House, are at all times held in an account or accounts which do not include any of the Member's own funds and which are clearly designated as "clients' funds accounts", save for accumulated interest contractually owed by the Member to the client;
 - (ii) where the Member is trading for clients on markets other than those operated by the Exchange, to place with the Clearing House, or with such other Companies as may be approved by the Board, any monies received from or held on behalf of clients, which are in excess of the obligations of the Member to members of other futures exchanges or clearing houses, and to ensure that such monies, other than those held by the Clearing House, are at all times held in an account or accounts which do not include any of the Member's own funds and which are clearly designated as "clients' funds accounts", save for accumulated interest contractually owed by the Member to the client;
 - (iii) ensure that no less than fifty percent of clients' funds held in clients' funds accounts are held on same day call;
- (m) effect and maintain such form of indemnity as the Board may from time to time determine to be appropriate to protect the interests of the clients of Members;
- (n) not to issue or disseminate, or permit the issue or dissemination of, any advertisement or unsolicited business communication in writing, in respect of its business as a dealer in futures or

option contracts, which is false or which may be misleading or prejudicial to the goodwill or public image of the Exchange and its Members or which has been disapproved, or is of a class that has been disapproved, by the Investigations Committee or the Board by notice in writing to the Affiliate Member concerned or to Affiliate Members generally, provided that this provision shall not prevent the issue or dissemination of unsolicited business communications to companies which are listed on recognised stock exchanges or their related companies;

- (o) not knowingly employ any person who has been involved in any investigation by the Board as a result of which there has been a finding of misconduct involving that person without first obtaining the written approval of the Investigations Committee;
- (p) not act in any way which would adversely affect the goodwill or public image of the Exchange and its Members;
- (q) not knowingly transact any business on behalf of:
 - (i) any director, partner or employee of any Trading Member or Introducing Broker Member or of any other Affiliate Member; or
 - (ii) any client in which any such director, partner or employee has an interest, either direct or indirect; or
 - (iii) any Local Member.

For the purpose of this subclause "employee" shall include persons who as a representative of the Member advise or solicit instructions from persons in relation to the sale or purchase of futures, related or similar contracts on the market;

- (r) to notify the Exchange of the existence of any agreement entered into by the Affiliate Member with an Introducing Broker Member pursuant to Article 9.1(q) and to advise the Exchange of the termination of any such agreement;
- (s) to provide to each client written confirmation of each trade executed for that client on a daily basis;
- (t) to provide to each client a written monthly statement within seven days of the end of each calendar month showing:
 - (i) the opening cash balance for that month in the client's account;
 - (ii) all deposits, credits, withdrawals and debits affecting the client's account during that month;
 - (iii) the cash balance in the client's account at the end of that month;
 - (iv) particulars of each futures or option contract that the Affiliate Member has, before or during that month; acquired on behalf of the client and that, as at the end of that month has not been disposed of;
 - (v) details of each outstanding call for an initial margin or variation margin in respect of a futures or option contract that

the Affiliate Member has acquired on behalf of the client;

- (u) to comply with all statutes and regulations for the time being in force relating to dealing in futures or option contracts, provided that the Board may upon written application by an Affiliate Member dispense with, or temporarily postpone, observance by the Affiliate Member of any of the above obligations, upon such conditions (if any) as the Board may think fit.
- 7.2 Where an Affiliate Member has undertaken in writing to the Exchange in such form as the Board may require that the Affiliate Member will not accept instructions from persons wishing to sell or purchase futures or option contracts on the Market and intends only to act on its own behalf, the Affiliate Member shall not, so long as it does not accept any such instructions from any other person, be bound to comply with the provisions of sub-clauses (h) to (m) inclusive of clause 7.1.
- 7.3 Where an Affiliate Member has given an undertaking to the Exchange in accordance with clause 7.2, and has not withdrawn such undertaking the Affiliate Member:
- (a) shall from time to time, within fourteen days of being requested by the Board in writing to do so, provide to the Board such undertaking and/or other evidence as the Board may require, that the Affiliate Member has not accepted, and does not intend to accept, instructions from any other person to sell or purchase futures or option contracts on the Market;
 - (b) shall not accept any such instructions without first advising the Exchange by not less than thirty days' notice in writing of its intention to do so and:
 - (i) acknowledging its liability thenceforth to comply with all the provisions of clause 7.1; and
 - (ii) providing the Exchange with satisfactory evidence of compliance by the Affiliate Member with clause 7.1(d); and
 - (iii) providing the Investigations Committee with a statement in accordance with clause 7.1(e).
- 7.4 Failure by an Affiliate Member to comply with the provisions of clauses 7.1 or 7.3, or otherwise to observe, comply with and act consistently with these Articles or the By-Laws, or the decisions of the Board or its committees or failure to pay its debts as they fall due, or the occurrence of any of the events referred to in clause 7.1(f), shall prima facie be deemed to be misconduct.
- 7.5 Notwithstanding clause 7.4, and without prejudice to any other action which the Board may resolve to take, where an Affiliate Member fails to comply with clause 7.3 within seven days of the due date for compliance the trading rights of the Affiliate Member shall immediately be suspended without the necessity for a decision of the Board AND the Affiliate Member shall be liable to pay a fine of such amount as may be prescribed by the Board from time to time as the appropriate fine for such a failure.

8. LOCAL MEMBERS – CONDUCT

- 8.1 A Local Member shall at all times act in a manner consistent with the promotion and protection of the goodwill and public image of the Exchange and its Members and in particular shall:
- (a) ensure that all his trades are registered with the Clearing House in the name of his Nominating Member;
 - (b) observe, comply with and act consistently with these Articles and the By-Laws and the decisions of the Board and its committees, and settle any dispute in a manner consistent with upholding the goodwill and public image of the Exchange and its Members;
 - (c) maintain such accounting records as correctly record and explain the financial position of the Local Member, and in addition as will enable compliance with these Articles and the By-Laws to be conveniently ascertained by the Investigations Committee and otherwise conveniently and properly audited;
 - (d) notify the Exchange immediately upon the bankruptcy of the Local Member or where the Local Member is convicted of an indictable offence;
 - (e) co-operate with the Investigations Committee in the performance by that Committee of its duties and in particular make available to the Committee his accounting and other records;
 - (f) not act in any way which would adversely affect the goodwill or public image of the Exchange and its Members;
 - (g) not sell, purchase or otherwise deal in futures or option contracts for any person other than the Local Member himself;
 - (h) not access the automated trading system of the Exchange by any means other than through the terminal device maintained by the Nominating Member on its premises for use by that Local Member;

provided that the Board may upon written application by a Local Member dispense with, or temporarily postpone, observance by the Local Member of any of the above obligations, upon such conditions (if any) as the Board may think fit.

- 8.2 Failure by a Local Member to comply with the provisions of clause 8.1, or otherwise to observe, comply with and act consistently with these Articles or the By-Laws, or a decision of the Board or any of its committees, or failure to pay his debts as they fall due, or the occurrence of either of the events referred to in clause 8.1(d) shall prima facie be deemed to be misconduct.
- 8.3 Notwithstanding clause 8.2, and without prejudice to any other action which the Board may resolve to take, where a Local Member fails to comply with clause 8.2 within seven days of the due date for compliance the trading rights of the Local Member shall immediately be suspended without the necessity for a decision of the Board AND the Local Member shall be liable to pay a fine of such amount as may be prescribed by the Board from time to time as the appropriate fine for such a failure.

9. INTRODUCING BROKER MEMBERS - CONDUCT

9.1 An Introducing Broker Member shall at all times act in a manner consistent with the promotion and protection of the goodwill and public image of the Exchange and its Members and in particular it shall:

- (a) observe, comply with and act consistently with these Articles and the By-Laws and the decisions of the Board and its committees, and settle any dispute in a manner consistent with upholding the goodwill and public image of the Exchange and its Members;
- (b) maintain such accounting records as correctly record and explain the financial position of the Introducing Broker Member, and in addition as will enable compliance with these Articles and the By-Laws to be conveniently ascertained by the Investigations Committee and otherwise conveniently and properly audited;
- (c) maintain separate internal records showing the time, date and nature of instructions received from, and transactions executed for, clients and maintain separate internal records showing the time, date and nature of its own orders and trading and the source of funds used for that trading, such records to be maintained for a period of not less than two years from the date of instructions being received;
- (d) ensure that at all times the value of net tangible assets of the Introducing Broker Member is not less than fifty thousand dollars (\$50,000) or such greater amount as may from time to time be fixed by special resolution of the Exchange, or by a resolution of the Board duly passed at a meeting specially convened to consider the matter and which is supported by the affirmative votes of at least four Directors appointed in accordance with clause 24.2(a)(i) or alternates for such Directors;
- (e) provide the Investigations Committee with such financial reports and within such time as the Investigations Committee requires. Such information shall include true and correct statements of the following:
 - (i) a quarterly return of the Member's financial position, within two months of the last business day of the months of March, June, September and December in each year, and at such other times as may be requested in writing by the Committee;
 - (ii) signed audited annual financial accounts, within three months of the Member's annual balance date;Such statements shall be binding on the Member, and are to be signed by the Member, or by a partner or director of the Member, as the case may be, or by a person duly authorised by the Member to sign such statements;
- (f) notify the Exchange immediately upon the happening of any one or more of the following:
 - (i) the bankruptcy of the Introducing Broker Member or where the Introducing Broker

- Member is convicted of an indictable offence;
- (ii) the bankruptcy of a partner in or director of the Introducing Broker Member;
 - (iii) where, in the case of a company or any related company, a receiver, statutory manager, provisional liquidator, liquidator or similar officer is appointed, or any resolution is passed or order made for the winding up or dissolution of the company;
 - (iv) where in the case of a partnership any of the partners, or in the case of a company any of the directors, is convicted of an indictable offence;
- (g) co-operate with the Investigations Committee in the performance by that Committee of its duties and in particular make available to the Committee its accounting and other records;
 - (h) obtain an appropriate written acknowledgement from each client which shall include as a minimum the provisions contained in Form 4 in the Schedule hereto;
 - (i) obtain proper authorities from clients in relation to accepting instructions from any person or persons on behalf of a client;
 - (j) not permit any one client (in which context the expression "client" shall include all persons related to or associated or affiliated with the client or otherwise financially dependent on the client) to represent such a percentage of the business of the Introducing Broker Member as may reasonably be likely to prejudice or diminish the ability of the Introducing Broker Member to meet its obligations;
 - (k) effect and maintain such form of indemnity as the Board may from time to time determine to be appropriate to protect the interests of the clients of Members;
 - (l) not to issue or disseminate, or permit the issue or dissemination of, any advertisement or unsolicited business communication in writing, in respect of its business as a dealer in futures or option contracts, which is false or which may be misleading or prejudicial to the goodwill or public image of the Exchange and its Members or which has been disapproved, or is of a class that has been disapproved, by the Investigations Committee or the Board by notice in writing to the Introducing Broker Member concerned or to Introducing Broker Members generally, provided that this provision shall not prevent the issue or dissemination of unsolicited business communications to companies which are listed on recognised stock exchanges or their related companies;
 - (m) not knowingly employ any person who has been involved in any investigation by the Board as a result of which there has been a finding of misconduct involving that person without first obtaining the written approval of the Investigations Committee;

- (n) not act in any way which would adversely affect the goodwill or public image of the Exchange and its Members;
- (o) not knowingly transact any business on behalf of:
 - (i) any director, or employee of, or partner in any other Member; or
 - (ii) any client in which any such director, employee or partner has an interest, either direct or indirect;

For the purpose of this subclause 'employee' shall include persons who as a representative of the Member advise or solicit instructions from persons in relation to trading in futures contracts, option contracts, or similar contracts;

- (p) not accept or hold any money or property on behalf of clients and prior to accepting a client so advise the client; provided that the Introducing Broker Member may accept from a client a crossed cheque marked 'not negotiable account payee only' made payable to the 'client account' of the Trading Member or Affiliate Member to which it has introduced the client provided such cheque is either delivered to that Trading Member or Affiliate Member or paid to the credit of the nominated account in respect of which the Trading Member or Affiliate Member to whom the client has been introduced is the sole signatory;
- (q) not introduce any client to a Trading Member or Affiliate Member unless the Introducing Broker Member has in force with that Trading Member or Affiliate Member an agreement which includes as a minimum the provisions contained in the appropriate form set out in the Schedule hereto;
- (r) cause each client to give to the Trading Member or Affiliate Member appointed by the Introducing Broker Member as the principal broker in respect of that client a written acknowledgement which includes as a minimum the provisions contained in the appropriate form set out in the Schedule hereto, and place all orders on behalf of such client with such Trading Member or Affiliate Member;
- (s) notify the Exchange and any Trading Member or Affiliate Member to which it introduces, or proposes to introduce clients, of the existence of any agreement referred to in sub-clause (q) of this clause;
- (t) comply with all statutes and regulations for the time being in force relating to dealing in futures or option contracts;

provided that the Board may upon written application by an Introducing Broker Member dispense with, or temporarily postpone, observance by the Introducing Broker Member of any of the above obligations, upon such conditions (if any) as the Board may think fit.

- 9.2 Failure by an Introducing Broker Member to comply with the provisions of clause 9.1 or otherwise to observe, comply with and act consistently with these Articles or the By-Laws, or the decisions of the Board or its committees, or failure to pay its debts as they fall

due, or the occurrence of any of the events referred to in clause 9.1(f), shall prima facie be deemed to be misconduct.

10. TRADING MEMBERS – DISCIPLINARY ACTION

- 10.1 (a) Where the Board considers that a Trading Member has been guilty of, or might be reasonably suspected of, misconduct it shall convene a meeting of the Board in accordance with sub-clause (b) of this clause at which the Trading Member shall be entitled to be present and offer an explanation, and pending the holding of such a meeting the Board may by unanimous resolution order the Trading Member not to trade in futures or option contracts, or in a specific class or classes of futures or option contract, or not to trade in a particular futures or option market or markets, whether in New Zealand or elsewhere.
- (b) The meeting shall be held within fourteen days after the passing of a unanimous resolution under sub-clause (a), if one shall have been passed, or otherwise within twenty-eight days of the Board's decision to convene the meeting, and the Exchange shall cause notice of such meeting to be sent to the Trading Member concerned appointing a time and place for the meeting, giving details of the misconduct alleged against it and nominating, where felt desirable by the Board, any particular partner, director or employee of the Trading Member from whom the Board wishes to receive information or explanations.
- (c) The Board may at that meeting decide whether:
- (i) to suspend the trading rights of the Trading Member;
 - (ii) to fine the Trading Member such amount as the Board may deem appropriate;
 - (iii) to call an extraordinary general meeting pursuant to clause 10.6 for the purpose of considering whether to expel the Trading Member;
 - (iv) to order the Trading Member not to trade in a particular futures or option market or markets, whether in New Zealand or elsewhere, or in a specific class or classes of contract, or to revoke or extend any such order previously made.

Such decisions shall not be mutually exclusive of each other, and the Board may make any one or more of such decisions in respect of the Trading Member at the meeting. Any member of the Board who has a direct interest in the determination of any issue before the Board shall be excluded from the deliberation of the Board in such determination and shall not be entitled to vote thereon. Decisions by the Board under this sub-clause shall require a seventy-five per cent majority of the Board members for the time being entitled to receive notice of meetings of the Board.

- (d) No suspension of trading rights or order not to trade shall be for a term in excess of three months.
 - (e) Where a Trading Member is not incorporated in New Zealand and its principal place of futures and options trading business is not situated in New Zealand, any order not to trade made under clause 10.1 shall not apply to any trading by that Trading Member which:
 - (i) does not arise out of orders or instructions placed with, or given to, any branch, office or employee of that Trading Member in New Zealand; and
 - (ii) is not transacted on a market in New Zealand; and
 - (iii) is carried on from a place of business of that Trading Member situated outside New Zealand.
- 10.2 (a) Where a Trading Member has been fined, or its trading rights have been suspended, or any order not to trade has been made, pursuant to clause 10.1(c), it may by notice in writing call upon the Board to convene an extraordinary general meeting of Trading Members to consider the penalty imposed. The notice by the Trading Member must be given within three business days after receipt by the Trading Member of notice of the decision of the meeting of the Board at which the penalty is imposed.
- (b) Pending the meeting of Trading Members any suspension or order not to trade may, if so determined by the Board, continue until the meeting of Trading Members, but a Member shall not be required to pay a fine prior to the meeting.
 - (c) At such meeting the chairman, or failing him then a representative of the Board, shall provide a summary of the investigations of the Board, and the Trading Member may address the meeting.
 - (d) Any resolution passed at the meeting which has the effect of varying the decision of the Board made in accordance with clause 10.1(c)(i), (ii) or (iv) shall require the affirmative votes of either:
 - (i) not less than two-thirds of those Trading Members who are present in person or by proxy and entitled to vote; or
 - (ii) not less than half of all the Trading Members entitled to vote;whichever is the greater. Voting shall be by secret ballot.
- 10.3 Subject to clause 10.2(b), failure to pay a fine by a Trading Member within seven days of it being imposed shall result in automatic suspension of the trading rights of such Trading Member until the fine is paid in full. If the fine is not paid within three months of the date of imposition then the Board shall forthwith give notice of an extraordinary general meeting of Trading Members for the purpose of determining whether to expel the defaulting Trading Member. Notwithstanding the decision of the extraordinary general meeting, the Board may pursue payment of the fine by legal action, or

accept security therefor, or agree to payment over a period of time.

- 10.4 The trading rights of a Trading Member shall be immediately suspended without the necessity for a decision of the Board if the Clearing House refuses to register trades in the name of the Trading Member. Notice in writing by the Clearing House that it has refused to register trades in the name of the Trading Member shall be prima facie evidence for the Board and the Board shall then proceed to call the meeting envisaged under clause 10.1.

Transfer of Open Positions

- 10.5 (a) Where the trading rights of a Trading Member have been suspended (other than by reason of any action by the Clearing House), or the Trading Member has been ordered not to trade in a particular futures or option market or markets or in a specific class or classes of contract, or the Trading Member has resigned, all or any of the open positions held by the Trading Member (whether on its own behalf or on behalf of clients) may with the consent of the Trading Member (or receiver, statutory manager, provisional liquidator, liquidator or similar officer of the Trading Member, as the case may be), the Board (which consent shall not be withheld where all of a client's indebtedness to the Trading Member has been satisfied) and the Clearing House, be transferred to another Trading Member who shall be entitled to commission on any subsequent trades. The Board may appoint any Director to take all action in the name of the first-named Trading Member and to execute all documents and do all things necessary to give effect to such transfer.
- (b) Where the trading rights of a Trading Member have been suspended, or where it has been ordered not to trade in a particular futures or option market or markets or in a specific class or classes of contract, the Trading Member (or receiver, statutory manager, provisional liquidator, liquidator or similar officer of the Trading Member, as the case may be), unless action is taken under sub-clause (a), may request another Trading Member to trade on its behalf and that other Trading Member shall accept and act on such request unless it shall have satisfied the Board that it has reasonable grounds for declining to do so. All such business shall be transacted at such rate or rates of commission as may be agreed upon between the Trading Members concerned.
- (c) Where the trading rights of a Trading Member have been suspended or where it has been ordered not to trade in a particular futures or option market or markets or in a specific class or classes of contract, or fined, or expelled, or the Trading Member has given notice of resignation, the Board shall cause an appropriate announcement to be made to Trading Members and Affiliate Members.

Expulsion of Trading Members

- 10.6 (a) Should the Board decide to call an extraordinary general meeting of Trading Members for the purpose of considering whether to expel a Trading Member, it shall give notice to all Trading Members as required by these Articles.
- (b) At any such meeting the chairman, or failing him a representative of the Board, shall provide a summary of the investigations of the Board and the reasons for its decision to call the meeting, and the Trading Member may address the meeting.
- (c) A resolution to expel a Trading Member passed at any such meeting shall require the affirmative votes of either:
- (i) not less than two-thirds of those Trading Members who are present in person or by proxy and entitled to vote; or
 - (ii) not less than half of all the Trading Members entitled to vote;
- whichever is the greater. Voting shall be by secret ballot.
- (d) Upon expulsion, the Trading Member shall forfeit its trading rights and shall forfeit its share in the capital of the Exchange in accordance with Article 27.

11. AFFILIATE MEMBERS – DISCIPLINARY ACTION

- 11.1 (a) Where the Board is satisfied that an Affiliate Member has been guilty of, or might reasonably be suspected of, misconduct, it shall convene a meeting of the Board in accordance with sub-clause (b) of this clause at which the Affiliate Member shall be entitled to be present and offer an explanation, and pending the holding of such a meeting the Board may by unanimous resolution order the Affiliate Member not to trade in futures or option contracts or in a specific class or classes of futures or option contract, or not to trade in a particular futures or option market or markets, whether in New Zealand or elsewhere.
- (b) The meeting shall be held within fourteen days after the passing of a unanimous resolution under sub-clause (a), if one shall have been passed, or otherwise within twenty-eight days of the Board's decision to convene the meeting, and the Exchange shall cause notice of such meeting to be sent to the Affiliate Member concerned appointing a time and place for the meeting, giving details of the misconduct alleged against it and nominating, where felt desirable by the Board, any particular partner, director or employee of the Affiliate Member from whom the Board wishes to receive information or explanations.
- (c) The Board may at that meeting decide whether:
- (i) to suspend the trading rights of the Affiliate Member;
 - (ii) to fine the Affiliate Member such amount as the Board may deem appropriate;
 - (iii) to terminate the membership of the Affiliate

Member;

- (iv) to order the Affiliate Member not to trade in a particular futures or option market or markets, whether in New Zealand or elsewhere, or in specific class or classes of contract, or to revoke or extend any suspension previously made;

Such decisions shall not be mutually exclusive of each other, and the Board may make any one or more of such decisions in respect of the Affiliate Member at the meeting. Any member of the Board who has a direct interest in the determination of any issue before the Board shall be excluded from the deliberations of the Board in such determination and shall not be entitled to vote thereon. Decisions by the Board under this sub-clause shall require a seventy-five per cent majority of Board members for the time being entitled to receive notice of meetings of the Board.

- (d) No suspension of trading rights or order not to trade shall be for a term in excess of three months.
- (e) Where an Affiliate Member is not incorporated in New Zealand and its principal place of futures and options trading business is not situated in New Zealand, any order not to trade made under clause 11.1 shall not apply to any trading by that Affiliate Member which:
 - (i) does not arise out of orders or instructions placed with, or given to, any branch, office or employee of that Affiliate Member in New Zealand; and
 - (ii) is not transacted on a market in New Zealand; and
 - (iii) is carried on from a place of business of that Affiliate Member situated outside New Zealand.

- 11.2 (a) Where an Affiliate Member has been fined, or its trading rights have been suspended, or any order not to trade has been made pursuant to clause 11.1(c), or its membership has been terminated, it may by notice in writing call upon the Board to convene an extraordinary general meeting of Trading Members to consider the penalty imposed. The notice by the Affiliate Member must be given within three business days after receipt by the Affiliate Member of notice of the decision of the meeting of the Board at which the penalty is imposed.
- (b) Pending the meeting of Trading Members any suspension or termination may, if so determined by the Board, continue until the meeting of Trading Members, but a Member shall not be required to pay a fine prior to the meeting.
- (c) At such meeting the chairman, or failing him then a representative of the Board, shall provide a summary of the investigations of the Board and the Affiliate Member may address the meeting.
- (d) Any resolution passed at the meeting which has the

effect of varying the decision of the Board made in accordance with clause 11.1(c) shall require the affirmative votes of either:

- (i) not less than two-thirds of those Trading Members who are present in person or by proxy and entitled to vote; or
- (ii) not less than half of all the Trading Members entitled to vote;

whichever is the greater. Voting shall be by secret ballot.

- 11.3 Subject to clause 11.2(b), failure to pay a fine by an Affiliate Member within seven days of it being imposed shall result in automatic suspension of the trading rights of such Affiliate Member until the fine is paid in full. If the fine is not paid within three months of the date of imposition then the Board may forthwith terminate the membership of the Affiliate Member. Notwithstanding such termination the Board may pursue payment of the fine by legal action, or accept security therefor, or agree to payment over a period of time.
- 11.4 The trading rights of an Affiliate Member who is a Clearing Member shall be immediately suspended without the necessity for a decision of the Board if the Clearing House refuses to register trades in the name of the Affiliate Member. Notice in writing by the Clearing House shall be prima facie evidence for the Board and the Board shall then proceed to call the meeting envisaged under clause 11.1.

Transfer of Open Positions

- 11.5 (a) Where the trading rights of an Affiliate Member have been suspended (other than by reason of any action by the Clearing House), or the Affiliate Member has been ordered not to trade in a particular futures or option market or markets or in a specific class or classes of contract or its membership has been terminated, or the Affiliate Member has resigned, all or any of the open positions held by the Affiliate Member (whether on its own behalf or on behalf of clients) may with the consent of the Affiliate Member (or receiver, statutory manager, provisional liquidator, liquidator or similar officer of the Affiliate Member, as the case may be), the Board (which consent shall not be withheld where all of a client's indebtedness to the Affiliate Member has been satisfied) and the Clearing House, be transferred to a Trading Member or another Affiliate Member which shall be entitled to commission on any subsequent trades. The Board may appoint any Director to take all action in the name of the first-named Affiliate Member and to execute all documents and do all things necessary to give effect to such transfer.
- (b) Where the trading rights of an Affiliate Member have been suspended, or where it has been ordered not to trade in a particular futures or option market or markets or in a specific class or classes of contract, the Affiliate Member (or receiver, statutory manager, provisional

liquidator, liquidator or similar officer of the Affiliate Member, as the case may be), unless action is taken under sub-clause (a), may request another Member (Affiliate or Trading) to trade on its behalf and that other Member shall accept and act on such request unless it shall have satisfied the Board that it has reasonable grounds for declining to do so. All such business shall be transacted at such rate or rates of commission as may be agreed upon between the Members concerned.

- (c) Where the trading rights of an Affiliate Member have been suspended or where the Affiliate Member has been ordered not to trade in a particular futures or option market or markets or in a specific class or classes of contract, or fined, or its membership terminated or where the Affiliate Member has given notice of resignation, the Board shall cause an appropriate announcement to be made to Trading Members and Affiliate Members.

12. LOCAL MEMBERS – DISCIPLINARY ACTION

- 12.1 (a) Where the Board is satisfied that a Local Member has been guilty of, or might reasonably be suspected of, misconduct, it shall convene a meeting of the Board in accordance with sub-clause (b) of this clause at which the Local Member shall be entitled to be present and offer an explanation, and pending the holding of such a meeting the Board may by unanimous resolution order the Local Member not to trade in futures or option contracts, or not to trade in a specific class or classes of futures or option contract, or not to trade in a particular futures or option market or markets, whether in New Zealand or elsewhere.
- (b) The meeting shall be held within fourteen days after the passing of a unanimous resolution under sub-clause (a), if one shall have been passed, or otherwise within twenty-eight days of the Board's decision to convene the meeting, and the Exchange shall cause notice of such meeting to be sent to the Local Member concerned appointing a time and place for the meeting, giving details of the misconduct alleged against him.
- (c) The Board may at the meeting decide whether:
- (i) to suspend the trading rights of the Local member;
 - (ii) to fine the Local Member such amount as the Board may deem appropriate;
 - (iii) to terminate the membership of the Local Member;
 - (iv) to order the Local Member not to trade in a particular futures or option market or markets, whether in New Zealand or elsewhere, or in any specific class or classes of contract, or to revoke or extend any suspension previously made.
- Such decisions shall not be mutually exclusive of

each other, and the Board may make any one or more of such decisions in respect of the Local Member at the meeting. Any member of the Board who has a direct interest in the determination of any issue before the Board shall be excluded from the deliberations of the Board in such determination and shall not be entitled to vote thereon.

Decisions by the Board under this sub-clause such require a seventy-five per cent majority of Board members for the time being entitled to receive notice of meetings of the Board. The Board shall cause an appropriate announcement of its decision to be made to all Members.

- (d) No suspension of trading rights or order not to trade shall be for a term in excess of three months.
- 12.2 (a) Where a Local Member has been fined, or his trading rights have been suspended, or he has been ordered not to trade in a particular futures or option market or markets or in a specific class or classes of contract, or his membership has been terminated, he may by notice in writing call upon the Board to convene an extraordinary general meeting of Trading Members to consider the penalty imposed. The notice by the Local Member must be given within three business days after receipt by the Local Member of notice of the decision of the meeting of the Board at which the penalty is imposed.
- (b) Pending the meeting of Trading Members any suspension or termination or order not to trade may, if so determined by the Board, continue until the meeting of Trading Members, but a Member shall not be required to pay a fine prior to the meeting.
- (c) At such meeting the chairman, or failing him then a representative of the Board, shall provide a summary of the investigations of the Board and the Local Member may address the meeting.
- (d) Any resolution passed at the meeting which has the effect of varying the decision of the Board made in accordance with clause 12.1(c) shall require the affirmative votes of either:
- (i) not less than two-thirds of those Trading Members who are present in person or by proxy and entitled to vote; or
- (ii) not less than half of all the Trading Members entitled to vote;
- whichever is the greater. Voting shall be by secret ballot.
- 12.3 Subject to clause 12.2(b), failure by a Local Member to pay a fine within seven days of it being imposed shall result in automatic suspension of his trading rights until the fine is paid in full. If the fine is not paid within three months of the date of imposition then the Board may forthwith terminate his membership. Notwithstanding such termination the Board may pursue payment of the fine by legal action, or accept security therefore, or agree to payment over a period of time.

13. INTRODUCING BROKER MEMBERS - DISCIPLINARY ACTION

- 13.1 (a) Where the Board is satisfied that an Introducing Broker Member has been guilty of, or might reasonably be suspected of, misconduct, it shall convene a meeting of the Board in accordance with sub-clause (b) of this clause at which the Introducing Broker Member shall be entitled to be present and offer an explanation, and pending the holding of such a meeting the Board may by unanimous resolution order the Introducing Broker Member not to trade in futures or options contracts or in a specific class or classes of futures or option contracts, or not to trade in a particular futures or option market or markets, whether in New Zealand or elsewhere.
- (b) The meeting shall be held within fourteen days after the passing of a unanimous resolution under sub-clause (a), if one shall have been passed, or otherwise within twenty-eight days of the Board's decision to convene the meeting, and the Exchange shall cause notice of such meeting to be sent to the Introducing Broker Member concerned appointing a time and place for the meeting, giving details of the misconduct alleged against it and nominating, where felt desirable by the Board, any particular partner, director or employee of the Introducing Broker Member from whom the Board wishes to receive information or explanations.
- (c) The Board may at that meeting decide whether:
- (i) to suspend the trading rights of the Introducing Broker Member;
 - (ii) to fine the Introducing Broker Member such amount as the Board may deem appropriate;
 - (iii) to terminate the membership of the Introducing Broker Member.
 - (iv) to order the Introducing Broker Member not to trade in a particular futures or option market or markets, whether in New Zealand or elsewhere, or in a specific class or classes of contract, or to revoke or extend any suspension previously made;
- such decisions shall not be mutually exclusive of each other, and the Board may make any one or more of such decisions in respect of the Introducing Broker Member at the meeting. Any member of the Board who has a direct interest in the determination of any issue before the Board shall be excluded from the deliberations of the Board in such determination and shall not be entitled to vote thereon. Decisions by the Board under this sub-clause shall require a seventy-five percent majority of Board members for the time being entitled to receive notice of meetings of the Board.
- (d) No suspension of trading rights or order not to trade shall be for a term in excess of three months.
- (e) Where an Introducing Broker Member is not incorporated in New Zealand and its principal place of futures and options trading business is

not situated in New Zealand, any order not to trade made under clause 13.1 shall not apply to any trading by that Introducing Broker Member which:

- (i) does not arise out of orders or instructions placed with, or given to, any branch, office or employee of that Introducing Broker Member in New Zealand; and
 - (ii) is not transacted on a market in New Zealand; and
 - (iii) is carried on from a place of business of that Introducing Broker Member situated outside New Zealand.
- 13.2 (a) Where an Introducing Broker Member has been fined, or its trading rights have been suspended, or any order not to trade has been made pursuant to clause 13.1(c), or its membership has been terminated, it may by notice in writing call upon the Board to convene an extraordinary general meeting of Trading Members to consider the penalty imposed. The notice by the Introducing Broker Member must be given within three business days after receipt by the Introducing Broker Member of notice of the decision of the meeting of the Board at which the penalty is imposed.
- (b) Pending the meeting of Trading Members any suspension or termination may, if so determined by the Board, continue until the meeting of Trading Members, but the Introducing Broker Member shall not be required to pay a fine prior to the meeting.
- (c) At such meeting the chairman, or failing him then a representative of the Board, shall provide a summary of the investigations of the Board and the Introducing Broker Member may address the meeting.
- (d) Any resolution passed at the meeting which has the effect of varying the decision of the Board made in accordance with clause 13.1(c) shall require the affirmative votes of either:
- (i) not less than two-thirds of those Trading Members who are present in person or by proxy and entitled to vote; or
 - (ii) not less than half of all the Trading Members entitled to vote;
- whichever is the greater. Voting shall be by secret ballot.
- 13.3 Subject to clause 13.2(b), failure to pay a fine by an Introducing Broker Member within seven days of it being imposed shall result in automatic suspension of the trading rights of such Introducing Broker Member until the fine is paid in full. If the fine is not paid within three months of the date of imposition then the Board may forthwith terminate the membership of the Introducing Broker Member. Notwithstanding such termination the Board may pursue payment of the fine by legal action, or accept security therefor, or agree to payment over a period of time.
- 13.4 Where the trading rights of an Introducing Broker Member have been suspended or where the Introducing Broker Member has been fined, or its membership terminated, or where the Introducing Broker Member has given notice of

resignation, the Board shall cause an appropriate announcement to be made to Members.

14. CHANGES IN CONTROL OF TRADING MEMBERS

14.1 Where in relation to any Trading Member there is proposed or there occurs (with or without the consent or concurrence, express or implied, of that Trading Member):

- (a) in the case of a partnership, a change in the partners (including the admission of a new partner, whether or not that is consequent upon the death or retirement of a partner); or
- (b) in the case of a company:
 - (i) any change in the share capital of the company; or
 - (ii) any change in the rights attaching to any shares in the capital of the company; or
 - (iii) any change in the legal or beneficial ownership of any shares in the capital of the company; or
 - (iv) the retirement or resignation of a director or the appointment of a new director; or
- (c) the entering into of any agreement or arrangement; or
- (d) any other act, matter or thing;

as a result of which the control of the Trading Member may or does become vested in any person or persons other than those in whom control was vested at the time the Trading Member became a Trading Member or who have subsequently been approved by the Exchange for the purposes of this clause, then without prejudice to the provisions of clause 14.7 the Trading Member shall forthwith submit to the Board full particulars of the change in control which will result or has occurred, together with an application for approval thereof.

14.2 The Board shall as expeditiously as possible after such application is received consider such application and shall either approve such application or, in its absolute discretion, call an extraordinary general meeting of Trading Members at which a resolution shall be put to Trading Members for the approval of the change in control.

14.3 At a meeting of Trading Members called pursuant to clause 14.2 the Board may, through the chairman or its representative, put before the meeting its views as to the result or likely result of the change in control of the Trading Member, and the Trading Member may address the meeting.

14.4 If approved by the Board or by the meeting of Trading Members, as the case may be, the change in control, if not already implemented, may be implemented within two months of the date of approval or such other period as the Board may allow and, if not so implemented, the approval shall be deemed to have lapsed and the change in control may not thereafter be implemented unless and until a further approval is obtained in accordance with this Article 14.

14.5 If a meeting of Trading Members called pursuant to clause 14.2 declines to approve a change in control of a Trading Member which has already occurred then unless

within one month thereafter, or within such extended time as the Board in its discretion may allow, the change in control has been abrogated, or the control of the Trading Member has been otherwise changed, in a manner acceptable to the Board, the Board shall call an extraordinary general meeting of Trading Members under clause 10.6 for the purpose of considering whether to expel the Trading Member.

14.6 Without prejudice to its obligations under clause 14.1 in respect of changes required to be notified under that clause, a Trading Member shall advise the Exchange in writing of any change in its partners, directors or shareholders within twenty-one days of such occurring; provided that:

- (a) in the case of a listed public company it shall be deemed sufficient compliance with this clause if the Member provides to the Exchange copies of all notifications in respect of changes in directors or in respect of changes in shareholdings in the Member given by it to the stock exchange on which the Member is listed or to its members;
- (b) any company or other entity which is owned or controlled directly by the Crown or a Minister of the Crown shall not be required to advise the Exchange of changes in its directors.

14.7 Should any change of the nature described in clause 14.1 occur without the prior approval of the Board or Trading Members (where referred to them by the Board), the Board may in its discretion suspend the trading rights of that Trading Member either until an application for approval has been lodged under clause 14.1, or if such an application has been lodged, until it has been approved by the Board, or by Trading Members where referred to them by the Board.

Holding of Interests in Other Trading Members

- 14.8 (a) No Trading Member may have an interest in another Trading Member.
- (b) No third party may have an interest in more than one Trading Member; provided that this restriction shall not apply in any case where the Trading Members concerned are both companies or other entities owned or controlled directly by the Crown or Ministers of the Crown and neither of the Trading Members directly or indirectly by any means whatever holds or beneficially owns twenty per cent or more of the nominal, issued or paid up capital or of the voting power of the other.
- (c) For the purposes of sub-clauses (a) and (b), "an interest" shall mean the power to control directly or indirectly the trading decisions of a Trading Member, and without limiting the generality of this provision a person shall be deemed to have an interest in a Trading Member where:
- (i) the person has control (as defined in clause 1.2) of the Trading Member; or
 - (ii) the person has appointed or nominated a director of the Trading Member; or
 - (iii) the person or a director of the person is also a director of the Trading Member.

- (d) Notwithstanding the foregoing provisions of this Article a person may be a director, or may appoint a director, of two or more Trading Members and no breach of sub-clauses (a) or (b) shall be deemed to have occurred where the holding of such directorships has been expressly approved by the Board or by Trading Members in general meeting.
- (e) Where there occurs a breach of sub-clause (a) or (b), the parties involved shall forthwith take such steps as are necessary to remedy that breach. The Board shall be entitled to give notice to the Trading Member or Trading Members concerned requiring the breach to be remedied by a specific date, and if that notice is not complied with it may proceed on the basis that the Member or Members is or are guilty of misconduct notwithstanding in any particular case that the breach may have been beyond the control of the Member or Members concerned or may be incapable of remedy by the Member or Members concerned.
- (f) No breach of sub-clauses (a) or (b), as the case may be, shall be deemed to have occurred where:
 - (i) full particulars of the relevant interest acquired or to be acquired have been provided to the Exchange; and
 - (ii) the Board has granted its approval to the acquisition of the relevant interest; and
 - (iii) the approval has been granted subject to a condition that the breach is remedied within such period as the Board may stipulate and to such other conditions (if any) as the Board may think fit; and
 - (iv) where applicable, any change in control of the relevant Trading Member or transfer of Trading Membership, arising from or giving rise to the acquisition of the relevant interest, has also been approved by Trading Members as required by these Articles.
- (g) Where a Trading Member fails to comply with any condition imposed in accordance with Clause 14.8(f)(iv), within the stipulated period or such further period as the Board may allow, the Board may proceed on the basis that the Trading Member is guilty of misconduct.

15. CHANGES IN CONTROL OF AFFILIATE MEMBERS

15.1 Where in relation to an Affiliate Member there is proposed or there occurs (with or without the consent or concurrence, express or implied, of that Affiliate Member):

- (a) in the case of a partnership, any change in the partners, whether or not consequent upon the death or resignation of a partner, including a reduction in the number of the existing partners (which shall be deemed for the purposes of this Article 15 to be a change in control); or
- (b) in the case of a company:
 - (i) any change in the share capital of the company; or

- (ii) any change in the rights attaching to any shares in the capital of the company; or
- (iii) any change in the legal or beneficial ownership of any shares in the capital of the company; or
- (iv) the retirement or resignation of a director or the appointment of a new director; or
- (c) the entering into of any agreement or arrangement; or
- (d) any other act, matter or thing;

as a result of which the control of the Affiliate Member may or does become vested in any person or persons other than those in whom control was vested at the time the Affiliate Member became an Affiliate Member or who have subsequently been approved by the Exchange for the purposes of this clause, then without prejudice to the provisions of clause 15.5 the Affiliate Member shall forthwith submit to the Board full particulars of the change in control which will result or has occurred, together with an application for approval thereof.

- 15.2 In determining whether to approve the application referred to in clause 15.1, the Board shall be entitled to consider not only those matters which it considers in relation to an application for membership but also the conduct of the Affiliate Member since election.
- 15.3 If approved by the Board the change, if not already implemented, may be implemented within two months of the date of approval and, if not so implemented, the approval shall be deemed to have lapsed and the change may not thereafter be implemented unless and until a further approval is obtained in accordance with this Article 15.
- 15.4 Without prejudice to its obligations under clause 15.1 in respect of changes required to be notified under that clause, an Affiliate Member shall advise the Exchange in writing of any change in its partners, directors or shareholders within twenty-one days of such occurring; provided that:
- (a) in the case of a listed public company it shall be deemed sufficient compliance with this clause if the Member provides to the Exchange copies of all notifications in respect of changes in directors or in respect of changes in shareholdings in the Member given by it to the stock exchange on which the Member is listed or to its members;
 - (b) any company or other entity which is owned or controlled directly by the Crown or a Minister of the Crown shall not be required to advise the Exchange of changes in its directors.
- 15.5 Should any change of the nature described in clause 15.1 occur without prior approval of the Board, the Board may, in its discretion suspend the trading rights of the Affiliate Member either until an application for approval has been lodged under clause 15.1, or if such an application has been lodged, until it has been approved by the Board.

16. CHANGES IN CONTROL OF INTRODUCING BROKER MEMBERS

- 16.1 Where in relation to an Introducing Broker Member there

is proposed or there occurs (with or without the consent or concurrence, express or implied, of that Introducing Broker Member):

- (a) in the case of a partnership, any change in the partners, whether or not consequent upon the death or resignation of a partner, including a reduction in the number of the existing partners (which shall be deemed for the purposes of this Article 16 to be a change in control): or
- (b) in the case of a company:
 - (i) any change in the share capital of the company; or
 - (ii) any change in the rights attaching to any shares in the capital of the company; or
 - (iii) any change in the legal or beneficial ownership of any shares in the capital of the company; or
 - (iv) the retirement or resignation of a director or the appointment of a new director; or
- (c) the entering into of any agreement or arrangement; or
- (d) any other act, matter or thing;

as a result of which the control of the Introducing Broker Member may or does become vested in any person or persons other than those in whom control was vested at the time the Introducing Broker Member became an Introducing Broker Member or who have subsequently been approved by the Exchange for the purposes of this clause, then without prejudice to the provisions of clause 16.5 the Introducing Broker Member shall forthwith submit to the Board full particulars of the change in control which will result or has occurred, together with an application for approval thereof.

16.2 In determining whether to approve the application referred to in clause 16.1, the Board shall be entitled to consider not only those matters which it considers in relation to an application for membership but also the conduct of the Introducing Broker Member since election.

16.3 If approved by the Board the change, if not already implemented, may be implemented within two months of the date of approval and, if not so implemented, the approval shall be deemed to have lapsed and the change may not thereafter be implemented unless and until a further approval is obtained in accordance with this Article 16.

16.4 Without prejudice to its obligations under clause 16.1 in respect of changes required to be notified under that clause, an Introducing Broker Member shall advise the Exchange in writing of any change in its partners, directors or shareholders within twenty-one days of such occurring; provided that:

- (a) in the case of a listed public company it shall be deemed sufficient compliance with this clause if the Introducing Broker Member provides to the Exchange copies of all notifications in respect of changes in directors or in respect of changes in shareholdings in the Introducing Broker Member given by it to the stock exchange on which the Introducing Broker Member is listed or to its members;

- (b) any company or other entity which is owned or controlled directly by the Crown or a Minister of the Crown shall not be required to advise the Exchange of changes in its directors.
- 16.5 Should any change of the nature described in clause 16.1 occur without prior approval of the Board, the Board may, in its discretion suspend the trading rights of the Introducing Broker Member either until an application for approval has been lodged under clause 16.1, or if such an application has been lodged, until it has been approved by the Board.

17. RESIGNATION OF MEMBERSHIP

Trading Members

- 17.1 (a) A Trading Member may resign by giving written notice of its intention to do so and upon receipt of the notice by the Exchange, or if expressed to become effective after a period of time then upon expiry of the period referred to in the notice, it shall be deemed to have resigned and shall surrender to the Exchange its certificate of membership together with any share certificate held by it.
- (b) Where the Trading Member is a partnership and those partners who have been approved by the Exchange are reduced in number below two, notice to the Exchange of such event shall be deemed to be notice of resignation of the partnership as a Trading Member, unless application for approval of a new partner or partners pursuant to clause 14.1 is lodged. The Board may suspend the trading rights of the Trading Member until the new partner or partners are approved pursuant to clause 14.2.

Affiliate Members

- 17.2 (a) An Affiliate Member may resign by giving written notice of its intention to do so and upon receipt of the notice by the Exchange, or if expressed to become effective after a period of time then upon expiry of the period referred to in the notice, it shall be deemed to have resigned and shall surrender to the Exchange its certificate of membership.
- (b) Where an Affiliate Member, being an individual, dies then as at the date of his death the Affiliate Member's trading rights shall be immediately suspended without the necessity for a decision of the Board, and:
- (i) notwithstanding the suspension the Affiliate Member's legal representative shall be entitled to transfer the membership in the manner provided by Article 19;
 - (ii) suspension may be extended up to twelve months from the date of the grant of probate or letters of administration to the legal representative of the deceased Affiliate Member; provided that if the transfer is not completed within that period, the Board may resolve that the Affiliate Member shall be

- deemed to have resigned;
- (iii) for the purpose of closing out open positions held by the Affiliate Member at his death business may be transacted through another Member at such rate or rates of commission as may be agreed upon between the legal representative of the Affiliate Member and the other Member.
- (c) Where an Affiliate Member is a partnership and those partners who have been approved by the Board are reduced in number below two, notice to the Exchange of such event shall be deemed to be notice of resignation of the partnership as an Affiliate Member, unless application for approval of a new partner or partners pursuant to clause 15.1 is lodged. The Board may suspend the trading rights of the Affiliate Member until the new partner or partners are approved pursuant to clause 15.1.
- (d) There shall be no entitlement to a refund of any portion of the membership entrance fee or of any annual subscription fee paid by an Affiliate Member which resigns.
- (e) The resignation of an Affiliate Member, or transfer of its membership, or termination or suspension of its membership shall not in any way diminish any liability which that Affiliate Member may have to the Exchange or the Clearing House or any other Member arising out of its membership up to the date of cessation or suspension of membership and such liability shall continue to subsist until satisfied or discharged.

Local Members

- 17.3 (a) A Local Member may resign by giving written notice of his intention to do so and upon receipt of the notice by the Exchange, or if expressed to become effective after a period of time then upon expiry of the period referred to in the notice, he shall be deemed to have resigned and shall surrender to the Exchange his certificate of membership.
- (b) Where a Local Member dies his Membership shall immediately cease.
- (c) There shall be no entitlement to a refund of any portion of the membership entrance fee or of any annual subscription fee paid by a Local Member who resigns or otherwise ceases to be a Member.
- (d) The resignation of a Local Member, or termination or suspension of his membership, shall not in any way diminish any liability which he may have to the Exchange or the Clearing House or any other Member arising out of his Membership and up to the date of cessation or suspension of membership and such liability shall continue to subsist until satisfied or discharged.

Introducing Broker Members

- 17.4 (a) An Introducing Broker Member may resign by giving written notice of its intention to do so and upon receipt of the notice by the Exchange, or if

- expressed to become effective after a period of time then upon expiry of the period referred to in the notice, it shall be deemed to have resigned and shall surrender to the Exchange its certificate of membership.
- (b) Where an Introducing Broker Member is a partnership and those partners who have been approved by the Board are reduced in number below two, notice to the Exchange of such event shall be deemed to be notice of resignation of the partnership as an Introducing Broker Member, unless application for approval of a new partner or partners pursuant to clause 16.1 is lodged. The Board may suspend the trading rights of the Introducing Broker Member until the new partner or partners are approved pursuant to clause 16.1.
 - (c) There shall be no entitlement to a refund of any portion of the membership entrance fee or any annual subscription paid by an Introducing Broker Member which resigns.
 - (d) The resignation of an Introducing Broker Member, or termination or suspension of its membership, shall not in any way diminish any liability which that Introducing Broker Member may have to the Exchange or any other Member arising out of its membership up to the date of cessation or suspension of membership and such liability shall continue to subsist until satisfied or discharged.

18. TRANSFER OF TRADING MEMBERSHIP

18.1 A Trading Member shall be entitled to transfer its membership subject to the following conditions:

- (a) the Trading Member shall have paid, or made provision satisfactory to the Exchange for the payment of, all monies payable by it, whether actually or contingently, to the Exchange and shall, if so required by the Exchange have complied with all its other obligations under these Articles and the By-Laws;
- (b) the Trading Member shall have given notice in writing of its wish to transfer (herein called 'the proposed transfer'), accompanied by an application form completed by the proposed transferee as if it were an applicant for admission as a Trading Member, and the application fee prescribed pursuant to the General By-Laws;
- (c) the proposed transferee shall otherwise have complied with the provisions of clause 4.1 as if they were repeated in full in this clause;
- (d) the proposed transferee shall have been approved by the Board on the same criteria as the Board approves an applicant for admission as a Trading Member;
- (e) an extraordinary general meeting of Trading Members shall have approved the proposed transfer by the affirmative votes of either:
 - (i) not less than two-thirds of those Trading Members who are present in person or by proxy and entitled to vote; or

- (ii) not less than half of all the Trading Members entitled to vote; whichever is the greater. Voting shall be by secret ballot;
 - (f) the Trading Member shall have agreed to sell and the proposed transferee shall have agreed to acquire the share of the Trading Member in the capital of the Exchange.
- 18.2 A proposed transfer once approved by an extraordinary general meeting of Trading Members shall be implemented within two months of the date of approval, or such further period as the Board may allow, and if not so implemented the approval shall be deemed to have lapsed. Implementation shall occur by way of:
- (a) written acknowledgement from the two parties that all legal documentation and requirements of both parties in order to complete the transfer have been satisfactorily completed (including documentation and requirements for the transfer of the transferor's share in the capital of the Exchange) being lodged with the Secretary;
 - (b) the approved transferee paying to the Exchange the transfer fee prescribed by the Board;
 - (c) the transferor Trading Member surrendering its certificate of membership and any share certificate held by it to the Exchange.

19. TRANSFER OF AFFILIATE MEMBERSHIP

- 19.1 An Affiliate Member shall be entitled to transfer its membership subject to the following conditions:
- (a) the Affiliate Member shall have paid, or made provision satisfactory to the Exchange for the payment of, all monies payable by it, whether actually or contingently, to the Exchange and shall, if so required by the Exchange have complied with all its other obligations under these Articles and the By-Laws;
 - (b) the Affiliate Member shall have given notice in writing of its wish to transfer, accompanied by an application form completed by the proposed transferee as if it were an applicant for Affiliate Membership, together with the application fee prescribed pursuant to the General By-Laws;
 - (c) the proposed transferee shall otherwise have complied with the provisions of clause 4.4 as if they were repeated in full in this clause;
 - (d) the proposed transferee shall have been approved by the Board on the same criteria as it approves an applicant for admission as an Affiliate Member.
- 19.2 The Secretary shall cause at least seven days' prior notice of the proposed transfer to be given to all Trading Members.
- 19.3 The Board may impose conditions on any approval and shall not be obliged to give any reasons for imposing any such conditions or refusing to approve a proposed transfer. Any application for approval shall be deemed to have been withdrawn if the conditions imposed by the

Board have not been met within thirty days of their being imposed by the Board.

- 19.4 A proposed transfer once approved by the Board shall be implemented within two months of the date of approval, or such further period as the Board may allow, and if not so implemented the approval shall be deemed to have lapsed. Implementation shall occur by way of:
- (a) the approved transferee paying to the Exchange the transfer fee prescribed by the Board;
 - (b) the transferor Affiliate Member surrendering its certificate of membership to the Exchange.

20. NON-MEMBER CONDUCT

20.1 Where:

- (a) the goodwill or public image of the Exchange or its Members, or the operation of the Market, is in the opinion of the Board being prejudicially affected by the conduct of any non-member of the Exchange; and
- (b) any Trading or Affiliate Member is associated or connected with that non-member;

then the Board may direct the Investigations Committee to investigate such conduct and report to the Board. Should the Investigations Committee unanimously confirm the opinion of the Board, the Board shall be entitled to call upon the Trading Member or Affiliate Member concerned to cause that conduct to cease and, failing that occurring, to suspend the trading rights of the Member concerned until it has occurred provided that such suspension shall be without prejudice to any other action which the Board may be entitled to take under these Articles in respect of such failure.

- 20.2 Without limiting the generality of sub-clause (b) of clause 20.1 a Member and a non-member shall be deemed to be associated or connected where one has control of the other.

21. GENERAL MEETINGS OF TRADING MEMBERS

- 21.1 (a) The Exchange shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the Exchange and that of the next unless an extension of the time for holding any particular meeting is granted by the Registrar of Companies under the Act.
- (b) The annual general meeting shall be held at such time and place as the Board appoints.
- 21.2 All general meetings other than annual general meetings shall be called extraordinary general meetings. Subject to the provisions of the Act, all general meetings called by the Board shall be held at such times and places as the Board shall appoint.
- 21.3 The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on such requisition, or in default, may be convened by such requisitionists, as

is provided by Section 136 of the Act. If at any time there are not within New Zealand sufficient Directors capable of acting to form a quorum, any Director may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Board.

- 21.4 In the case of an extraordinary general meeting called in pursuance of a requisition under Section 136 of the Act, the notice convening the meeting shall state the objects which are mentioned in the requisition, and no business other than that expressed in the requisition, and of which notice has been given, shall be transacted.
- 21.5 A meeting called for the passing of a special resolution shall be called by twenty-one days' notice in writing at the least, and a meeting of the Exchange other than a meeting for the passing of a special resolution, shall be called by fourteen days' notice in writing at the least. The notice shall specify the place, the day, and the hour of the meeting, and, in case of special business, the general nature of that business, and shall be given in the manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Exchange in general meeting, to such persons as are, under these Articles, entitled to receive such notices from the Exchange; provided that a meeting of the Exchange shall, notwithstanding that it is called by shorter notice than that specified in this clause, be deemed to have been duly called if it is so agreed:
- (a) in the case of a meeting called as the annual general meeting, by all the Trading Members; and
 - (b) in the case of any other meeting, by a majority in number of the Trading Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent in nominal value of the shares giving that right.
- 21.6 The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any Trading Member, shall not invalidate the proceedings at that meeting.
- 21.7 Subject to clause 21.8 all business shall be deemed special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the accounts, balance sheets, and the reports of the Directors and Auditors, the election of Directors, the fixing of the remuneration of the Directors and the appointment of, and the fixing of the remuneration of, the Auditors.
- 21.8 Subject to the other provisions of this Article 21 and to the provisions of the Act, any Trading Member or member of the Board may submit a resolution to a general meeting provided that not less than fourteen days' notice of the resolution is given to the Exchange in writing duly signed by the Trading Member and stating the intention to move the resolution. Upon receipt of such notice the Secretary shall give at least seven days' notice in writing to all Trading Members that such resolution will be proposed.
- 21.9 No business shall be transacted at any general meeting

unless a quorum of members is present at the time when the meeting proceeds to business; save as herein otherwise provided a quorum shall be two-thirds of the Trading Members.

- 21.10 If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Trading Members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such other time and place as the Board may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the Trading Members present shall be a quorum.
- 21.11 The chairman of the Board shall preside as chairman at every general meeting of the Exchange.
- 21.12 If at any general meeting the chairman is absent, the deputy chairman (if any) of the Board, or failing him, one of the Directors appointed for that purpose by the Directors or (failing such appointment) by the Trading Members present, shall preside as chairman.
- 21.13 The chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for fourteen days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Except as aforesaid it shall not be necessary to give any notice of an adjournment of, or the business to be transacted at, an adjourned meeting.
- 21.14 (a) At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:
- (i) by the chairman; or
 - (ii) by at least five Trading Members present in person or by proxy and having the right to vote at the meeting; or
 - (iii) by any Trading Member or Members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the Trading Members having the right to vote at the meeting; or
 - (iv) by a Trading Member or Members holding shares in the Exchange conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.
- (b) Unless a poll is so demanded a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Exchange, shall be conclusive

evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

- 21.15 Except as provided in clause 21.17, if a poll is duly demanded it shall be taken in such manner as the chairman directs and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
- 21.16 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall not be entitled to a second or casting vote.
- 21.17 A poll demanded in respect of the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.
- 21.18 The provisions of Section 362 of the Act apply to the Exchange and accordingly:
- (a) anything that may be done by a company by resolution, special resolution or extraordinary resolution passed at a meeting of the Exchange may be done by the Exchange in the same manner, or by resolution passed without a meeting or any previous notice being required by means of an entry in its minute book signed by at least three-fourths of the Trading Members having the right to vote on that resolution holding in the aggregate at least three-fourths in nominal value of the shares giving that right;
 - (b) it shall not be necessary for the Exchange to hold an annual general meeting if everything required to be done at that meeting by resolution, special resolution or extraordinary resolution (including the adoption or approval of every balance sheet or other document required to be laid before the meeting) is, within the time prescribed for the holding of the meeting, done by means of an entry in its minute book;
 - (c) any such entry may be signed on behalf of any Trading Member by its agent duly authorised in writing, or on behalf of any partnership which is a Trading Member by any partner in such Member;
 - (d) a memorandum pasted or otherwise permanently affixed in the minute book and purporting to have been signed for the purpose of becoming an entry therein shall be deemed to be an entry accordingly, and any such entry may consist of several documents in like form, each signed by or on behalf of one or more Trading Members;
 - (e) the Exchange shall within seven days after any resolution is passed by means of an entry in its minute book send to every Trading Member by or on behalf of which the entry has not been signed, a copy thereof including the signatures.

22. VOTES

- 22.1 Every Trading Member shall be entitled to be present and to vote on any question, either personally or by proxy, at any general meeting of the Exchange, or upon a poll, subject however to the provisions of clause 22.4. Except as provided by clause 22.2 only Trading Members shall be entitled to be present or vote at, or to receive notices of, general meetings of the Exchange.
- 22.2 All Directors shall be entitled to attend, and to speak at, general meetings.
- 22.3 Subject to the provisions of these Articles, on a show of hands and on a poll every Trading Member, whether present in person or by proxy, shall have one vote.
- 22.4 (a) No Trading Member shall be entitled to vote at any general meeting of the Exchange if at the time of the holding of any such meeting it is in default in payment of the annual subscription, or any other sum or sums on any account whatsoever that are due and owing to the Exchange, or if its trading rights have been suspended.
- (b) The decision of the Board as to whether a Trading Member is entitled to vote at any general meeting shall be conclusive and binding.
- 22.5 A proxy may be appointed generally or for any specified period or meeting. A proxy need not be a Trading Member.
- 22.6 The instrument appointing a proxy shall:
- (a) if the appointor is a company, be executed under seal or be signed by a duly authorised officer or attorney of the company;
- (b) if the appointor is a partnership, be signed in the name of the partnership by any partner or by an attorney of the partnership.
- 22.7 The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Office or at such other place within New Zealand as is specified for that purpose in the notice convening the meeting, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
- 22.8 An instrument appointing a proxy shall be in the following form, or a form as near thereto as the circumstances admit, or in any other form which the Board may approve:

New Zealand Futures and Options Exchange Limited

I/We _____ of _____
 being a Trading Member/Members of the company hereby
 appoint _____ of _____ or failing
 him _____ of _____ as my/our proxy
 to vote for me/us on my/our behalf at the [annual]
 [extraordinary] general meeting of the company to be
 held on the _____ day of _____ 19 _____ and at
 any adjournment thereof.

23. GENERAL MEETINGS OF AFFILIATE MEMBERS

- 23.1 A general meeting of Affiliate Members shall be held immediately prior to the annual general meeting of Trading Members in each year, and shall be called the annual general meeting of Affiliate Members. The only business to be transacted at the annual general meeting shall be the election of a Director to hold office in accordance with clause 24.2(a)(ii).
- 23.2 An extraordinary general meeting of Affiliate Members may at any time be convened by the Board, or by any two Affiliate Members, for the purpose of appointing a person to fill any casual vacancy in the office of Director under clause 24.2(a)(ii) or removing any Director appointed under that clause.
- 23.3 The quorum for general meetings of Affiliate Members shall be five Affiliate Members present in person or by proxy.
- 23.4 General meetings of Affiliate Members shall be presided over by the chairman or, in his absence, another Director of the Exchange.
- 23.5 Except as is expressly provided in this Article 23, all the provisions of these Articles as to the convening of general meetings of Trading Members and as to voting and other proceedings thereat shall, with all necessary modifications, apply to general meetings of Affiliate Members.

24. DIRECTORS**Powers of Directors**

- 24.1 (a) The management and control of the business of the Exchange shall be vested in the Directors who, in addition to the powers and authorities expressly conferred upon them by these Articles or otherwise, may exercise all such powers, and do all such acts and things, as may be exercised or done by the Exchange by virtue of its Memorandum of Association or these Articles, and which are not hereby or by the Act expressly directed or required to be exercised or done by the Exchange in general meeting, but subject nevertheless to the provisions of the Act, and of these Articles and to any special resolution from time to time passed by the Exchange in general meeting; provided that no such resolution shall invalidate any prior act of the Directors which would have been valid if such resolution had not been passed.
- (b) The Board may from time to time make By-Laws in accordance with Article 42 and may vary or rescind any By-Laws, and all By-Laws from time to time in force shall be binding upon all Members and have the same force and effect as though they had been set out in full in these Articles.
- (c) The Board may from time to time impose levies on Members in accordance with Article 5; provided that any levy made upon either the Members generally or upon any class or classes of Member, shall be so apportioned as to fairly and equitably represent the interests of the particular class or classes of membership.

- (d) Without prejudice to the generality of the powers of the Board under sub-clause (a) of this clause, if in the opinion of the Board an excessive position, or unwarranted speculation, or any other undesirable situation or practice is developing, the Board may take such action as it considers necessary or desirable to check its further development using, if necessary, its disciplinary powers under these Articles.

Number and Qualification

- 24.2 (a) The Board of Directors shall consist of not less than five nor more than eight persons, of whom:
- (i) up to six persons may be persons who have been appointed by an ordinary resolution of Trading Members in general meeting as provided in clauses 24.7 or 24.11, as the case may be; and
 - (ii) one may be a person who has been appointed by an ordinary resolution of Affiliate Members in general meeting as provided in clauses 23.1 or 23.2, as the case may be; and
 - (iii) one shall be the person (if any) who is holding office as Managing Director in accordance with clause 24.13.
- (b) On adoption of this clause by the Exchange:
- (i) Colin Derek Churchhouse
Wayne Lawrence Douglas
John Ross Duncan
Gavin James Kennedy
Thomas Brent Layton
Alan Doyle Shadwell
shall continue in office as Directors of the Exchange and shall be deemed to have been appointed in accordance with sub-clause (a)(i) of this clause; and
 - (ii) Robin James McKinlay shall continue in office as a Director of the Exchange and shall be deemed to have been appointed in accordance with sub-clause (a)(ii) of this clause; and
 - (iii) Leonard Edwin Ward shall continue in office as a Director of the Exchange and shall be deemed to have been appointed in accordance with sub-clause (a)(iii) of this clause.

Casual Vacancies

- 24.3 In the event of a casual vacancy occurring in the Board then:
- (a) in the case of a Director appointed by Trading Members, the continuing members of the Board shall summon a general meeting of Trading Members for the purpose of electing a person to fill the vacancy in accordance with clause 24.11;
 - (b) in the case of a Director appointed by Affiliate Members in accordance with clause 24.2(a)(ii), the continuing members of the Board shall summon a general meeting of Affiliate Members for the purpose of electing a person to fill the vacancy and the person so elected shall hold office until

the next annual general meeting of Affiliate Members but shall be eligible for re-election.

Disqualification of Directors

24.4 The office of a Director shall be vacated if that Director:

- (a) dies, is declared insolvent, is convicted of an indictable offence or resigns by notice in writing to the Exchange;
- (b) if the Director is removed from office pursuant to clause 24.10;
- (c) if without leave of the Board the Director is absent from two consecutive meetings of the Board and his alternate (if any) is also absent from those meetings and the Board resolves that the office of the Director be vacated.

Rotation of Directors

24.5 (a) At the annual general meeting of Trading Members in each year two of the Directors who have been appointed in accordance with paragraphs (i) or (iii) of clause 24.2(a) shall retire from office but shall be eligible for re-election. The Directors to retire shall be those who have been longest in office since their election or last re-election. As between persons who were elected or re-elected on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

(b) At the annual general meeting of Affiliate Members in each year the Director appointed by Affiliate Members shall retire but shall be eligible for re-election.

24.6 A retiring Director shall retain office until the close of the meeting (or adjournment thereof) at which his successor is elected or appointed.

24.7 The Trading Members or Affiliate Members, as the case may be, at the meeting at which a Director retires in the manner aforesaid, may fill up the vacated office by electing a person thereto, and in default the retiring Director shall, if offering himself for re-election, be deemed to have been re-elected unless at such meeting it is resolved not to fill up such vacated office or unless a resolution for the re-election of that Director is put to the meeting and lost.

24.8 No person other than a Director retiring at the meeting shall be eligible for election to the office of Director at any general meeting unless at some time not less than twenty-one days before the date appointed for the meeting there has been left at the Office notice in writing, signed by a Trading Member or in the case of a Director to be elected in accordance with clause 24.2(a)(ii), an Affiliate Member, nominating that person for election, and also notice in writing signed by that person confirming his willingness to be elected.

24.9 Notice of every valid nomination for the office of Director shall be sent by the Exchange to each Trading Member or, as the case may require, each Affiliate Member, not less than seven days before the meeting. Failure to give the notice shall not invalidate the

nomination, but if notice of nomination is not given as required by this clause the meeting, so far as election of Directors is concerned, shall stand adjourned until some later date to be fixed by the chairman of the meeting and not less than seven days' notice of the nomination shall be given before any such adjourned meeting may proceed to elect Directors.

- 24.10 Any Director, whether appointed by Trading Members or Affiliate Members, may at any time be removed from office by an ordinary resolution of the Trading Members. Any Director appointed by Affiliate Members may also at any time be removed from office by an ordinary resolution of Affiliate Members.
- 24.11 The Trading Members may by ordinary resolution appoint another person in place of a Director appointed by Trading Members who is removed from office under clause 24.10, and may in the like manner at any time appoint any person to be a Director, either to fill a casual vacancy or, subject to clause 24.2(a), as an additional Director.

Alternate Directors

- 24.12 Each Director shall have power from time to time by notice to the Exchange given in the manner hereinafter provided to appoint any person who is not already a Director to act as an alternate Director in his place, during the absence from time to time of such Director, and the following provisions shall apply to any such alternate Director:
- (a) his appointment may at any time be revoked by notice to the Exchange given by the appointor or by a majority of the other Directors;
 - (b) any notice of appointment or revocation of appointment under this clause shall be given by delivering the same, or by sending the same through the post, or by telegram, cable, facsimile copier, telex or other means of electronic communication in permanently visible form, to the Office;
 - (c) he shall not be remunerated otherwise than out of the remuneration of the Director in whose place he acts;
 - (d) he shall automatically vacate office if and when the Director in whose place he acts vacates office; provided that a Director retiring by rotation and being re-elected shall not for the purposes of this provision be deemed to have vacated office;
 - (e) unless otherwise provided by the terms of his appointment, he shall have the same rights, powers and privileges (including, without limitation, the right to receive notice of all meetings of Directors, the power to sign resolutions of the Directors in accordance with clause 30.7 and the power to witness the affixing of the Seal under clause 34.1) and shall discharge all the duties of, and be subject to the same obligations and other provisions as, the Director in whose place he acts; provided that an alternate Director shall

not have power to appoint an alternate Director under this clause.

Managing Director

- 24.13 The Directors may from time to time appoint any person who is, or is to be, the chief executive of the Exchange to the office of Managing Director for such period, and on such terms, as they think fit, and subject to the terms of any agreement entered into in any particular case, may revoke such appointment. A Managing Director when so appointed shall hold office only until the next annual general meeting and shall then be eligible for re-election by the Trading Members, but he shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.
- 24.14 A Managing Director shall be subject to the same provisions as to rotation, removal and vacation of office as apply to the Directors appointed by Trading Members and if he ceases from any cause to hold office as a Director or to be the chief executive of the Exchange he shall thereupon vacate and immediately cease to hold the office of managing director.
- 24.15 A Managing Director shall receive such remuneration as the Directors may from time to time determine.
- 24.16 The Directors may entrust to and confer upon a Managing Director any of the powers exercisable by them, upon such terms and conditions, and with such restrictions, as they may think fit and either collaterally with, or to the exclusion of, their own powers and may from time to time revoke, withdraw, alter or vary all or any of those powers.

25. SHARE CAPITAL

- 25.1 The present share capital of the Exchange is Seventeen Thousand Dollars (\$17,000) divided into seventeen ordinary shares of One Thousand Dollars (\$1,000) each.
- 25.2 The share capital shall at all times consist of one class of shares only.
- 25.3 The Exchange may from time to time by special resolution increase the share capital by such sum as the resolution prescribes. All new shares shall have a nominal value of One Thousand Dollars (\$1,000) each.
- 25.4 A new share in the capital of the Exchange may only be issued to a person who has been admitted as a Trading Member and who has not otherwise acquired a share by transfer.
- 25.5 No person shall hold more than one share in the capital of the Exchange at any time.
- 25.6 The rights conferred upon the holders of shares shall not be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.
- 25.7 Every Trading Member whose name is entered as a member in the Register of Members shall be entitled without payment to receive within one month after allotment or lodgement of transfer a certificate for the share registered in the Trading Member's name. Every share certificate shall be under the Seal and shall specify the share to which it relates; provided that in respect of a share held by a partnership, the Exchange shall not

be bound to issue more than one certificate, and delivery of a certificate for a share to one of the partners comprising the partnership at the address of the partnership appearing in the Register of Members shall be sufficient delivery to all such holders.

- 25.8 If a share certificate is defaced, lost or destroyed it may be renewed on such terms (if any) as to evidence and indemnity and the payment of out-of-pocket expenses of the Exchange as the Board may in each case think fit.

26. CALLS ON SHARES

- 26.1 The Board may from time to time make such calls as it thinks fit upon Trading Members in respect of any money unpaid on any shares held by them respectively (whether on account of the nominal value of the shares or by way of premium), and not by the conditions of the allotment thereof made payable at fixed times, and each Trading Member shall pay to the Exchange at the times and places appointed by the Board the amount of every call so made on that Trading Member. Fourteen days' notice of any call shall be given specifying the time and place of payment thereof.
- 26.2 If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the Member from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding twenty per cent per annum, as the Board may determine, but the Board shall be at liberty to waive payment of that interest wholly or in part.
- 26.3 Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in the case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if the sum had become payable by virtue of a call duly made and notified.

27. FORFEITURE AND LIEN

- 27.1 If a Trading Member is expelled from membership of the Exchange in accordance with clause 10.6, or resigns in accordance with Article 17, or transfers its membership without transferring its share, then any share held by such Trading Member shall be forfeited by a resolution of the Board to that effect and all rights attaching to such share shall be deemed to have been forfeited as from the time at which the Trading Member was expelled or the Trading Member's resignation or transfer of membership took effect, as the case may be.
- 27.2 (a) If a Trading Member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on the Trading Member requiring payment of so much

of the call or instalment as is unpaid, together with any interest which may have accrued and all expenses that may have been incurred by the Exchange by reason of such non-payment.

- (b) The notice shall name a further day (not earlier than the expiration of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the share in respect of which the call was made will be liable to be forfeited.
- (c) If the requirements of any such notice as aforesaid are not complied with, the share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.
- 27.3 A forfeiture shall include all dividends and distributions declared in respect of the forfeited share and not actually paid before the forfeiture.
- 27.4 A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Board thinks fit.
- 27.5 A Trading Member whose share has been forfeited shall cease to be a Member, but shall notwithstanding remain liable to pay to the Exchange all money which, at the date of forfeiture, was payable by it to the Exchange, but such liability shall cease if and when the Exchange receives payment in full of all such money in respect of the share.
- 27.6 The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.
- 27.7 The Exchange shall have a first and paramount lien upon every share registered in the name of any Trading Member and upon the proceeds of sale thereof, and upon the proceeds of sale of any forfeited share, for the debts, liabilities and engagements of such Member, solely or jointly with any other person, to or with the Exchange, whether incurred before or after notice of any equitable interest in any other person other than the registered holder, and whether the period for the payment, fulfilment or discharge thereof shall have actually arrived or not, and such lien shall extend to all dividends and distributions from time to time declared in respect of such share.
- 27.8 The Exchange may sell, in such manner as the Board thinks fit, any share on which the Exchange has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered

holder for the time being of the share, or the person entitled thereto by reason of the bankruptcy of the holder.

- 27.9 The net proceeds of the sale of any forfeited share which is sold within twelve months of the date of forfeiture or of a share sold for the purpose of enforcing a lien shall be applied in or towards satisfaction of any unpaid calls, instalments, premiums, interest thereon, and expenses, and the residue, if any, paid to the former holder of the share or its legal representative.
- 27.10 For giving effect to any such sale after forfeiture, or for enforcing a lien in purported exercise of the powers hereinbefore given, the Directors may authorise any person to transfer the share sold to the purchaser thereof. The purchaser shall be registered as the holder of the share comprised in any such transfer and shall not be bound to see to the application of the purchase money, nor shall the title of the purchaser to the share be affected by any irregularity or invalidity in any proceedings in reference to the sale. The remedy of any person aggrieved by the sale shall be in damages only and against the Exchange exclusively.

28. TRANSFER OF SHARES

- 28.1 A Trading Member shall only be entitled to transfer a share to a transferee which contemporaneously acquires the Trading Membership of that Trading Member and which has been approved at a general meeting of Trading Members.
- 28.2 An instrument purporting to transfer a share in accordance with these Articles shall be in writing in any usual or common form, or any other form which the Board may approve.

29. DIVIDENDS

- 29.1 The Exchange, by an ordinary resolution of Trading Members, may declare dividends on the shares in the capital of the Exchange, and may fix the time for payment thereof, but no dividend shall exceed the amount recommended by the Board.
- 29.2 The Board may from time to time pay to Trading Members such interim dividends as appear to the Board to be justified by the profits of the Exchange.
- 29.3 No dividends shall be paid otherwise than out of profits.
- 29.4 The Board may, before recommending any dividend, set aside out of the profits of the Exchange such sums as they think proper as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Exchange may be properly applied, and pending any such application may, at the like discretion, either be employed in the business of the Exchange or be invested in such investments (other than shares of the Exchange) as the Board may from time to time think fit. The Board may also, without placing the same to reserve, carry forward any profits which they may think prudent not to divide.
- 29.5 Any dividend, interest or other money payable in cash may be paid by cheque or warrant sent through the post

directed to the registered address of the Trading Member and the Exchange shall not be responsible for the loss in transmission of any cheque or warrant sent through the post as aforesaid, whether sent at the request of a Member or otherwise.

29.6 No dividend or other distribution shall bear interest against the Exchange.

30. PROCEEDINGS OF THE BOARD

Meetings

30.1 The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. A Director may at any time, and the Secretary on the requisition of a Director shall, summon a meeting of the Directors. It shall not be necessary to give notice of a meeting of the Board to any Director who for the time being is absent from New Zealand.

Quorum

30.2 The quorum necessary for the transaction of the business of the Directors shall be three.

Voting

30.3 Questions arising at any meeting of the Directors shall be determined by a majority of votes, and in case of an equality of votes the chairman shall not have a second or casting vote.

Power to Act on Less than Quorum

30.4 If, for any reason, a quorum is not present at any meeting of the Directors, any two Directors may act for the following purposes only but for no other purpose:

- (a) convening a meeting of the Exchange;
- (b) determining differentials;
- (c) dealing with, but only insofar as the powers vested in the Board by or pursuant to these Articles or any By-Laws shall permit, any matter or situation which the attending Directors are unanimous is a matter or situation critical to the Exchange and delay in determining or taking action in regard thereto could or would be prejudicial to the interests of the Exchange or its Members.

Chairman

30.5 The Directors may from time to time elect a chairman and (if they think fit) a deputy chairman, of their meetings. The chairman and deputy chairman (if any) shall hold office from the conclusion of the first Board meeting held after the annual general meeting in the year of their election to those offices until the conclusion of the first Board meeting held after the next annual general meeting but they shall be eligible for re-election. The chairman, or failing him the deputy chairman (if any), shall preside at all meetings of the Directors but if no such chairman or deputy chairman is elected, or if at any meeting the chairman and deputy chairman are not present within fifteen minutes after the time appointed for holding the

meeting, the Directors present may choose one of their number to be chairman of the meeting.

Meetings by Telephone

30.6 For the purpose of these Articles the contemporaneous linking together by telephone or other means of communication of a number of the Directors not less than a quorum, together with the Secretary, whether or not any one or more of the Directors is out of New Zealand, shall be deemed to constitute a meeting of the Board and all the provisions in these Articles as to meetings of the Board shall apply to such meetings so long as the following conditions are met:

- (a) all the Directors for the time being entitled to receive notice of a meeting of the Board (including any alternate for any Director) shall be entitled to notice of a meeting by telephone or other means of communication and to be linked by telephone or such other means for the purposes of such meeting. Notice of any such meeting may be given by telephone or other means of communication;
- (b) each of the Directors taking part in the meeting and the Secretary must be able to hear each of the other Directors taking part at the commencement of the meeting;

AND a minute of the proceedings at any such meeting shall be sufficient evidence of such proceedings and of the observance of all necessary formalities, if certified as a correct minute by the chairman of the meeting and by the Secretary.

Resolutions in Writing

30.7 A resolution in writing, signed by all the Directors for the time being entitled to be sent notice of meetings of the Board, shall be as valid and effectual as if it had been passed at a meeting of the Board duly convened and held, provided that the Directors signing such resolution would constitute a quorum and would have power to pass such resolution at a meeting of the Board. Any such resolution may consist of several documents in similar form each signed by one or more Directors. Any such document sent by a Director by telegram, cable, facsimile copier, telex or other means of electronic communication in permanently visible form shall be deemed to have been signed by such Director.

Validity of Acts

30.8 All acts done by any meeting of the Board or of a committee of Directors or by any person acting as a Director shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

Interest of Directors

30.9 (a) A Director may hold any other office or place of profit in the Exchange (other than the office of Auditor) in conjunction with his office of

Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and, notwithstanding any rule of law or equity to the contrary, no Director shall be disqualified by his office from contracting with the Exchange, either with regard to his tenure of any such other office or place of profit, or as vendor, purchaser or otherwise, or from being employed or acting in any capacity professional, directorial or otherwise by or on behalf of the Exchange, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Exchange in which any Director shall be in any way interested, be impeached, affected or avoided, nor shall any Director so contracting or being so interested be liable to account to the Exchange for any profit realised by any such contract or arrangement by reason of the Director holding that office or of the fiduciary relation thereby established.

- (b) Subject to the provisions of sub-clause (c), a Director may vote in respect of any contract or arrangement in which he is interested as aforesaid and be included amongst the Directors present for the purpose of the quorum, and he may attest the affixing of the Seal to any instrument in connection with any such contract or arrangement.
- (c) Any Director who has, or has through the partnership or company with which he is associated, any direct interest in the determination of any matter before the Board relating to the suspension of trading rights, fining, ordering not to trade, termination of membership or expulsion of a Member or the conduct of any partner in or director or employee of a Member, or any person associated or connected with a Member, shall be excluded from the deliberations of the Board in such determination and shall not be entitled to vote thereon.
- (d) A Director shall disclose the nature of his interest as required by Section 199 of the Act but the foregoing provisions of sub-clauses (a) and (b) shall have full force and effect whether or not a Director discloses his interest as required by such section.

Directors' Remuneration

30.10 The Directors shall be paid such remuneration for their services as Directors as may from time to time be determined by the Exchange in general meeting. Such remuneration shall be by a fixed sum and not by a commission on, or percentage of, the profits of the Exchange or of its turnover. The sum so fixed shall be divided amongst the Directors in such proportions and manner as the Directors may determine and, in default of determination, equally. The remuneration shall not be increased except pursuant to a resolution passed at a general meeting of the Exchange where notice specifying the amount of the proposed increase has been given in the notice convening the meeting. The remuneration of

the Directors shall be deemed to accrue from day to day and shall be apportionable accordingly. A resolution of the Board cancelling, suspending, reducing or postponing payment of such remuneration or any part thereof shall bind all the Directors from the time being.

Directors' Expenses

30.11 All Directors shall be entitled to be paid travelling and accommodation expenses incurred in connection with their attendances at Board meetings or otherwise in the execution of their duties as Directors.

Minutes

30.12 The Board shall cause minutes to be duly kept in appropriate books at the Office in respect of:

- (a) the names of Directors present at each meeting of the Board;
- (b) the proceedings of all meetings of the Board;
- (c) the proceedings of all meetings of the Exchange, including particulars of the result of any poll;
- (d) such proceedings of committees as the Board may direct.

All minutes shall be signed by the chairman of the meeting, or by the chairman of the next succeeding meeting, and if purporting to be so signed shall be conclusive evidence of the proceedings to which such minutes relate without any further proof of the facts stated therein.

Signing of Negotiable Instruments

30.13 All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for money paid to the Exchange shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board may from time to time by resolution determine.

31. COMMITTEES OF THE BOARD

- 31.1 The Directors may delegate any of their powers to committees consisting of such member or members of the Board as they think fit; any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board.
- 31.2 A committee may elect a chairman of its meetings; if no such chairman is elected, or if at any meeting the chairman is not present within fifteen minutes after the time appointed for holding the meeting, the members present may choose one of their number to be chairman of the meeting.
- 31.3 A committee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes the chairman shall not have a second or casting vote; provided that if the quorum is less than three the chairman shall not have a casting vote unless there are three or more members present and entitled to vote.
- 31.4 The provisions of clauses 30.6 and 30.7 shall with all necessary modifications apply to meetings and

resolutions of any committee of Directors.

32. INVESTIGATIONS COMMITTEE

Appointment

- 32.1 The Board shall appoint a committee to be called the Investigations Committee, consisting of two persons appointed by the Board together with the principal executive of the Exchange or the principal executive's nominee from the staff of the Exchange. The quorum for meetings of the Committee shall be two.
- 32.2 The Committee shall have responsibility for:
- (a) investigating all allegations of misconduct or breach of these Articles and/or By-Laws alleged against any class of Member and advising the Board thereon;
 - (b) ensuring that an investigation work programme is designed to ascertain whether Members are complying with all the provisions of these Articles and the By-Laws;
 - (c) authorising regular and random inspections and investigations of records and procedures maintained by Members and by the Clearing House on behalf of Members, and ensuring that the investigation work programme is followed;
 - (d) ensuring that Members lodge with the Exchange's compliance division such financial reports, within such times as the Investigations Committee requires. These shall include:
 - (i) a monthly return of the Member's position with regard to clients' funds;
 - (ii) a quarterly return of the Member's financial position;
 - (iii) signed audited annual financial accounts;
 - (e) reporting to the Board where either from the inspections or investigations made by it pursuant to sub-clause (c) or its perusal of the statements lodged pursuant to sub-clause (d), or otherwise from information provided to the Committee, it has formed the opinion that a Member is in breach of these Articles or the By-Laws or has been guilty of misconduct or appears to be unable to pay its debts as they fall due.
- 32.3 Where as a result of action taken pursuant to paragraph (a), (c), or (d) of clause 32.2, the Committee is satisfied that a Member has been guilty of misconduct or a breach of the Articles or By-Laws but is of the opinion that the misconduct or breach is not of a serious nature, the Committee may, in its absolute discretion, cause the matter to be brought to the attention of the Member, reprimand the Member or impose a fine for each breach of the Articles and By-Laws not exceeding \$5,000, and shall not be required to report the misconduct or breach to the Board pursuant to clause 32.2(e); provided that in lieu of a Member paying a fine imposed by the Committee, the Member may within seven days of being notified of a fine so imposed, elect to have the breaches referred to the Board in accordance with clause 32.2(e).
- 32.4 The Committee shall meet on a two monthly basis to

discuss reports on all Members, and any allegations of misconduct or breach which have been supplied by the Exchange's compliance division and/or external investigators.

- 32.5 All information obtained by the Committee and all reports to it shall be confidential to the Committee and Exchange staff authorised by the Committee and shall not be disclosed to any other person including members of the Board except:
- (a) as provided in clause 32.2;
 - (b) to a duly constituted public authority either entitled to require provision of the information or which in the opinion of the Committee should be provided with the information;
 - (c) another exchange or futures association pursuant to arrangements to share information.
- 32.6 The Committee may co-opt the services of external investigators and auditors, and such other persons as the Board may approve to assist the Committee in its activities.
- 32.7 Where the Committee is investigating any matter the Committee shall give the Member the right to appear before it and to furnish to the Committee such information and explanations concerning the matter as the Committee may reasonably require.

33. SECRETARY

Appointment

- 33.1 The Board shall appoint a Secretary, for such term, and upon such conditions, as the Board shall think fit, and any Secretary so appointed may be removed by the Board. The Secretary shall act and perform his duties in accordance with the Act.

Acting Secretary

- 33.2 The Board may appoint an acting Secretary from time to time and any person so appointed shall for all purposes of these Articles be deemed, during the period of his appointment, to be the Secretary of the Exchange.

34. COMMON SEAL

- 34.1 The Board shall provide a common seal for the Exchange and shall provide for the safe custody of that Seal, which shall only be used by the authority of the Board and every instrument to which the Seal is affixed shall be signed by a Director and shall be countersigned by a second Director or the Secretary or some other person appointed by the Board for the purpose.

35. ACCOUNTS

- 35.1 The Directors shall cause proper accounting records to be kept in which shall be kept full, true and complete accounts of the affairs and transactions of the Exchange.
- 35.2 The accounting records shall be kept at the Office, or, subject to Section 151(3) of the Act, at such other place or places as the Directors think fit, and shall always be open to the inspection of any Director.
- 35.3 The Directors shall from time to time determine whether,

and to what extent, and at what times and places, and under what conditions or regulations, the accounts and books of the Exchange or any of them shall be open to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or paper of the Exchange except as conferred by statute or authorised by the Directors.

35.4 The Directors shall from time to time, in accordance with Sections 152, 154 and 161 of the Act, cause to be prepared and to be laid before the Exchange in general meeting such profit and loss accounts, balance sheets, group accounts (if any), and reports as are referred to in those Sections.

35.5 A copy of every balance sheet (including every document required by law to be attached thereto) which is to be laid before the Exchange in general meeting, together with a copy of the Auditors' report, and of the Directors' report, shall not less than fourteen days before the date of the meeting be sent to all persons entitled to receive notices of general meetings of the Exchange.

36. APPOINTMENT OF AUDITORS

36.1 Auditors shall be appointed and their duties regulated in accordance with Sections 163 to 166 of the Act.

37. NOTICES

37.1 A notice may be given by the Exchange to any Member either personally or by sending it by post to the Member or to the registered address of the Member, or to the address, if any, supplied by the Member to the Exchange for the giving of notices to him. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, pre-paying, and posting a letter containing the notice, and to have been effected in the case of a notice of a meeting on the day after the date of its posting, and in any other case at the time at which the letter would be delivered in the ordinary course of post.

37.2 A notice may be given by the Exchange to a partnership which is the holder of a share by giving the notice to the partner first named in the Register of Members in respect of the share.

37.3 (a) Notice of every general meeting shall be given in any manner hereinbefore authorised to:

- (i) every Trading Member;
- (ii) every Director;
- (iii) the Auditors.

(b) no other person shall be entitled to receive notices of general meetings.

37.4 Where a specified number of days' notice is required to be given, the day on which it is served or deemed to be served and, in the case of a notice of meeting, the day for which it is given, shall be excluded in calculating such number of days.

37.5 The signature of any notice to be given by the Exchange may be written, typewritten, printed, copied or otherwise reproduced in visible form.

38. WINDING UP

- 38.1 If the Exchange is wound up the liquidator may, with the sanction of an extraordinary resolution of the Exchange and any other sanction required by the Act, divide amongst the Trading Members in kind the whole or any part of the assets of the Exchange (whether they consist of property of the same kind or not) and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the Trading Members. The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Trading Member shall be compelled to accept any shares or other securities whereon there is any liability.

39. DISTRIBUTION OF ASSETS

- 39.1 If upon the winding up of the Exchange the surplus assets shall be more than sufficient to repay the whole of the paid up capital, the excess shall be distributed among the Trading Members in proportion to the capital paid or which ought to have been paid at the commencement of the winding up, on the shares held by them respectively, other than amounts paid in advance of calls.
- 39.2 If the surplus assets shall be insufficient to repay the whole of the paid up capital, such surplus assets shall be distributed so that as nearly as may be the losses shall be borne by the Trading Members in proportion to the capital paid, or which ought to have been paid, at the commencement of the winding up, on the shares held by them respectively, other than amounts paid in advance of calls.
- 39.3 In this Article 'surplus assets' means the assets in the hands of the liquidator after the payment of all the debts and liabilities of the Exchange including all the costs of the winding up.

40. INDEMNITY

- 40.1 Every Director, agent, Auditor, Secretary and other officer for the time being of the Exchange shall be indemnified out of the assets of the Exchange against any liability incurred by him in defending any proceedings, whether civil or criminal, arising directly or indirectly out of the Exchange's affairs or his relationship thereto, in which judgment is given in his favour, or in which he is acquitted, or in connection with any application under Section 468 of the Act in which relief is granted to him by the Court.

41. DISCLAIMER

- 41.1 No Director, Auditor or other officer of the Exchange shall be liable for the acts, receipts, neglects or defaults of any other Director or officer, or for joining in any receipt or other act for conformity, or for any loss or expense happening to the Exchange

through the insufficiency or deficiency of title to any property acquired by order of the Board or on behalf of the Exchange, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Exchange shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any money, securities or effects shall be deposited, or for any loss occasioned by any error of judgment, omission, default or oversight on his part or for any other loss, damage or misfortune whatever which shall happen in relation thereto, unless the same shall happen through his own wilful default or breach of trust.

42. BY-LAWS

- 42.1 The Board, or the Exchange by special resolution, may from time to time make By-Laws for the purpose of establishing and regulating the trading rights and obligations of Members and other persons having dealings with the Exchange or its Members and for all or any other matters concerning the business of the Exchange or the Clearing House and the Board, or the Exchange by special resolution, may from time to time vary or rescind any By-Law.
- 42.2 Unless otherwise provided in these Articles, or in any existing By-Law, no new By-Law or variation or rescission of an existing By-Law shall take effect until:
- (a) it shall first have been approved at a meeting of the Board; and
 - (b) notice of such By-Law, variation or rescission shall have been given to all Trading Members; and
 - (c) in the case of any new By-Law, variation or rescission which affects any of the following; viz:
 - (i) the commission payable;
 - (ii) the contract size or amount;
 - (iii) tolerance limits above or below the contract size or amount;
 - (iv) the type or quality of the commodity to be delivered pursuant to the contract;
 - (v) the continued entitlement to membership or the trading rights of any Member;it has first been approved by a special resolution of the Exchange.
- 42.3 Unless otherwise provided in these Articles, or in any By-Laws, any new By-Law or variation or rescission of an existing By-Law which affects either liability under a contract where such liability is under the control of the Exchange, or the contract size or amount or the tolerance limits above or below the contract size or amount, or the type or quality of the commodity to be delivered pursuant to the contract shall, if approved, only be and become operative in respect of contracts which are in existence on or after the expiration of three months from the date of such approval.
- 42.4 Unless otherwise provided in clauses 42.2 or 42.3, any new By-Law or variation or rescission of an existing By-Law shall be effective from the date determined by the meeting of the Board or the Exchange, as the case may be, and shall apply to all contracts, whether

entered into before or after such date.

- 42.5 The Exchange shall cause notice of all new By-Laws and variations and rescissions of existing By-Laws made pursuant to these Articles to be given to all Trading Members and Affiliate Members but failure to give such notice shall not invalidate any new By-Law or variation or rescission, as the case may be, or delay its operation.

43. MINOR BREACHES OF BY-LAWS

- 43.1 The Trading Members may from time to time by special resolution designate:
- (a) any class of breach of any General By-Law or Contract By-Law or any provision of the Facilities Procedures Manual as a minor breach, and such class of minor breach shall thereafter be set out in Part A of the Schedule of Minor Breaches forming part of these Articles; and
 - (b) fines for any such minor breach which may be imposed on a Member at the discretion of the Investigations Committee in accordance with clause 43.3, and such fines shall thereafter be set out in Part B of the Schedule of Minor Breaches.
- 43.2 Subject to clause 43.7 the Investigations Committee shall investigate all allegations of minor breaches in any of the classes of minor breach referred to in Part A of the Schedule of Minor Breaches with a view to determining whether a breach did in fact occur. No breach shall be deemed to have occurred if in the opinion of the Investigations Committee the circumstances giving rise to the allegation were beyond the control of the Member concerned.
- 43.3 Where a Member's conduct is determined in accordance with clause 43.2 to be a breach within any of the classes of minor breaches referred to in Part A of the Schedule of Minor Breaches the Investigations Committee shall in its discretion either:
- (a) reprimand the Member in writing, in which case no fine shall be imposed on the Member; or
 - (b) impose on the Member the fine set out in Part B of the Schedule of Minor Breaches which corresponds to the frequency of the occurrence of the breach;
- and in either case the Investigations Committee shall cause written notice to be sent to the Member and to the Board setting out the details of the nature of the breach and the action taken, including the amount of the fine imposed (if any).
- 43.4 Where the Investigations Committee considers that the circumstances of a breach or alleged breach are such that the Member's conduct should be considered by the Board it shall refer the matter to the Board for its consideration under clause 10.1, 11.1, 12.1 or 13.1, as the case may be. The Board shall thereafter proceed to consider the matter in accordance with which ever of those clauses may be applicable and the provisions of this Article 43 shall in no way limit the powers of the Board in its consideration of the matter.
- 43.5 (a) Where a determination has been made by the Investigations Committee pursuant to clause 43.2

and action taken pursuant to clause 43.3 the Member concerned may by notice in writing to the Exchange request the Board to consider either the determination of the Investigations Committee or the action taken by the Investigations Committee, or both. The notice to the Board must be given within three business days after receipt by the Member of the notice referred to in clause 43.3.

- (b) The Board shall convene a meeting to consider the matters set out in the notice within twenty-eight days of receipt of such notice by the Exchange and the Exchange shall cause notice of such meeting to be sent to the Member concerned appointing a time and place for the meeting. The Member and its legal representatives shall be entitled to be present at the meeting, and to offer such explanations as the Member wishes.
- (c) the Board may at the meeting decide to uphold the decision of the Investigations Committee or vary such decision as it deems appropriate; provided that any fine imposed under this sub-clause may not exceed the maximum amount per breach for the time being set out in the Schedule of Minor Breaches.

43.6 All the provisions of these Articles relating to fines imposed on Members shall apply to fines imposed pursuant to this Article 43.

43.7 Nothing in this Article 43 shall restrict or preclude the Board from taking any action in respect of any breach or alleged breach of any By-Law or the Facilities Procedures Manual pursuant to any other provisions of these Articles should it deem such action to be appropriate in lieu of or in addition to any action of the Investigations Committee or the Board pursuant to this Article 43.

44. BUSINESS OF THE EXCHANGE

44.1 The business of the Exchange shall be to establish, operate and control markets and related facilities for the trading by Trading Members of futures and option contracts and to make such markets and facilities available to the Trading Members at net cost. Any surplus income which may accrue and shall not be required for the purposes of the Exchange shall be applied in reducing fees or other levies or charges from time to time payable by Trading Members or be paid to, or applied for the benefit of, Trading Members in such manner, whether by way of rebate, dividend, bonus, distribution or otherwise, as the Board or the Exchange in general meeting may from time to time deem appropriate.

45. FIDELITY FUND

Establishment, Interpretation

- 45.1 (a) The Exchange shall establish and keep a Fidelity Fund, which shall be administered by the Board on behalf of the Exchange.
- (b) The assets of the Fidelity Fund shall be the property of the Exchange, but shall be kept

separately from all other property, and shall be held in trust for the purposes set out in this Article.

- (c) In this Article:
‘agent’ in relation to a Member includes any director, officer, employee or servant of the Member and where the Member is a partnership includes any partner in the Member;
‘fraudulent misuse’ includes misuse contrary to the provisions of any applicable law or regulation;
‘relative’ in relation to any person means the spouse, parent or remoter lineal ancestor, son, daughter or remoter issue, brother or sister, of the person.

Moneys Constituting Fidelity Fund

45.2 The Fidelity Fund shall consist of:

- (a) the amount standing to the credit of the Fidelity Fund at the date of adoption of this clause;
- (b) the amount paid to the Exchange for payment into the Fidelity Fund by each new Member, as fixed from time to time by the Board;
- (c) annual contributions and levies paid by Members under clause 45.8;
- (d) the interest and profits from time to time accruing from the investments of the Fidelity Fund; provided however that unless and until the Board shall from time to time decide otherwise the net income from the Fidelity Fund shall be paid to the Exchange to be applied in defraying the general costs of administration of the Fidelity Fund and/or the business of the Exchange;
- (e) moneys recovered by or on behalf of the Exchange in exercise of a right of action conferred by this Article;
- (f) moneys paid by an insurer pursuant to any contract of insurance or indemnity entered into by the Exchange pursuant to clause 45.21;
- (g) any other moneys lawfully paid into the Fidelity Fund by the Exchange or any other person.

Separate Bank Account

45.3 The moneys comprising the Fidelity Fund shall, until they are invested or applied in accordance with this Article, be kept in a separate bank account.

Payments out of Fidelity Fund

45.4 Except as otherwise provided in this Article, there shall be paid out of the Fidelity Fund, in such order as the Board deems proper:

- (a) the amount of all claims, including costs, allowed by the Board or established against the Fidelity Fund under this Article;
- (b) all legal and other expenses incurred in investigating, defending, settling or otherwise dealing with claims against the Fidelity Fund, or incurred in relation to the Fidelity Fund, or in the proper exercise by the Exchange or any of its officers, employees or agents or the Board of any of the rights, powers and authorities vested in

- the Exchange or the Board by this Article;
- (c) all premiums payable in respect of contracts of insurance or indemnity entered into by the Exchange pursuant to clause 45.21;
 - (d) expenses incurred in administering the Fidelity Fund, including the salaries and wages of persons employed by the Exchange or the Board in relation to the Fidelity Fund; and
 - (e) all other moneys payable out of the Fidelity Fund in accordance with any applicable legislation or these Articles.

Accounts of Fund

- 45.5 (a) The Board shall establish and keep proper accounts of the Fidelity Fund and shall cause a balance sheet in respect of those accounts to be made out at least once in every year as at the annual balance date of the Exchange.
- (b) The Board shall cause the Auditors to audit the annual accounts of the Fidelity Fund, and to prepare a report on the said accounts which shall be laid before the Board at the next meeting of the Board held after completion of such audit.

Fidelity Fund Committee

- 45.6 (a) The Board may by resolution appoint a committee to be known as the Fidelity Fund Committee which shall consist of not less than three nor more than five persons, at least two of whom are members of the Board.
- (b) The Board may by resolution delegate to the Fidelity Fund Committee all or any of its powers, authorities and discretions under this Article other than this clause 45.6.
- (c) A power, authority or discretion delegated under paragraph (b) may be exercised by members forming a majority of the Fidelity Fund Committee as if that power, authority or discretion had been conferred by this Article on a majority of the members of that Committee.
- (d) A delegation by the Board under paragraph (b) may at any time by resolution of the Board be varied or revoked.
- (e) the Board may at any time by resolution remove a member of the Fidelity Fund Committee, or fill a vacancy arising in the membership of that Committee.

Appointment of Manager

- 45.7 The Fidelity Fund Committee may from time to time, with the prior approval of the Board, appoint a manager to manage the investments of the Fidelity Fund under the control of the Committee and/or to carry out such other duties of the Committee as the Committee may from time to time think fit.

Contributions and Levies

- 45.8 (a) There shall be payable into the Fidelity Fund by Members annual contributions of such amount, calculated in such manner, and payable at such

- time or times, as the Board in its discretion from time to time thinks fit.
- (b) If at any time the amount in the Fidelity Fund is insufficient to pay all amounts that, at the time, are required to be paid under clause 45.4, the Board may impose a levy on Members for payment in to the Fidelity Fund of such amount, calculated in such manner, and payable at such time or times, as the Board in its discretion considers reasonable in the circumstances.
- (c) Each Member shall pay to the Exchange within the time and in the manner specified by the Board the amount of each annual contribution and each levy payable by that Member in accordance with this clause.

Differentiation in Amounts

45.9 The Board may in its absolute discretion differentiate between Members, or between different classes of Members, as regards the amount of initial contributions, annual contributions and levies and in particular, without limiting such discretion, may direct that no contribution, or no levy, shall be payable by any Members or class of Members who do not accept instructions to trade on behalf of other persons; provided always that in exercising its powers under this clause the Board shall fairly and equitably take into account the separate interests of each category or class of Member.

Advances

45.10 The Board may from the general funds of the Exchange advance any sums to the Fidelity Fund upon such terms as it thinks fit. Moneys so advanced may at any time be repaid from the Fidelity Fund to the general funds of the Exchange.

Investment of Fidelity Fund

- 45.11 (a) Any moneys in the Fidelity Fund that are not immediately required for its purposes may be invested by the Board or by the Fidelity Fund Committee in such manner as the Board or the Committee, as the case may be, may from time to time think fit, whether or not such investments are of a category that is for the time being approved by law for the investment of trust funds.
- (b) The investments of the Fidelity Fund shall at all times be kept separate and apart from the general funds of the Exchange and may from time to time be held by a nominee company as trustee for the Fidelity Fund.

Application of Fidelity Fund

- 45.12 (a) Subject to the provisions of this Article, where:
- (i) a person (the 'claimant') suffers pecuniary loss because of a defalcation, or because of fraudulent misuse of money or other property, by a Member, or agent of a Member; and
- (ii) the loss is suffered in respect of money or

other property that was, in connection with the Member's dealings in futures or option contracts (whether or not any of those dealings was effected on the Market) entrusted to or received by the Member, or an agent of the Member:

(aa) for on behalf of the claimant or any other person; or

(bb) because a Member was trustee of the money or other property,

the Fidelity Fund shall be applied for the purpose of compensating the claimant to the extent that that pecuniary loss cannot be compensated by recourse to the Member's resources.

- (b) The Board in its absolute discretion may disallow a claim against the Fidelity Fund in respect of an Introducing Broker Member or a Local Member where the claimant was aware, or in the opinion of the Board ought reasonably to have been aware, that the Member was not permitted to trade on behalf of other persons, or was not permitted to receive or hold money or property on behalf of other persons.
- (c) The Board may in assessing the amount payable to the claimant rely on the advice of the receiver, statutory manager, official assignee, provisional liquidator, liquidator or similar officer (as the case may be) of the Member, as to the amount, or maximum amount which will, or is likely to, be payable to that claimant out of the assets of the Member available for distribution to creditors.
- (d) Except as otherwise provided in this clause and clause 45.20, the aggregate amount that may be paid for the purpose of compensating pecuniary loss in accordance with this clause 45.12 in respect of any Member shall not exceed the sum of One Hundred Thousand Dollars (\$100,000) or the amount then in the Fidelity Fund, whichever is the lesser. Any amount that is paid from the Fidelity Fund shall, to the extent to which it is subsequently repaid to the Fund, be disregarded.
- (e) If the Board, having regard to the ascertained or contingent liabilities of the Fidelity Fund, considers that the assets of the Fund so permit, it may apply out of the Fund such sums in excess of the amount limited by or under this Article as the Board, in its absolute discretion, thinks fit in or towards compensating persons who have suffered pecuniary loss and would but for such limitation be entitled to compensation in accordance with this clause.

Claims Against the Fidelity Fund

- 45.13 (a) Subject to the provisions of this Article, a person who suffers pecuniary loss of the nature referred to in clause 39.12 shall be entitled to claim compensation from the Fidelity Fund.
- (b) A person shall not have a claim against the Fidelity Fund in respect of pecuniary loss in relation to money or other property suffered after the money or property has, in the due course of

the administration of a trust, ceased to be under the sole control of the Member or its agent (as the case may be), in respect of whom the claim is made.

- (c) A claimant shall not be entitled to receive any compensation pursuant to this Article until the claimant has taken all actions which the Board may in its absolute discretion prescribe in order effectively to recover or mitigate the pecuniary loss suffered by the claimant, including (without limitation) filing of a proof of debt with any receiver, statutory manager, official assignee, provisional liquidator, liquidator or similar officer, as the case may be, of the Member, and pursuit of any proceedings or legal or equitable remedies.
- (d) A person shall not have a claim against the Fidelity Fund where that person:
- (i) is a relative of; or
 - (ii) is a partner of; or
 - (iii) (being a company) is a related company of; or
 - (iv) is an officer of, or an officer of a related company of; or
 - (v) has an interest (as that term is defined in clause 14.8) in;
a Member or its agent to whom clause 45.12 applies; provided however that the Board may in its absolute discretion allow a claim by a relative of a Member but shall not be obliged to give any reasons for allowing or disallowing a claim by any such relative.
- (e) Subject to the provisions of this Article, the amount which a claimant shall be entitled to claim as compensation from the Fidelity Fund shall be the amount of the actual pecuniary loss suffered by him (including the reasonable costs of, and disbursements incidental to, the making and proof of his claim) less the amount or value of all moneys or other benefits received or receivable by him from a source other than the Fidelity Fund in relation to the loss.

Rights of Innocent Agent in Relation to Fidelity Fund

45.14 Where all persons who have submitted claims pursuant to clause 45.13 have been fully compensated for pecuniary loss in accordance with the provisions of clause 45.12 any agent of the Member in respect of whom compensation was paid who has made payment to a person in compensation for loss suffered by him in relation to that money or property shall be deemed to be subrogated to the extent of that payment to all the rights and remedies of that person against the Fidelity Fund if the Board, having regard to all the circumstances, determines that the agent was in no way a party to the loss and acted honestly and reasonably in the matter.

Notice Calling for Claims Against Fidelity Fund

45.15 The Board shall cause to be published in a daily newspaper circulating in the locality in which the Member or his agent to whom paragraph (a) of clause

45.12 applies has or had its principal place of business a notice specifying a date, not being earlier than three months after the publication of the notice, on or before which claims for compensation from the Fidelity Fund, in relation to the person specified in the notice, may be made and a copy of such notice shall be sent to every Member. All claims shall be made in writing to the Exchange on or before the date specified in the notice and any claim that is not so made shall be deemed to be barred unless the Board in its absolute discretion shall determine otherwise.

Power of Board to Settle Claims

- 45.16 (a) Subject to the provisions of this Article, the Board may allow and settle a proper claim for compensation from the Fidelity Fund at any time after the occurrence of the pecuniary loss in respect of which the claim arose.
- (b) If the Board disallows a claim either wholly or partly it shall serve notice of the disallowance on the claimant or his solicitor.
- (c) The Board, if satisfied that there was a defalcation or fraudulent misuse of property on which to found the claim, may allow the claim and act accordingly, notwithstanding that the person against whom the defalcation or fraudulent misuse of property is alleged has not been convicted or prosecuted or that the evidence on which the Board acts would not be sufficient to establish the guilt of that person in a criminal trial in respect of the defalcation or fraudulent misuse of property.

Power of Board to Require Production of Securities, etc.

- 45.17 The Board may at any time require a person to produce and deliver any securities, documents or statements of evidence necessary to support a claim made or necessary for the purpose either of exercising its rights against a Member or an agent of the Member or any other person, or of enabling criminal proceedings to be taken against a person in respect of a defalcation or fraudulent misuse of property, and in default of delivery of any such securities, documents or statements of evidence by the first-mentioned person, the Board may disallow any claim by him.

Subrogation of Exchange to Rights of Claimant

- 45.18 On payment out of the Fidelity Fund of any moneys in respect of a claim, the Exchange shall be deemed to be subrogated to the extent of that payment to all the rights and remedies of the claimant in relation to the loss suffered by him from the defalcation or fraudulent misuse of property.

Payment of Claims only from Fidelity Fund

- 45.19 Money or other property belonging to the Exchange, other than the Fidelity Fund, shall under no circumstances be available for the payment of a claim under this Article except as provided in clause 39.10.

Provision where Fidelity Fund Insufficient or Where Claims Exceed Total Amount Payable

- 45.20 (a) Where the amount in the Fidelity Fund is insufficient to pay the whole of the amount of all claims against it that have been allowed, the amount in the Fidelity Fund shall, subject to paragraph (b) of this clause, be apportioned among the claimants in such manner as the Board in its absolute discretion thinks equitable, and any such claims so far as they then remain unpaid shall be deemed to be charged against future receipts (if any) of the Fidelity Fund and paid out of the Fidelity Fund when moneys are available in it; provided always that nothing in this Article shall oblige the Board or entitle any liquidator of the Exchange to make any levy upon Members or any of them or to advance or contribute other moneys of the Exchange to the Fidelity Fund to meet any deficiency which is charged upon future receipts of the Fund.
- (b) Where the aggregate of all claims that have been allowed pursuant to this Article exceeds the total amount that may, pursuant to clause 45.12 be paid in respect of that Member, the total amount shall be apportioned among the claimants in such manner as the Board in its absolute discretion thinks equitable, and on payment out of the Fidelity Fund of that total amount in accordance with that apportionment, all such claims and any orders relating to those claims and all other claims against the Fidelity Fund that may thereafter arise or be made in respect of defalcations or fraudulent misuses of property by or in connection with that Member shall be discharged.

Insurance Moneys

- 45.21 (a) The Exchange may, in its absolute discretion, enter into a contract with any person whereby the Exchange will be insured or indemnified, to the extent and in the manner provided in the contract, against liability in respect of claims against the Fidelity Fund under this Article.
- (b) Such a contract may be entered into in relation to Members generally, or a particular Member or Members, or any class or classes of Members, or Members or any class or classes of Members generally with the exclusion of particular named Members.
- (c) A claimant against the Fidelity Fund shall not have any right of action or claim against any insurer with whom the Exchange has from time to time effected any contract of insurance or indemnity.
- (d) Neither the Exchange nor the Board nor any member of the Board shall be liable to any person, whether a Member or not, for not effecting any contract of insurance or indemnity, or for effecting any contract of insurance or indemnity on any particular terms, or for damage alleged to have been suffered by any Member by the

publication in good faith of a statement that a contract entered into under this sub-clause does, or does not, as the case may be, apply in relation to that Member.

Indemnity

45.22 A Member in respect of whom any amount of compensation has been paid or is payable out of the Fidelity Fund to a claimant in accordance with this Article shall indemnify the Exchange and the Fidelity Fund in respect of such amount and all costs and expenses incurred by the Exchange in respect of the claim by that claimant and shall pay to the Exchange on demand the amount payable pursuant to this indemnity.

46. EXCLUSION OF TABLE A

46.1 The regulations contained in Table A of the Third Schedule to the Act shall not apply to the Exchange.

SCHEDULE

CLIENT ACKNOWLEDGEMENT

FORM 1 - For use by Trading Member with Non-Clearing Member Client

TO:

(Trading Member)

I

(Client)

of

hereby acknowledge that:

1. I have given consideration to my objectives and my financial situation and needs and I have formed the opinion that it would be desirable or appropriate for me to trade in futures contracts or option contracts. I acknowledge that trading in futures and/or option contracts incurs the risk of loss as well as the prospect of profit and that I have read and understand the Statement of Risk attached hereto. I am also aware that upon entering into certain classes of futures or option contract there is created an obligation or contingent obligation upon me to give or take delivery or to comply with any cash settlement requirement pursuant thereto, as the case may be.
2. You will be trading on futures and/or option exchanges at all times as a principal, notwithstanding that in certain trading you will be implementing instructions given to you by me as your principal. I am aware that in the same trading you may either, on your own account or on behalf of other clients, be taking the opposite position to me in a futures or option contract and I acknowledge your right to do so, provided the trading occurs in accordance with the business rules of the relevant exchange.
3. I am aware that in relation to trading conducted on my behalf on any futures or option exchange, any benefit accorded to you by way of the guarantee from the clearing house appointed by the relevant exchange (hereinafter called "the clearing house") does not pass to me and I hereby waive any claim to the benefit of that guarantee which but for this acknowledgement I may have been deemed

to have. This acknowledgement is made on the basis that any liability to the clearing house will not pass to me unless I become a member of the clearing house and contracts are registered in my name with the clearing house.

4. I am aware that in respect of futures and option contracts traded by you on my behalf you will have assumed a liability as a principal under the Articles and By-Laws of the Exchange and the business rules of the relevant clearing house and I acknowledge further that:
 - (a) You may call upon me for payment, or the lodgement of cover, of such amounts by way of initial margins or variation margins as you in your discretion feel to be necessary to protect your position generally as a principal.
 - (b) Should I fail to pay any call made upon me by payment or lodgement of cover, then you shall be entitled (at your absolute discretion and without thereby creating an obligation to do so) to close out open positions held by me. In this regard I agree that time is to be of the essence and that if no time is stipulated by you when making a call then I am required to comply within twenty-four (24) hours. I acknowledge that I am responsible to pay in cash any deficit owing to you after closure and should I not so pay, you may realise any securities held by you and apply the proceeds against that deficiency.
 - (c) You may charge against my account (notwithstanding any cover held by you) interest on the amount of the liability from the date such liability is incurred until the date it is discharged.
5. You will also be entitled to charge against my account commission at such rate or rates as may from time to time be agreed upon between us.
6. I am aware that all business transacted on my behalf is subject to the provisions of the Memorandum and Articles of Association and By-Laws of New Zealand Futures and Options Exchange Limited (hereinafter called "the Exchange") and the business rules of any other exchange on which any such business may be transacted and I have instructed you on the basis that such Memorandum and Articles of Association, By-Laws and rules are binding upon and accepted by both you and me.
7. I am aware that:-
 - (a) you *do/do not trade for yourself as a principal on your own account;
 - (b) your directors, partners or employees *do/do not trade on their own account.

And I hereby make and give the following further directions and authorisations:-

8. Unless otherwise specifically directed in writing by me, you are authorised to place with any clearing house or other person approved by the Board of the Exchange all moneys held to the credit of my account which are in excess of my liabilities for margins. You shall be entitled to retain to your account any interest earned thereon, unless otherwise agreed between us in writing, and I hereby waive any claim to the interest so retained to your account.
9. I hereby appoint the chairman of the Board of the

Exchange (or such other member of the Board as the Board may appoint) as my attorney to do all things necessary to transfer any open position held by you on my behalf to another Trading Member where your trading rights have been suspended by the Board of the Exchange other than as a result of default in meeting commitments to any clearing house.

10. The following persons are authorised to instruct you on my account until this authority is altered or revoked in writing by me:

DATED this day of 19 .
(Signature)

Notes to Broker:

- (1) A copy of the Statement of Risk (Form 5) must be attached to this form before signing.
- (2) Where this form is to be used by a client who has been introduced by an Introducing Broker Member, omit clause 10 and substitute the following clause:
 10. (a) I have been introduced to you by (the Introducing Broker) who will be responsible for the giving of instructions with respect to trading on my account and I hereby authorise you to accept and act on such instructions. In giving instructions to you, the Introducing Broker will be acting as my agent and I acknowledge that I am responsible for instructions so given.
 - (b) You will be responsible for the trading, or the giving of instructions for trading, in futures and options contracts on my behalf in accordance with instructions given by the Introducing Broker or by me and for providing all necessary contract notes and monthly statements in relation to such trading directly to me, whether you have received trading instructions from the Introducing Broker or from me.
 - (c) I acknowledge that you will be paying a commission or other fee to the Introducing Broker in respect of trades executed by you on my behalf out of the commission which I pay to you.
 - (d) *You are authorised to pay any moneys owing to me directly to me at my address, or to bank A/c No. at Bank Branch, being an account over which I am the sole signatory.
 - (e) I shall not pay any moneys to or lodge any property with the Introducing Broker and any moneys or property shall be lodged directly with you, except as provided in clause 10(f).
 - (f) *I may lodge cheques with the Introducing Broker in respect of my obligations to you for margins provided such cheques are crossed 'not negotiable, account payee only' and are made payable to the client funds account of the

Principal Broker.

*No cheques whether or not payable to you shall be lodged with the Introducing Broker.

*Delete whichever is inapplicable.

CLIENT ACKNOWLEDGEMENT

FORM 2 - For use by Affiliate Member with Non-Clearing Member Client

TO:

(Affiliate Member)

I

(Client)

of

hereby acknowledge that:

1. I have given consideration to my objectives and my financial situation and needs and I have formed the opinion that it would be desirable or appropriate for me to trade in futures contracts or option contracts. I acknowledge that trading in futures and/or option contracts incurs the risk of loss as well as the prospect of profit and that I have read and understand the Statement of Risk attached hereto. I am also aware that upon entering into certain classes of futures and/or option contract there is created an obligation or contingent obligation upon me to give or take delivery or to comply with any cash settlement requirement pursuant thereto as the case may be.
2. You will be making or instructing another broker (a 'principal broker') to make offers or bids on my behalf on futures and/or option exchanges and you and/or the principal broker will be making such bids or offers as principal. I am aware that in the same trading you may make and/or instruct a principal broker to make offers or bids on your own account, or on behalf of other clients, in either case taking the opposite position to me in a futures or option contract, and I acknowledge the right of you and/or the principal broker to do so, provided the trading occurs in accordance with the business rules of the relevant exchange.
3. I am aware that in relation to trading conducted on my behalf on any futures or option exchange any benefit accorded to you or the principal broker by way of the guarantee from the relevant clearing house does not pass to me and I hereby waive any claim to the benefit of that guarantee which but for this acknowledgement I may have been deemed to have. This acknowledgement is made on the basis that any liability to the relevant clearing house will not pass to me unless I become a member of that clearing house and contracts are registered in my name with that clearing house.
4. I am aware that in respect of contracts traded by you on my behalf and instructions given to the principal broker by you on my behalf you and/or the principal broker as the case may be, will assume liability as a principal under the business rules of the relevant exchange and/or clearing house and I acknowledge further that:
 - (a) You may call upon me for payment, or the lodgement of cover, of such amounts by way of initial or variation margins as you in your discretion feel to be necessary to protect your position and that of the

principal generally as a principal.

- (b) Should I fail to pay any call made upon me by payment or lodgement of cover, then you shall be entitled (at your absolute discretion and without thereby creating an obligation to do so) to close open positions held on my behalf. In this regard I agree that time is to be of the essence and that if no time is stipulated by you when making a call then I am required to comply within twenty-four (24) hours. I acknowledge that I am responsible to pay in cash any deficit owing to you after closure and should I not so pay, you may realise any securities held by you and apply the proceeds against that deficiency.
- (c) You may charge against my account (notwithstanding any cover held by you) interest on the amount of the liability from the date such liability is incurred until the date it is discharged.
5. You will also be entitled to charge against my account commission at such rate or rates as may from time to time be agreed upon between us.
6. I am aware that all business transacted on my behalf by you or any principal broker is subject to the provisions of the Articles of Association and By-Laws of New Zealand Futures and Options Exchange Limited (hereinafter called 'the Exchange') and the business rules of any other exchange on which any such business may be transacted and I have instructed you on the basis that such Articles of Association, By-Laws and business rules are binding upon and accepted by you, me and any principal broker instructed by you.
7. I am aware that:-
- (a) you *do/do not trade for yourself as a principal on your own account;
- (b) your directors, partners or employees *do/do not trade on their own account.

And I hereby make and give the following further directions and authorisations:-

8. Unless otherwise specifically directed in writing by me, you are authorised to place with the clearing house (where you are a clearing member of that clearing house) of any exchange on which trading is being conducted on my behalf or other person or category of persons approved by the Board of the Exchange all moneys held to the credit of my account which are in excess of my liabilities for margins. You shall be entitled to retain to your account any interest earned thereon, unless otherwise agreed between us in writing, and I hereby waive any claim to the interest so retained to your account.
9. I hereby appoint the chairman of the Board of the Exchange (or such other member of the Board as the Board may appoint) as my attorney to do all things necessary to transfer any open position held by you on my behalf to another Member of the Exchange where your trading rights or the trading rights of the principal broker instructed by you have been suspended by the Board of the Exchange other than as a result of default in meeting commitments to any clearing house.
10. The following persons are authorised to instruct you on my account until this authority is altered or revoked in writing by me:

DATED this

day of

19 .

(Signature)

Notes to Broker:

- (1) A copy of the Statement of Risk (Form 5) must be attached to this form before signing.
- (2) Where this form is to be used by a client who has been introduced by an Introducing Broker Member, omit clause 10 and substitute the following clause:
 10. (a) I have been introduced to you by (the Introducing Broker) who will be responsible for the giving of instructions with respect to trading on my account and I hereby authorise you to accept and act on such instructions. In giving instructions to you, the Introducing Broker will be acting as my agent and I acknowledge that I am responsible for instructions so given.
 - (b) You will be responsible for the trading, or the giving of instructions for trading, in futures and options contracts on my behalf in accordance with instructions given by the Introducing Broker or by me and for providing all necessary contract notes and monthly statements in relation to such trading directly to me, whether you have received trading instructions from the Introducing Broker or from me.
 - (c) I acknowledge that you will be paying a commission or other fee to the Introducing Broker in respect of trades executed by you on my behalf out of the commission which I pay to you.
 - (d) *You are authorised to pay any moneys owing to me directly to me at my address, or to bank A/c No. at Bank Branch, being an account over which I am the sole signatory.
 - (e) I shall not pay any moneys to or lodge any property with the Introducing Broker and any moneys or property shall be lodged directly with you, except as provided in clause 10(f).
 - (f) *I may lodge cheques with the Introducing Broker in respect of my obligations to you for margins provided such cheques are crossed 'not negotiable, account payee only' and are made payable to the client funds account of the Principal Broker.
*No cheques whether or not payable to you shall be lodged with the Introducing Broker.
*Delete whichever is inapplicable.

CLIENT ACKNOWLEDGEMENT

FORM 3 - For use by Trading Member or Affiliate Member with
Clearing Member Client

TO:

(*Trading Member/Affiliate Member)

* delete as applicable

(Client)

of

(hereinafter called 'the Client') hereby acknowledges that:

1. The Client has given consideration to the Client's objectives and financial situation and needs and has formed the opinion that it would be desirable or appropriate for the Client to trade in futures contracts or option contracts. The Client also acknowledges that trading in futures and/or option contracts incurs the risk of loss as well as the prospect of profit and that the Client has read and understands the Statement of Risk attached hereto. The Client is also aware that upon entering into certain classes of futures or option contract there is created an obligation or contingent obligation upon the Client to give or take delivery or to comply with any cash settlement requirement pursuant thereto, as the case may be.

2. * (a) You will be trading on futures and/or option (Trading) markets at all times as a principal, notwithstanding that in certain trading you will be implementing instructions given to you by the Client as your principal. The Client is aware that in the same trading you may, either on your own account or on behalf of other clients, be taking the opposite position to the Client in a futures or option contract and acknowledges your right to do so, provided the trading occurs in accordance with the business rules of the relevant exchange.

OR * (b) You will be making or instructing another broker (Affiliate) (a 'principal broker') to make offers or bids on my behalf on futures and/or option exchanges and you and/or the principal broker will be making such bids or offers as principal. The Client is aware that in the same trading you may make and/or instruct a principal broker to make offers or bids on your own account, or on behalf of other clients, in either case taking the opposite position to the Client in a futures or option contract and acknowledges the right of you and/or the principal broker to do so, provided the trading occurs in accordance with the business rules of the relevant exchange.

[* delete as applicable. Sub-clause (a) applies where the Clearing Member Client instructs a Trading Member direct, and sub-clause (b) applies where the Clearing Member Client instructs an Affiliate Member.]

3. You will also be entitled to charge against the Client's account commission at such rate or rates as may from time to time be agreed upon between you and the Client, as well as any other fee authorised by the business rules of the relevant exchange.

4. The Client is aware that all business transacted on behalf of the Client by you or any principal broker is subject to the provisions of the Articles of Association and By-Laws of New Zealand Futures Exchange Limited and the business rules of any other exchange on which any such business may be transacted and the Client has instructed you on the basis that such Articles of Association, By-Laws and business rules are binding upon and accepted by you, the Client and any principal broker instructed by you.

- 5. The Client is aware that:-
 - (a) you *do/do not trade for yourself as a principal on your own account;
 - (b) your directors, partners or employees *do/do not trade on their own account.
- 6. The following persons are authorised to instruct you on account of the Client until this authority is altered or revoked in writing by the Client:

DATED this _____ day of _____ 19 .

 (Signature)

Note to Broker : A copy of the Statement of Risk (Form 5) must be attached to this form of acknowledgement before signing.

CLIENT ACKNOWLEDGEMENT

FORM 4 – For use by Introducing Broker Member with Non-Clearing Member Client

TO:

 (Introducing Broker Member)

I

 (Client)

of
 hereby acknowledge that:

- 1. I have given consideration to my objectives and my financial situation and needs and I have formed the opinion that it would be desirable or appropriate for me to trade in futures contracts and/or option contracts. I acknowledge that trading in futures and/or option contracts incurs the risk of loss as well as the prospect of profit and that I have read and understand the Statement of Risk attached hereto. I am also aware that upon entering into certain classes of futures or option contract there is created an obligation or contingent obligation upon me to give or take delivery or to comply with any cash settlement requirement pursuant thereto, as the case may be.
- 2. You will be instructing _____ or such other broker as you may from time to time appoint (hereinafter called 'the Principal Broker') to make offers or bids on my behalf on futures or option exchanges, and the Principal Broker will be making such bids or offers as principal notwithstanding that in certain trading the Principal Broker will be implementing instructions given to you by me as your principal. I am aware that in the same trading you or the Principal Broker may either on your own account or on behalf of other clients be taking the opposite position to me in a futures or option contract, and I acknowledge your right and the right of the Principal Broker to do so, provided the trading occurs in accordance with the business rules of the relevant exchange.
- 3. I will be entering into a client agreement with, or giving a client acknowledgement to, the Principal Broker, who will hold all moneys received from me or on my account and I will be under separate obligations as a

client of the Principal Broker.

4. I am aware that you are not entitled to receive any moneys or property from me in respect of my trading and I will not pay any moneys to, or lodge any property with you except as may be provided in clause 5.
5. *All payments with respect to margins will be paid by me directly to the Principal Broker except that I may lodge cheques with you in respect of my obligations to the Principal Broker for margins provided such cheques are crossed 'not negotiable, account payee only' and are made payable to the clients funds account of the Principal Broker. Such cheques must either be delivered by you to the Principal Broker or be paid by you to the nominated client funds account of the Principal Broker.
*All payments with respect to margins will be paid by me directly to the Principal Broker and no cheques, whether or not payable to the Principal Broker, may be lodged by me with you.
6. I am aware that in relation to trading conducted on my behalf on any futures or option exchange, any benefit accorded to you or the Principal Broker by way of the guarantee from the clearing house appointed by the relevant exchange (hereinafter called 'the relevant clearing house') does not pass to me and I hereby waive any claim to the benefit of that guarantee which but for this acknowledgement I may have been deemed to have (unless I am, or subsequently become, a member of the relevant clearing house and contracts are registered in my name with the relevant clearing house in accordance with its rules).
7. You will also be entitled to receive from the Principal Broker out of the commission paid by me to the Principal Broker commission at such rate or rates as may from time to time be agreed upon between you and the Principal Broker.
8. I am aware that all business transacted on my behalf is subject to the provisions of the Articles of Association and By-Laws of New Zealand Futures and Options Exchange Limited (of which you are an Introducing Broker Member) and the business rules of any other exchange on which any such business may be transacted and I have instructed you on the basis that such Articles of Association, By-Laws and rules are binding upon and accepted by you, me and the Principal Broker.
9. I am aware that:
 - (a) you *do/do not trade for yourself as a principal on your own account;
 - (b) your directors, partners or employees *do/do not trade on their own account.

And I hereby make and give the following further direction(s) and authorisation(s):

11. The following persons are authorised to instruct you on my account until this authority is altered or revoked in writing by me:

[12.] [Add any other directions or authorisations.]

become familiar with all aspects of futures and/or option trading before commencing to trade.

FORM 6

INTRODUCING BROKER - PRINCIPAL BROKER AGREEMENT

AGREEMENT dated the _____ day of _____ 19____
 BETWEEN _____ ('the Principal Broker')
 AND _____ ('the Introducing Broker')

INTRODUCTION

- A. The Introducing Broker carries on the business of dealing in futures and option contracts as an introducing broker on behalf of its clients ('Clients').
- B. The Introducing Broker and the Principal Broker are Members of New Zealand Futures and Options Exchange Limited ('the Exchange').
- C. The Principal Broker has agreed to accept instructions from the Introducing Broker on behalf of clients of the Introducing Broker and to act as Principal Broker in terms of this agreement and the agreement signed by each Client with the Principal Broker.

IT IS AGREED

1. The Principal Broker will accept instructions from the Introducing Broker to deal in futures and option contracts on behalf of clients of the Introducing Broker for whom the Principal Broker has previously agreed to act ('Clients') and the Principal Broker will execute, or instruct third persons to execute, those instructions. The Principal Broker may also accept instructions at any time direct from the Client.
2. The Introducing Broker will not give any instructions to the Principal Broker on behalf of a Client until the Client has given or executed client acknowledgements or client agreements in an appropriate form with the Introducing Broker and the Principal Broker. Copies of both acknowledgements or agreements will be held by the Introducing Broker and the Principal Broker.
3. The Principal Broker, the Introducing Broker and each Client will be bound by the provisions of the Articles of Association and By-Laws of the Exchange and the business rules of any other futures or options exchange on which any dealing for that Client takes place.
4. The Introducing Broker will be acting under this agreement as agent of the Client and not of the Principal Broker and the Introducing Broker will not hold itself out as agent, partner or representative of the Principal Broker or as authorised to speak or act in any manner on behalf of, or as agent of, the Principal Broker.
5. Where there is any inconsistency between the instructions given by the Introducing Broker and those given by a Client, the Principal Broker is entitled to accept and act on the instructions of the Client.
6. Where the Principal Broker instructs third persons to deal in futures or option contracts on behalf of a Client, the Principal Broker may share all commission and other remuneration with those persons in such manner as the Principal Broker thinks fit.
7. The Principal Broker will pay the Introducing Broker commission on all business transacted by the Principal Broker for each Client in accordance with this agreement,

at such rate or rates as may from time to time be agreed upon by the parties. Such commission shall be payable only out of commission actually received by the Principal Broker from the Client.

8. The Introducing Broker shall promptly inform the Client of any call for payment or lodgement of cover by way of initial margin or variation margin (by whatever terms those obligations are described) which the Principal Broker may make. If the Introducing Broker cannot readily be contacted the Principal Broker shall make all reasonable efforts to inform the Client direct of any such call.
9. The Introducing Broker shall inform the Client of any other amounts payable by the Client to the Principal Broker promptly after being advised of such amounts by the Principal Broker.
10. The Principal Broker shall send the Client monthly statements, open position statements and contract notes for all dealings in futures and option contracts by the Client with the Principal Broker.
11. The Principal Broker reserves the right to refuse to deal on behalf of any Client in relation to any dealing in futures or option contracts (other than closing out existing open positions), or to limit the number of open positions held on behalf of any Client, or both. The Principal Broker will inform the Introducing Broker of any refusal at or before the time at which the order is placed with the Principal Broker, or as soon thereafter as reasonably possible.
12. Either party may terminate this agreement at any time by giving the other seven days' notice in writing to that effect.
13. Unless otherwise agreed between the parties, upon termination of this agreement the Principal Broker will close out all contracts entered into on behalf of Clients and will close out, abandon or exercise any option not yet exercised, at the Principal Broker's discretion.
14. Termination shall not release either party from liability for any antecedent breach of any of the terms of this agreement.

EXECUTION

SIGNED by the Principal Broker:)

SIGNED by the Introducing)
 Broker:)

SCHEDULE OF MINOR BREACHES

PART A

MINOR BREACHES DESIGNATED PURSUANT TO CLAUSE 43.1

Number of	Nature of Breach
By-Law	

PART B

SCHEDULE OF FINES IN RESPECT OF MINOR BREACHES

First minor breach by Member)	\$	for first contract.
within a 24 month period)	\$	for each additional contract.

Second minor breach by Member) \$ for first contract.
 within a 24 month period) \$ for each additional
 contract.
 Third and subsequent minor) \$ for first contract.
 breach by Member within a) \$ for each additional
 24 month period) contract.
 Maximum fine per breach)
 regardless of number of) \$
 contracts involved)

- NOTES:
- (i) Minor breaches in respect of which a reprimand is given but no fine is imposed shall not be taken into account in determining the frequency of minor breaches within a 24 month period.
 - (ii) Any act or default of a Member in any delivery month, which is determined to be a minor breach falling within the provisions of Part A of this Schedule, shall for the purposes of this Part B constitute a single minor breach regardless of the number of contracts involved. Any repetition of the same act or default and any similar act or default by the Member in a subsequent delivery month shall constitute a separate minor breach.

UNDERTAKING BY NOMINATING MEMBER

Pursuant to Article 4.6(b)

TO: NEW ZEALAND FUTURES AND OPTIONS EXCHANGE LIMITED
 ('the Exchange')

WE being a Trading Member
 (name of Trading Member)

of the Exchange HEREBY UNDERTAKE to the Exchange and to each other Trading Member of the Exchange that until such time as we shall be released from this Undertaking pursuant to clause 4.7(b) of the Articles of Association of the Exchange we shall cause all futures contracts and option contracts traded on the Exchange by

(name of Local Member)

to be registered with the Clearing House in our name. Terms defined in the Articles of Association have the same meaning in this Undertaking.

DATED this day of 19 .

(Signature)

MARIE SHROFF, Clerk of the Executive Council.

