



August 2004

Dear Client of an existing NZX Firm

IMPORTANT NOTICE REGARDING YOUR RELATIONSHIP WITH NZX FIRMS

On 3 May 2004 NZX introduced some new rules into the market (the NZX Participant Rules), which govern our relationship with Market Participants. Some of the requirements under these new rules (which came into effect on 3 May 2004), impact on people who operate a trading account with an NZX Firm.

In this letter, we would like to set out what these key changes are, and what you may be required to provide to your NZX Firm (sharebroker) as a result. We will also outline what we see as the benefits for you as a valued investor in New Zealand securities market, by complying with this new environment.

1. Compulsory requirement for Common Shareholder Numbers (CSN)

It is now a compulsory requirement under the NZX Participant Rules for all clients who are placing an order to trade securities with an NZX Firm, to provide to that NZX Firm their CSN. CSNs are issued by NZX to every investor and advised to the FASTER registry of the securities you are buying. Your CSN number is effectively your account number with NZX and will track all your holdings in NZX listed securities.

From November 2004, your NZX Firm will not be able to process your order without this CSN number, so it is important that you provide this to them.

NZX is working closely with all NZX Firms and with FASTER Registries to ensure that all shareholders have CSNs, and to assist NZX Firms in obtaining CSNs for their clients.

This rule has been introduced to make the processing of orders more efficient, for both NZX Firms and you as an investor. By using your CSN you will be able to keep at track of all your trading activity across multiple securities and FASTER Registries.

2. Authority to hold a FASTER Identification Number (FIN)

In addition to your CSN number, you should have been issued with a FIN. This is very similar in nature to the PIN number you have with your bank account or EFTPOS card. This FIN number must also be provided by you to your NZX Firm when placing an order to sell securities.

It is now a requirement for you to advise your NZX Firm in writing, if you are happy for them to hold your FIN on record, on an ongoing basis e.g. post execution of your order. Any NZX Firm who holds your FIN number on record is required to encrypt your FIN in their system, so there is no unauthorised access to your personal information.

Effectively, you need to decide if you want your NZX Firm to hold overall access to your trading account on your behalf, by giving them access to your FIN. If you do not advise your NZX Firm in writing (or as part of your client agreement), they must delete your FIN from their system at the completion of your trade, and must request your FIN from you when you wish to trade again.



This protects you as an investor from your private information being disclosed without your consent, and ultimately protects your assets from unauthorized access and potential fraud.

3. Need for new client agreements

It is a further requirement under the new rules for all NZX Firms to enter into a client agreement with all new clients (prior to placing an order to market) and with all individuals who have been a client of an NZX Firm since 1 January 1999. Your NZX Firm will furnish you with details of this agreement for completion. If you already have a client agreement in place with your NZX Firm, you will receive an update of the terms and conditions of this existing agreement, as a result of the new rules.

This agreement will benefit all investors in New Zealand, as it will clearly set out your obligations and rights as an investor, and what you can expect from your NZX Firm.

4. Other client information requirements

You may be requested by your NZX Firm, to provide additional information in relation to your trading account. This information being sought includes copies of passport, licences or other proof of identity and information regarding your investment profile e.g. investment objectives, risk profile. Changes to the rules in relation to information collection on a client, brings the new rules governing NZX markets into line with international best practice.

The aim of asking for this information is to assist the NZX Advisor to provide the best possible investment advice to you. Furthermore, requiring information to verify your identity ensures greater protection of your trading account from such things as fraud and money laundering.

5. Order placement

Finally, rules have now been implemented with regards to how an NZX Advisor can place an order on your behalf into the market. Unless otherwise specified by you, your order **MUST** be put straight to the market – it must not be delayed, bundled or accumulated by your NZX Firm. Your NZX Advisor should ask you every time you wish to trade, how you want your order to be put to the market.

Alternatively, your NZX Firm may include a statement in your client agreement that they will put your order to market using its best discretion (i.e. as and when the NZX Advisor deems it best for your investment).

This will ensure that your order is placed in a transparent fashion and you are aware when execution is likely to occur.

Should you have any queries in relation to these changes to NZX rules, please contact your NZX Firm or NZX Advisor. Further information can be obtained from our website at www.nzx.com.

We thank you for your co-operation in assisting to improve standards of integrity and market control in New Zealand.