



NZX Limited Conflicts Committee (“CC”)

December 2016



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Constitution

These Terms of Reference for the Conflicts Committee (“**CC**”) were approved by the NZX Limited Board in December 2016. The CC is a committee of the Board.

Review and Approval

These Terms of Reference shall be reviewed at the instigation of the CC or the Board. Any changes to these Terms of Reference require the approval of the Board.

Written approval is required from the Financial Markets Authority (“**FMA**”) and the Reserve Bank of New Zealand (“**RBNZ**”) prior to any changes to these Terms of Reference.

Purpose

The role of the CC is to review and consider the effectiveness of NZX’s policies and procedures for ensuring that any conflicts of interest within the NZX group are appropriately managed, including as between NZX’s regulatory responsibilities and its commercial interests.

Responsibilities

The CC is responsible for recommendations to the Board regarding policies and procedures in relation to conflicts management, including recommendations to address any perceived or actual conflict of interest between NZX’s regulatory responsibilities and its commercial interests.

The CC shall take into consideration that NZX directors are required by law to act in the best interests of NZX when making decisions. In doing so, the NZX directors take into account the need for NZX to obey local and international laws and regulations as appropriate to its businesses.

NZX holds a licence to operate a financial product market and is the operator of a designated settlement system. The Financial Markets Conduct Act 2013 requires NZX to operate its financial products market in a fair, orderly and transparent manner. The Reserve Bank of New Zealand (Designated Settlement System – NZCDC) Order 2010 requires NZX to operate the settlement system in accordance with the Principles for Financial Market Infrastructures, which include a requirement to consider the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders. The CC shall take these legal and regulatory requirements into consideration when making decisions and advising the board on matters which impact these areas of NZX.

- The CC will annually review the adequacy of the arrangements within the NZX group for dealing with any potential or actual conflict between:
 - the interests arising from the regulation and supervision of:
 - listed entities; and
 - market participants or clearing participants accredited in respect of any NZX market; and
 - the commercial interests of NZX and its accountability to its shareholders, including any conflict of interest or potential conflict of interest from the listing

and quotation of securities or derivatives issued by NZX (or a subsidiary, including in particular Smartshares Limited which has 23 funds listed on the NZX Main Board) on any market operated by NZX.

- The CC will also annually review the adequacy of the conflicts management arrangements in place within the NZX group for dealing with any potential or actual conflict arising between NZX's role as market operator, and as operator of the designated settlement system, including the possibility of regulatory or resourcing conflicts between NZX and NZX Clearing (being New Zealand Clearing and Depository Limited and its wholly owned subsidiaries, New Zealand Clearing Limited and New Zealand Depository Limited).
- Where it determines that a conflict of interest or potential conflict of interest does or may arise as a result of the listing of NZX shares or NZX issued products on any NZX market, the CC shall:
 - notify the Special Division of the NZ Markets Disciplinary Tribunal of all relevant facts, including any proposals for resolving the matter in a manner which ensures the proper performance of any relevant regulatory functions; and
 - provide such information as may be requested by the Special Division for the purposes of determining whether NZX's regulatory functions can be discharged without Special Division's involvement.
- The CC will review proposed changes to NZX's policies and procedures for dealing with conflicts and make recommendations to the Board as appropriate.
- The CC will annually review NZX Limited's directors', NZX group subsidiary's directors', and NZX Limited's Board Committee members' compliance with NZX's policies and procedures for managing conflicts.
- The CC will oversee the annual review of NZX's compliance with its Conflict Management Policy.
- The CC will annually review the adequacy of the plans, budget and resources of NZX in relation to its regulatory function and designated settlement system function and report to the Board if it is of the view that insufficient funding or other resources are being devoted by NZX.
- The CC will annually review identification of associated entities (for the purposes of the Associated Entity Protocol of the Conflict Management Policy) and Related Entities (for the purposes of the NZ Markets Disciplinary Tribunal Rules), in consultation with Special Division, for determination by the Board.
- The CC has no mandate to initiate engagement with external stakeholders.

Composition

The CC shall be appointed by the Board and shall comprise at least one external independent person ("Non-Director Member") and no less than two non-executive directors, who are deemed by the Board to be sufficiently independent of conflicts in relation to NZX group activities. If there are insufficient Board members who meet the requisite criteria to comprise a three member committee, the Board will seek to appoint sufficient further Non-Director Members with relevant skills and expertise to the CC.

The Board shall appoint the CC Chair and that person shall not be the Chair of the Board.

Reporting

Copies of the minutes of meetings of the CC shall be circulated to the Board. These will be redacted as necessary to ensure maintenance of confidential information, recognising that Board members may have a personal interest or potential conflicts in relation to a particular matter considered by the CC.

The CC discharges its responsibilities inter alia by reporting to the Board.

The CC shall provide a report (which may be oral) to the Board on its proceedings since the previous such report at each scheduled regular Board meeting.

The CC shall ensure that matters that are properly the province of the full Board are dealt with by the full Board.

Meetings and Proceedings

Except as set out in these Terms of Reference, the CC will establish its own procedures.

Reasonable notice of meeting and the business to be conducted shall be given to the members of the CC.

The CC shall meet a minimum of twice annually, and will otherwise meet as the CC Chair considers necessary in order to fulfil its duties. The CC Chair is required to call a meeting if requested to do so by any CC member or any Board Director.

A quorum of the CC is two members.

The CC may invite any person (including the Head of Market Supervision) to attend part or all of any meeting in order to assist the CC with its work but the CC may request they withdraw from any part of a meeting.

Secretarial

The Head of Compliance will act as Secretary to the CC. The Secretary shall ensure that the agenda and supporting documentation are circulated to CC members prior to each meeting.

The Secretary shall be responsible for keeping the minutes of meetings of the CC and circulating them to members and attendees of the meeting, and ensure they are made available to other Board Directors.

