



# NZX Conflict Management Policy

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## I. Introduction

NZX is a licensed market operator under the Financial Markets Conduct Act 2013. As a licensed market operator, NZX is required to the extent it is reasonably practicable:

- to do all things necessary to ensure that each of its licensed financial product markets is a fair, orderly, and transparent market; and
- to have adequate arrangements for operating its markets, including arrangements for handling conflicts between the commercial interests of its licensed markets and the need to ensure that the markets operate in a fair, transparent and orderly manner<sup>1</sup>.

NZX's wholly owned subsidiary New Zealand Clearing and Depository Corporation Limited ("**NZCDC**") is a specified operator, of a designated settlement system under the Reserve Bank of New Zealand (Designated Settlement System – NZCDC) Order 2010 ("**Designation Order**").

There is a strong alignment between these commercial and regulatory objectives of NZX. It is fundamental to NZX's commercial success that it operates and is seen to operate markets with a strong reputation for market integrity. Market confidence is a factor which contributes to the depth and liquidity of markets and an efficient cost of capital for firms. Consistent with promoting these objectives NZX must provide reliable and high quality infrastructure and provide and encourage a high quality regulatory regime.

For this reason, it is important for NZX to effectively and demonstrably manage any conflicts arising between its commercial interests and its role as market operator and regulator, and conflicts arising between its role as market operator, and as operator of the designated settlement system.

The purpose of this policy is to identify possible conflicts and to describe the processes in place at a management and Board level to manage these.

### Review and Approval

This policy shall be reviewed on an annual basis, to ensure that it remains fit for purpose.

This policy shall be reviewed at the instigation of the Conflicts Committee, NZX Management or the NZX Limited Board. The Conflicts Committee shall review any changes to this policy, and will make a recommendation to the Board regarding its approval of any changes to this policy.

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<sup>1</sup> s314(a) & (b)(ii) Financial Markets Conduct Act 2013.



## II. Objectives of Policy

This policy identifies the types of potential conflict that may arise and provides a clear articulation of the range of conflict management mechanisms operated by NZX. Publication of this document is intended to lead to a greater understanding of conflict management by:

- Shareholders/investors/public;
- Financial Markets Authority and other relevant regulators;
- Participants and Listed Entities; and
- NZX Board and Staff.

The Head of Communications will respond to media enquiries relating to NZX's conflicts management arrangements in a consistent, open and transparent manner. All responses to such enquiries will refer to this Policy and note that this Policy is publicly available.

Relevant procedures and protocols are attached.



## III. Types of Potential Conflict

### 1. Self-Listing

NZX has a potential conflict of interest by virtue of being listed on a market which it operates and regulates.

### 2. Regulating Related Listed Entities/Participants

Conflicts of interest may arise where NZX regulates entities to or with which it is related/ commercially associated or in respect of which it has a competitive relationship. For example, there may be a concern that NZX might:

- impose stricter requirements on competitive entities;
- misuse information acquired for regulatory purposes; and
- apply more favourable regulatory decisions to a related entity. For example: Smartshares Limited (**Smartshares**) is a wholly owned subsidiary of NZX and is a listed issuer with 23 exchange traded funds quoted on the NZX Main Board. A potential conflict of interest could arise if NZX were to regulate Smartshares.

### 3. Other Commercial Conflicts of Interest

Conflicts of interest may arise in the following areas:

- Admission of new Issuers/Participants or granting of waivers:
  - Commercial interest in maximizing fees;
- Regulatory decisions in relation to Issuers/ Participants/ Trading activities – monitoring/enforcement including suspension/referral/discipline:
  - Commercial interest in preserving/enhancing customer relationships at the expense of regulatory outcomes/adversely impacting generation of fees;
  - Use of disciplinary penalties as revenue-raising activity;
- Amendments to rules/processes:
  - To favour/impede business of an entity;
  - To promote a new product/market without sufficient regard for regulatory issues.
- Approval of New Products:
  - Commercial interest in maximising revenue by approving a new Approved Product without sufficient regard to how the new Product could change the risk profile of the clearing house; and
- Capital Requirements
  - The need for the clearing business to maintain adequate capital may conflict with NZX's other commercial interests; and
  - Where a default situation arises, and the clearing house requires additional capital this may conflict with NZX's other commercial interests.



#### **4. Management Issues**

Conflicts of interest may arise where:

- Resource allocation is skewed away from market operations or regulatory functions in favour of revenue generating activity or reduced below the level required to operate in an orderly, fair and transparent market;
- Resource allocation is skewed away from the clearing business in favour of NZX's function as market operator, or is reduced below the level required to operate the settlement system.
- Commercial interference in regulatory processes/decision-making.

#### **5. Personal Conflicts of Interest of NZX Board Members and NZX Staff**

Conflicts of interest may arise at an individual level, from:

- Shareholdings;
- Accounts with Participants;
- Connections to Issuers/Participants.

#### **6. Other Conflicts of Interest**

Other material conflicts may arise, for example:

- Where NZX does business (e.g., acquires goods) from an entity which it regulates.



## IV. Overview of Principles and Mechanisms for Management of Conflict

### 1. Principles for Conflict Management

NZX has put in place a number of arrangements for dealing with the potential conflicts identified above and the perception of potential conflicts, and for ensuring that any other potential conflicts that may emerge are identified and managed in a timely way. These are discussed below. These arrangements and any further arrangements that may be necessary are based upon the following principles:

- it is fundamental to NZX that the markets operate and are seen to operate in a fair, orderly and transparent way and that there is no credible suggestion of unmanaged conflict;
- a credible perception of conflict may be as damaging as an actual conflict and must be managed accordingly;
- commercial areas of the business and commercial interests (which would include the interests of Smartshares) will not be allowed to influence regulatory decision-making or NZCDC's ability to comply with its obligations as a designated settlement system operator;
- regulatory activity and information is quarantined from commercial activity; and
- regulatory activity and decision-making must be consistent and transparent and free from undue influence.

### 2. Responsibility and Review

Responsibility for identifying and addressing conflicts of interest that arise between NZX's commercial interests, and its regulatory function lie with the Head of Market Supervision and his or her team with endorsement by the Board (see below).

### 3. Governance Arrangements

The Board has overall responsibility for the business at a commercial and regulatory level.

Having regard to the potential for perception of conflict, the Board will operate subject to a **Regulatory Charter**, (see Attachment 1) that defines the regulatory oversight role that it will undertake and any restrictions/safeguards that may apply to its activity. This includes restrictions relating to the CEO and the Directors.

The Board has established a Conflicts Committee whose role is to satisfy the Board that processes are in place and are effective to ensure that any conflict of interest between NZX's regulatory responsibilities and commercial interests is addressed and that these processes are being adhered to.

The Board has established a Regulatory Governance Committee responsible for providing an interface between the Board and the Head of Market Supervision to facilitate the Board's monitoring of NZX's regulatory function.

The Board has delegated responsibility for the regulatory function to the Head of Market Supervision and provides a mechanism to ensure the independence of the Head of Market



Supervision and that no undue commercial pressures or other form of undue influence are brought to bear on the Head of Market Supervision or the Regulation team.

The Board has delegated formulation of regulatory policy jointly to the CEO and Head of Policy and Legal.

The **Board's Regulatory Charter** (see Attachment 1) addresses the following:

- direct access by Head of Market Supervision to the Board in relation to significant regulatory issues and regulatory resource allocation;
- board role in appointment, remuneration and review of Head of Market Supervision;
- regular regulatory briefings to the Board without the presence of the CEO; and
- mechanism for escalation to the Board of issues arising between commercial and regulatory aspects of NZX.

#### 4. Management/Operational structure

The following structural framework is used to manage conflicts of interest, by ensuring (insofar as practicable) the quarantining of regulatory decision-making and information from the commercial part of the business:

- all core regulatory functions are undertaken by a separate regulatory division (NZX Market Supervision<sup>2</sup>).
- core operational functions critical for regulatory outcomes are undertaken by a separate operational division (NZX Market Services).
- staff in NZX Capital Markets business (Market Supervision, Regulatory Policy, Markets, Market Services and Operations) are subject to a **Personal Conflicts Policy** (see Attachment 3).
- delegation of NZX's regulatory decision making powers is made to the Head of Market Supervision;
- there are regular briefings by the Head of Market Supervision directly to the Board in relation to regulatory issues;
- the **Regulatory Code of Conduct** governs the interaction and information-flow between regulatory and non-regulatory staff (see below and Attachment 2); and
- the **Board Regulatory Charter** governs the escalation of issues between regulatory and non-regulatory staff to the Board (see above and Attachment 1).

#### 5. Regulatory Protocols

##### 5.1 Regulatory Code of Conduct

Regulatory employees are responsible for all regulatory decision-making. NZX Regulation employees operate separately from the operational and commercial side of the business and their decision-making and information is quarantined in accordance with the restrictions set

<sup>2</sup> NZX Market Supervision comprises regulatory staff (i.e., those responsible for taking regulatory decisions in relation to participants and listed entity activity)



in the **Regulatory Code of Conduct** (see Attachment 2). NZX Market Services and Operations assists regulatory employees to monitor and investigate behaviour and activities in relation to the markets, and in implementing decisions made by regulatory employees. NZX Market Services and Operations are required to comply with the **Regulatory Code of Conduct**.

This Regulatory Code of Conduct is applicable to all NZX staff and addresses the following fundamental principles:

- regulatory employees must not be unduly influenced by persons outside NZX Regulation;
- regulation must not be relaxed in order to achieve any commercial objectives, such as cost reduction or revenue increase;
- regulatory decisions must be consistent and fair and in accordance with applicable rules and processes;
- confidential regulatory information is not conveyed to non-regulatory areas; and
- regulatory decisions must not be influenced by any commercial relationship with a participant/listed entity.

The Regulatory Code of Conduct specifically defines the role of the CEO in regulatory matters.

## **5.2. Personal Conflicts Policy**

Employees in NZX's Capital Markets business (Market Supervision, Regulatory Policy, Markets, Market Services and Operations) are also subject to the **Personal Conflicts Policy** (see Attachment 3). This policy addresses the following fundamental principles:

- there is a duty on employees to identify and declare conflicts that may arise in their personal capacity, including potential conflicts (being relationships or interests that are reasonably probable to give rise to an actual conflict in future);
- these conflicts might arise in a number of ways; most likely due to:
  - a shareholding in a particular issuer;
  - the use of a particular market participant for share trading;
  - the personal connections with key individuals employed by or directors of issuers or participants.
- where a regulatory employee has a conflict of interest in his or her personal capacity that employee must not be involved in any relevant regulatory activity.

## **5.3. Share Trading Policy**

All employees are subject to the NZX Share Trading Policy. This policy requires all employees to obtain NZX approval prior to trading in any securities or derivatives products listed on any of NZX's markets. NZX directors are subject to this policy to the extent they wish to trade in NZX's own securities.

## **5.4. Board Regulatory Charter**

The **Board Regulatory Charter** (Attachment 1) is discussed above.



## 6. Mechanisms for handling Direct Conflict

### 6.1. NZX as Listed Entity

- 6.1.1. Regulation of NZX is currently undertaken by the Special Division of NZ Markets Disciplinary Tribunal. The Special Division is a body established under the NZ Markets Disciplinary Tribunal Rules and is comprised of capital markets professionals operating independently of the management of NZX, whose appointment is confirmed by the New Zealand Financial Markets Authority (“FMA”).
- 6.1.2. One of the functions of the Special Division is to assume decision-making responsibility for all regulatory decisions relating to NZX as a listed entity. Smartshares, a wholly owned subsidiary of NZX and manager of Smartshares Funds is also subject to regulation by the Special Division. The powers of the Special Division in this regard are contained in the NZ Markets Disciplinary Tribunal Rules<sup>3</sup>.
- 6.1.3. The provisions of the NZ Markets Disciplinary Tribunal Conflicts Policy are applicable to the members of the Special Division.

### 7. Listed Entities – Competitive/Associated Services

- 7.1 A potential for conflict arises where a listed entity operates in competition with NZX or a company with which NZX is associated in respect of its business activity or where NZX has a material commercial association with a listed entity.
- 7.2 NZX has put in place a specific protocol to deal with regulation of such entities and to ensure a greater degree of assurance that there can be no actual or credible perception of conflict of interest. The **Associated Entity Protocol** is attached at Attachment 4.
- 7.3 In addition the Special Division of the NZ Markets Disciplinary Tribunal (“**Tribunal**”) regulates Smartshares as a Related Entity of NZX (as that term is defined in the Tribunal Rules). Therefore NZX does not exercise any regulatory decision making function in relation to Smartshares.

### 8. Brokers – Competitive/Associated Services

- 8.1 A potential for conflict arises where a participant operates in competition with NZX or a company with which NZX is associated, or where NZX has a commercial association with a participant beyond the normal participant accreditation and associated contractual relationship.
- 8.2 NZX has put in place a specific protocol to deal with regulation of such participants and to ensure a greater degree of assurance that there can be no credible perception of conflict of interest. The **Associated Entity Protocol** is at Attachment 4.

### 9. Fonterra Co-Operative Group Limited

- 9.1 NZX has a significant commercial relationship with Fonterra in respect of the arrangements for the operation of the FSM, and the arrangements for the settlement of Dairy Futures to Global DairyTrade.

<sup>3</sup> Available on NZX website.



9.2 NZX has put in place a specific protocol to deal with regulation of Fonterra and to ensure that there can be no credible perception of conflict of interest. The ***Fonterra Co-Operative Group Limited Protocol*** is at Attachment 5.

## **10. NZ Markets Disciplinary Tribunal**

10.1 The Tribunal is established under the NZ Markets Disciplinary Tribunal Rules and comprises members of the legal and financial services profession operating independently of the management of NZX.

10.2 The Tribunal hears and determines disciplinary matters relating to listed entities and participants. The Special Division has the role of NZX in bringing cases to The Tribunal in relation to matters concerning NZX and Related Entities<sup>4</sup>. The powers of the Special Division in this regard are contained in the NZ Markets Disciplinary Tribunal Rules.

10.3 The Tribunal operates in an independent and impartial manner. To ensure this, the following measures are in place:

- Members of the Tribunal are subject to the NZ Markets Disciplinary Tribunal Conflicts Policy;
- They undertake their function in accordance with the requirements set out in the NZ Markets Disciplinary Tribunal Rules;
- Decisions of the Tribunal are made public (subject to request for confidentiality) and reasons are given;
- There is an appeal process to a new division of the Tribunal;
- Sanctions that may be imposed are detailed in the NZ Markets Disciplinary Tribunal Rules and Penalties Band Guidance Note; and
- All decisions are subject to the scrutiny of the FMA in its annual review of NZX.

## **11. Decision-making – transparent, consistent, documented**

11.1 Transparency and consistency in decision-making are major factors in ensuring that NZX effectively manages its conflicts of interest.

11.2 All regulatory decisions made by NZX employees are made in accordance with the operating rules and procedures. NZX provides interpretive guidance in relation to these operating rules and procedures from time to time in the form of guidance notes. These are made available to all Participants and Listed Entities and on the NZX website.

11.3 NZX has also developed a set of internal procedures which set out the approach that regulatory employees must adopt in ensuring consistent compliance with the rules.

11.4 The following decisions, together with reasons for them are made available on the NZX website:

<sup>4</sup> Related Entities are Issuers or entities seeking listing on NZX with a connection or relationship with NZX creating a reasonable apprehension of bias. This is more limited than the entities covered by the Associated Entity Protocol.



- Waivers and rulings; (subject to requests for confidentiality); and  
Decisions of The Tribunal (subject to requests for confidentiality).

NZX also publishes the names of participants admitted to its markets.

## **12. Training/Monitoring/Reporting**

12.1 The NZX Board, independent members of NZX Board Committees, independent directors of NZX Group subsidiary companies and all NZX staff receive regular training (including induction on commencement of employment) in relation to the processes for managing conflicts including adherence to relevant protocols.

12.2 The Conflicts Committee of the Board oversees an annual review to monitor the effectiveness of conflict management procedures and to ensure that they are adhered to:

- ad-hoc review of decision-making and application of process; and
- as part of regulatory staff performance review.

The review includes an assessment of the existence of controls for managing conflict and testing of whether those controls had operated as designed when dealing with matters concerning identified conflicts.

12.3 NZX Group directors, employees and contractors must disclose any material breach of this Policy in accordance with NZX's Protected Disclosures Policy (which is available on the NZX wiki<sup>1</sup>). Such disclosures should normally be made to the NZX Head of Compliance, or the NZX Chief Financial Officer, in the first instance.

Any person who makes a disclosure under the Protected Disclosures Policy, will have the benefit of the protections outlined in that policy.

## **13. Role of the regulators**

### **13.1. Regulation as Market Operator**

NZX is subject to a regulatory framework which provides for the regulation of NZX as a licensed market operator. FMA conducts an annual review of NZX, including a review of the effectiveness of NZX's regulatory processes and conflict management arrangements. The report of this review is made public.

<sup>1</sup> The Protected Disclosures Policy and NZX's other group policies are available here: <https://wiki.nzx.com/display/NI/NZX+Policies>



# Attachment 1: Regulatory Charter of NZX Board

## 1. Responsibility

- 1.1 The Board has overall responsibility for the business of NZX in relation to commercial, market operational and regulatory activities.
- 1.2 The CEO has accountability for commercial and regulatory operations, but apart from approvals of new Listings and new product, has no delegations of the regulatory function.

## 2. Conflict Management – Principles applicable to Board

- 2.1 The Board has resolved to adopt the following principles in exercising its oversight role.
  - NZX's strategic direction and operating activities will not derogate from the organisation's commitment to the highest levels of integrity of the New Zealand capital markets operated by NZX;
  - No commercial personal interests will be permitted to unduly influence regulatory strategy or decision-making;
  - Regulatory activity will be performed in a consistent and transparent manner; and
  - Regulatory activity will be resourced to an appropriate level.

## 3. Regulatory Oversight

- 3.1 The Board also has a specific oversight and assurance role in relation to regulatory activity. The Board has made a delegation in respect of regulatory activity to the Head of Market Supervision. The CEO retains accountability for the operation of fair, orderly and transparent markets and the overall level of resourcing and process performance of the regulatory function.
- 3.2 In order to ensure that the Board is properly informed of regulatory activity, and that no undue influence may be brought to bear upon the regulatory activity undertaken by the Head of Market Supervision and the Regulation team, the following safeguards have been put in place by the Board:
  - A subcommittee of the Board has been established, **Regulatory Governance Committee**, responsible for providing an interface between the Board and the Head of Market Supervision to facilitate the Board's monitoring of NZX's regulatory function. The committee's prime focus is to monitor the quality of regulatory decision making and provide a forum for consultation by the Head of Market Supervision in relation to regulatory matters;
  - A regulatory paper will be put to the Board at each regular Board meeting by the Head of Market Supervision that addresses, amongst other things:
    - Key regulatory activity, including regulatory operating metrics;
    - Compliance with relevant legislative requirements;
    - Adequacy of resourcing;



- Any inappropriate behaviour of any commercial staff seeking to influence regulatory decision-making or strategy; and
- Any breach of conflict management protocols.
- At each regular Board meeting, the Head of Market Supervision will meet with the Board without the presence of the CEO;
- A quarterly form of regulatory operating metrics is prepared for market release;
- The Board has visibility of, approves and periodically reviews NZX's enforcement policy, covering in particular guidelines for referral of matters to the Tribunal;
- The Board will assume responsibility on recommendation from the CEO for the appointment, review and dismissal and the key contractual terms (including remuneration) of the Head of Market Supervision;
- The Head of Market Supervision must escalate a regulatory or potential conflict issue to the Board, where a matter of difference has arisen and cannot be resolved between the Head of Market Supervision and the CEO; and
- The Chief Financial Officer will present a report to the Conflicts Committee on an annual basis on the outcome of the annual review of this policy.

#### **4. Conflict at Board level – restrictions**

- 4.1 No Director, including (if the CEO is a Director) the CEO must take part in a regulatory decision in respect of which he or she may have a personal interest or other potential conflict, for example, a relationship with a Participant when matters relating to participants are being discussed, or a relevant shareholding in a Listed Entity when that entity is being discussed. In this respect Directors and the CEO are subject to the same restrictions as other NZX regulatory staff members in relation to commercial or regulatory personal conflicts (see **Regulatory Code of Conduct**). Any conflict must be identified and declared by the Director where a matter on which that Director is conflicted is discussed by the Board. The conflicted Director must excuse him or herself from discussions and decision making on matters on which the Director is conflicted.
- 4.2 Additionally, when discussing regulatory issues or making resolutions that have an impact on regulatory matters, the Directors will adhere to the principles set out above.
- 4.3 Where a Director considers that his or her objectivity may be at risk because of the dual regulatory and commercial role, or because of a personal interest, he or she must identify and declare the relevant issue(s) to the rest of the Board, The Company Secretary will ensure that such interests are recorded in NZX Limited's interests register. The Board will then collectively agree on the manner in which the conflict should be managed, and if appropriate the Director will recuse themselves from any decision.
- 4.4 The Board has delegated regulatory decision-making to the Head of Market Supervision and as a general principle the Board will not be involved in Regulatory decision-making, but will maintain an overview function.



## Attachment 2: NZX Regulatory Code of Conduct

### 1. **Applicability and Responsibility**

- 1.1 Regulatory powers exercised by NZX employees have potentially very significant consequences for Participants and Listed Entities (e.g., suspension of rights) and therefore all regulatory powers must be exercised in a legitimate, consistent and transparent way.
- 1.2 It is important that there is no credible perception of conflict between the commercial and regulatory activities of NZX and that there is no opportunity for undue influence of regulatory matters by commercial activity or otherwise. This Code of Conduct sets out how the separation of the commercial and the regulatory activities and objectives of NZX will be managed at a practical, day-to-day level and how employees' personal conflicts will be managed.
- 1.3 This Code of Conduct is applicable to all members of NZX staff including the CEO and Board directors except where otherwise indicated. This Code of Conduct also applies to independent members of the Regulatory Governance Committee except where otherwise indicated.
- 1.4 This Code has been developed by NZX Regulation and endorsed by the Board and is reviewed on a regular basis to ensure that it continues to operate effectively.

### 2. **Regulatory Activity – Restrictions**

- 2.1. Only regulatory staff may make regulatory decisions. A regulatory decision is a decision made to exercise a discretionary regulatory power under the Rules. A regulatory decision does not include all instances where NZX exercises a regulatory power under the Rules, for example the implementation of a Trading Halt in the Trading Platform or the cancellation of an Error Trade in the Platform within the parameters of the Rules or parameters approved by the Head of Market Supervision.
- 2.2. In making those decisions, regulatory staff must only take into account the facts and other relevant circumstances surrounding the activity in question and must not be influenced by any extraneous factors, including the commercial interests of the Participant or any commercial interests of NZX.
- 2.3. NZX staff involved in the implementation of regulatory decisions or the exercise of a power conferred on NZX under the Rules must act in accordance with the Rules and parameters approved by the Head of Market Supervision.
- 2.4. Board directors, Board committee members and employees in commercial areas including the CEO must not attempt to unduly or inappropriately influence the outcome or implementation of regulatory decisions or the exercise of regulatory powers and employees must report any such attempt to the Head of Market Supervision.
- 2.5. Regulation must not be relaxed in order to achieve any commercial objectives such as cost reduction or revenue increase.
- 2.6. Regulatory decisions must be consistent and fair and in accordance with operating rules.



### 3. Regulatory information

3.1 Regulatory information is information about Participants/Listed Entities obtained in the course of performing regulatory functions and information about regulatory decisions and includes:

- the identity of a Participant/Listed Entity the subject of a regulatory decision;
- the fact that a breach of the operating rules/procedures and/or the law is suspected/has occurred;
- the fact that an investigation is underway;
- the fact that a referral has been made to the FMA or to NZMDT;
- the fact that a complaint has been received about a Participant/Listed Entity;
- the sharing of information in relation to a Participant/Listed Entity with another licensed market operator; and
- information received from a Participant/Listed Entity that relates to a determination to be made/made by a regulation employee.

3.2 Regulatory staff must not disclose non-public regulatory information to staff in other areas of NZX, except in the following limited circumstances:

- Where the information is necessary to the proper functioning of the market;
- Where a regulatory decision has been made and it is relevant for the operational staff to understand the impact of the decision, e.g., suspension;
- Where disclosure is made for the purposes of assisting monitoring compliance with or enforcement of the Rules;
- In other circumstances where the Head of Market Supervision agrees in advance; and
- To the Board (including the Regulatory Governance Committee and the Conflicts Committee) or CEO where appropriate.

3.3 All employees including employees in Market Services and Operations who obtain non- public regulatory information or information from Participants and/or Listed Entities under the operating rules or in connection with their role at NZX must not use that information for any other purpose than that for which it was acquired and must not give that information to any other person for any other purpose than that for which it was acquired and must keep all non-public information in confidence in accordance with the terms of NZX's Confidentiality Acknowledgement.

### 4. Personal Conflicts

4.1 No employee must take part in a decision in respect of which he may have a personal interest or other potential conflict, for example, a relationship with a Participant, or a relevant shareholding in a Listed Entity. All Regulatory employees must comply with the **Personal Conflicts Policy** (see Attachment 3).

4.2 An employee must notify the Head of Market Supervision (or in the case of the Head of Market Supervision, the CEO) of any such circumstances.



4.3 Each employee must notify the Head of Market Supervision of any other relationship that may be seen to effect his/her ability to make an impartial regulatory decision.

4.4 Each employee must also adhere to the NZX Share Trading Policy.

## 5. CEO

5.1 The CEO is bound by the Regulatory Code of Conduct insofar as this is applicable. The CEO has no delegation in respect of regulatory matters, but is responsible and accountable for the operation of fair, orderly and transparent markets, including the overall level of resourcing and process performance of the regulatory function. It is important that he does not inappropriately influence or direct the outcome of a regulatory matter.

5.2 The Board Regulatory Charter requires the Head of Market Supervision to escalate a matter to the Board in circumstances where there is a disagreement with the CEO in relation to a regulatory or conflict matter.

## 6. Breach of Regulatory Code of Conduct

6.1 Any employee becoming aware of the breach or potential breach of this Code, the **Personal Conflicts Policy** or of the **Share Trading Policy** is required to advise the Head of Market Supervision and the CEO immediately.

6.2 In the case of potential breach by the Head of Market Supervision, notification is to be to the CEO and Chair of the Conflicts Committee and Board Chair.



## Confidentiality Acknowledgement

I, \_\_\_\_\_, acknowledge and agree that:

In order to enable me to fulfil my job responsibilities, I will be given access to certain confidential information and trade secrets of NZX Limited including, but not limited to: strategic information, board reports, the business of NZX Limited, client information (including information of issuers, entities and securities listed by NZX Limited or information concerning NZX Firms or NZX Advisors), supplier information, marketing methods, potential prospect information, pricing information, financial information and other confidential data ("**Confidential Business Information**").

1. I specifically agree that all Confidential Business Information is the property of NZX Limited and that I must not either during my employment (other than in the performance of my employment duties) or thereafter, without the prior written consent of the Chief Executive Officer (or Head of Market Supervision as appropriate), disclose to any person (and during my employment will use my best endeavours to prevent the disclosure to any person) such Confidential Business Information.
2. I will neither inspect nor seek to inspect NZX Limited's client files, or files in which Confidential Business Information is stored, data in word processing systems, and documents or any other information relating to the firm or any present or prospective business plans or clients, in which I have no legitimate interest.
3. The importance to NZX Limited in maintaining the confidentiality of its own affairs, and its client's affairs, and its information resources is such that a breach of this acknowledgement by me will be regarded seriously by NZX Limited and in appropriate circumstances justify that NZX Limited summarily dismiss me.
4. All files, records and other documents used or prepared by me during my employment are the property of the firm and must on termination of my employment relationship be returned to NZX Limited, together with all copies.

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Date



# Attachment 3: Personal Conflicts Policy

## 1. Introduction

NZX has a number of mechanisms in place to address conflicts of interest. These include the following:

- Separate regulation of NZX as a listed entity by the Special Division.
- The Regulatory Code of Conduct.
- Share Trading Policy.
- Associated Entity Protocol.
- NZX's Capital Markets business staff conflicts policy (the subject of this note).

This personal conflicts policy applies in the context of NZX Regulation and NZX's Capital Markets business work, to employees in the following divisions of NZX:

**NZX Market Supervision:** including the Participant Compliance team, the Issuer Regulation team and the Enforcement team, all of whom report to the Head of Market Supervision;

**Regulatory Policy:** including the Head of Policy and Legal, and the Policy Adviser;

**Markets:** including the Derivatives team, the Equity and Debt Markets team, and the Data Sale team all of whom report to the Head of Markets;

**Markets Services and Operations:** including the Markets Surveillance team, the Client Data Services team and the Clearing team, all of whom report to the Head of Market Operations.

## 2. Duty to Declare Conflicts

When appointed as either the lead solicitor or lead participant compliance team member for the purposes of considering an application (whether an application for designation as a market participant, listing or waiver or ruling under any of NZX's rules) or in the course of formation of a division for the purpose of considering an application, staff must identify and declare any conflict or possible conflict to either their manager or the Head of Market Supervision. The decision on whether that conflict should disqualify the individual from joining the division will be made by the relevant manager or the Head of Market Supervision.

## 3. Types of Conflict

The main form of conflict to be aware of is the holding of securities of a Listed Issuer or holding an account with a participant. Any holdings in securities Listed on any of NZX's markets must be disclosed, as must accounts with market participants.

There are a number of other types of conflict which may arise. These may include relationships with key individuals in Issuers or participants – for example, where there is a personal relationship or interest that could be perceived to influence an individual's view in respect of the subject of an application.

## 4. Conflicts Register

NZX's Capital Markets business staff must declare any holdings of securities and accounts held with market participants and conflicts in the conflicts register. Each member of staff should update the register when a new conflict arises. From time to time NZX will seek



written declarations from NZX's Capital Markets business staff that the conflicts register is full and correct.



## DECLARATION OF HOLDINGS AND INTERESTS:

Full Name

Staff position

Date

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## CONFLICTS AND INTERESTS:

Listed Issuers and Participants in which I have a Financial Interest	
Participants with which I hold accounts or from which I have received services	
Listed Issuers or Participants with which I am otherwise interested, related or have a conflict that would or may be perceived to preclude me from acting impartially and nature of conflict (e.g. friend or relative employed by issuer or participant)	

\_\_\_\_\_  
Signed



## Attachment 4: Associated Entity Protocol

### 1. Applicability

- 1.1 This protocol supplements the obligations set out in the Regulatory Code and is applicable to all regulatory activity, decision-making and information relevant to an entity associated with NZX (except those already covered by the Special Division as Related Entities).
- 1.2 An associated entity for these purposes is generally either a listed entity or Participant, which has a connection or relationship with NZX such that in the circumstances there would be a reasonable apprehension or suspicion of bias by NZX in relation to that Participant or person.
- 1.3 Annually the Conflicts Committee, in consultation with Special Division, will assess which Issuers and Participants are subject to this Associated Entity Protocol. An assessment as to the applicability of this protocol will also be made at the time of listing of a new issuer or accreditation of a new Participant.

### 2. Safeguards

- 2.1 In these circumstances, it is imperative that not only is the regulatory process impartial but that it be clearly seen as such. The following additional safeguards apply to the regulation of such entities:
  - All associated entities falling within this protocol will be notified that additional safeguards will be adopted when dealing with them and they will be supplied with a copy of this protocol;
  - All regulatory decisions (except those which are time-critical – considered below) must be notified in advance to the Head of Market Supervision;
  - The Head of Market Supervision will review the proposed decision, verify that the correct process has been adopted in reaching the proposed regulatory decision and will authorise each such decision;
  - A detailed record will be made of the circumstances of the regulatory activity/decision and the way in which the regulatory process was adopted; and
  - This record will be made available to the FMA during the course of its annual review of NZX.

### 3. Where proposed decision not authorized

- 3.1 Where the Head of Market Supervision does not agree with the process or outcome of the decision and does not authorise the decision, the following will occur:
  - The Head of Market Supervision will explain the difference in position to the staff member proposing the decision;
  - The difference in position will be noted in the detailed record;
  - The decision of the Head of Market Supervision will prevail, unless the relevant staff member seeks to escalate the matter;



- The relevant staff member may escalate the matter to the CEO or to the NZX Board Chair, if he/she believes that an inappropriate regulatory decision is being made for reasons not connected with the regulatory process;
- There will be no redress against the relevant staff member for any such escalation; and
- Details of the process will be recorded as above.

#### **4. Time Critical decisions**

- 4.1 Certain regulatory decisions are time critical and must be taken immediately. For example, suspension of a company for non-disclosure or the application of a trading halt where the integrity of the market dictates this.
- 4.2 In these circumstances, where it would not be in the best interests of market integrity to take the time for the Head of Market Supervision to review the proposed decision, the regulatory decision may be taken immediately. The following will apply:
- As soon as practicable following the decision, the decision and the circumstances of this will be notified to the Head of Market Supervision, who will conduct the same review and verification of process as above;
  - Where the Head of Market Supervision does not support the decision taken, the process is as above; and
  - Where the decision of the Head of Market Supervision prevails, the Head of Market Supervision may authorize any appropriate action to put the entity back into the position it would have been in had the regulatory action not been taken.
- 4.3 The same detailed records will be maintained as in paragraphs 2 and 3 above.



# Attachment 5: Fonterra Co-Operative Group Limited Protocol

## 1. Applicability

- 1.1 This protocol supplements the obligations set out in the Regulatory Code and is applicable to all regulatory activity, decision-making and information relevant to Fonterra Co-operative Group Limited in respect of the Fonterra Shareholders' Market, the Fonterra Shareholders' Fund, and the trading of Dairy Futures Contracts on the Derivatives Market.
- 1.2 NZX has a material commercial relationship with Fonterra in respect of the arrangements for the operation of the FSM, and the arrangements for the settlement of Dairy Futures to Global DairyTrade.

## 2. Safeguards

- 2.1 In these circumstances, it is imperative that not only is the regulatory process impartial but that it be clearly seen as such. The following additional safeguards apply to the regulation of Fonterra and the FSF, and in respect of Dairy Derivatives:
  - All regulatory decisions (except those which are time-critical – considered below) must be notified in advance to the Head of Market Supervision;
  - The Head of Market Supervision will review the proposed decision, verify that the correct process has been adopted in reaching the proposed regulatory decision and will authorise each such decision;
  - A record will be made of the circumstances of the regulatory activity/decision and the way in which the regulatory process was adopted; and
  - This record will be made available to the FMA during the course of its annual review of NZX.
- 2.2 For the purposes of this protocol, a regulatory decision includes:
  - A ruling or waiver or document approval under the FSM Rules, or in respect of the FSF under the Main Board Listing Rules;
  - A ruling or waiver from the NZX Participant Rules insofar as they apply to the FSM;
  - Any decision to investigate any suspected breach of the FSM Rules by Fonterra or the Main Board Listing Rules by the FSF;
  - Any decision to investigate any suspected breach of the NZX Participant Rules insofar as they relate specifically to the FSM;
  - Any operational change impacting on the performance of the regulatory function in respect of the FSM, the FSF or Dairy Futures;
  - Any proposed amendment of applicable Rules;

Where NZX consults with Fonterra under NZX participant Rule 22.13.2(b);



- Any decision to consider whether to recommend suspension or termination of the RMA to the NZ Markets Disciplinary Tribunal under NZX Participant Rule 22.13.3; and
- Where NZX has had to determine whether or not to make a Ruling in respect of a conflict in relation to waivers granted to the RVP under NZX Participant Rule 22.5.1.

### **3. Where proposed decision not authorised**

3.1 Where the Head of Market Supervision does not agree with the process or outcome of the decision and does not authorise the decision, the following will occur:

- The Head of Market Supervision will explain the difference in position to the staff member proposing the decision;
- The difference in position will be noted in the detailed record;
- The decision of the Head of Market Supervision will prevail, unless the relevant staff member seeks to escalate the matter, in which case the matter shall be escalated to the NZX CEO or the NZX Board Chair;
- There will be no redress against the relevant staff member for any such escalation;
- A record of the discussion and actions taken will be kept.

### **4. Time Critical decisions**

4.1 Certain regulatory decisions are time critical and must be taken immediately. For example, suspension of trading for non-disclosure or the application of a trading halt where the integrity of the market dictates.

4.2 In these circumstances, where it would not be in the best interests of market integrity to take the time for the Head of Market Supervision to review the proposed decision, the regulatory decision may be taken immediately. The following will apply:

- As soon as practicable following the decision, the decision and the circumstances of this will be notified to the Head of Market Supervision, who will conduct the same review and verification of process as above;
- Where the Head of Market Supervision does not support the decision taken, the process is as above;
- Where the decision of the Head of Market Supervision prevails, the Head of Market Supervision may authorize any appropriate action to put the entity back into the position it would have been in had the regulatory action not been taken; and
- A record of the discussion and actions taken will be kept.

