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Disclaimer

This practice note has been issued by NZX to promote market certainty and assist Market Participants. This practice note sets out NZX's general approach to the subject, but is not to be regarded as a definitive statement of the application of the Rules in every situation. NZX may replace Guidance Notes and Practice Notes at any time and a Market Participant should ensure it has the most recent versions of those documents. This does not constitute legal advice. NZX recommends that Market Participants take advice from qualified persons.

PRACTICE NOTE PN 07/05 – MONTHLY REPORTING

Introduction

This Practice Note is published to provide further clarity with regard to the process, format and information required from Market Participants in relation to monthly reporting submissions made in accordance with NZX Participant Rule 15.9.5.

Requirement to Monthly Report – Rule 15.9.5

Pursuant to Rule 15.9.5, all Market Participants Requiring Liquid Capital must supply to NZX each month:

- (a) Trial balance summary in the format of NZX FF1 Report as provided for in the Guidance Notes as amended from time to time by NZX;
- (b) Liquidity statement in the format of NZX FF2 Report as detailed in the Guidance Notes as amended from time to time by NZX; and
- (c) Internal Control Checklist as detailed in the Guidance Notes as amended from time to time by NZX.

Market Participants should refer to **GN0003/04** for guidance with respect to completing the FF1 and FF2 reports.

Reporting of Financial Information

In the interests of consistency of reporting across the Market Participant base and ensuring that Market Participants meet NZX requirements, NZX asks that the following financial information is provided:

- (a) Standard reporting templates (FF1/FF2) - template copies are available from compliance@nzx.com. Market Participants may submit the FF1/FF2 information in their own versions, provided that such a submission is in the same format and includes all of the information set out in the template;
- (b) Liquidity and Equity Statement - the FF1/FF2 template includes a Liquidity and Equity statement;
- (c) Principal Positions - a detailed summary of principal positions at month-end (refer to Appendix I for preferred format). The figures quoted in the Trial Balance, FF1/FF2 and Principal position report should reconcile with each other ;

- (d) Debtors - a summary of client debtor aging. For the avoidance of doubt, Market Participants need only send a summary of the aged debtors, not a complete debtors trial balance. Should NZX Compliance require a detailed debtors report, Market Participants will be notified on an individual basis;
- (e) Detailed Trial Balance - an underlying trial balance from the Market Participant's accounting system that reconciles to the FF1/FF2 return. In circumstances where a separate general ledger is maintained in addition to a back-office system we ask that a trial balance is provided from both systems. NZX requires that a mapping summary be available on request.

The following additional points should be noted with respect to completing the monthly return:

- The Financial Reporting templates, other than the required signatures, need to be completed electronically (as opposed to handwritten) with a hardcopy being submitted to NZX Compliance;
- Nil returns are required for those sections of the template for which the Participant has no activity;
- The FF1 (Trial Balance Summary) should indicate balances in their raw currencies, converted to NZD. This should indicate the exchange rates used;
- Principal Positions (Debt and Equity Securities and Other Investments) must be reported as gross figures;
- Part 6 (Underwriting) must include all underwriting (or firm allocation) undertaken during the month and the position at month end.

NZX may change the format of the FF1/FF2 reports from time to time, whether adding or deleting information requirements or changing the declaration. Any new version of the templates will be distributed to all Market Participant's Managing Principals and Compliance Managers and will be made available on NZX's website and a current version of the reporting templates can be obtained at any time by emailing compliance@nzx.com.

Internal Control Checklist

NZX Regulation has developed an Internal Control Checklist ("ICC") to assist Market Participants with obligations considered to relate generally to matters of internal control. Given their nature, a monthly review of such matters is more appropriate than NZX reviewing compliance only at the time of an inspection. Many of the obligations referred to are matters in respect of which the Participant must notify NZX at the time of or shortly after the relevant event.

NZX may change the version of the ICC from time to time, whether adding or deleting questions. Any new version of the ICC will be distributed to Compliance Managers and Managing Principals of Market Participants as appropriate and a current version of the ICC can be obtained at any time by emailing compliance@nzx.com.

Monthly Reporting Sign Off

The FF1/FF2 template includes a Liquidity and Equity statement. This statement must be signed by the Managing Principal and Chief Financial Officer (or designates agreed in advance with NZX). The definition of a Chief Financial Officer is the position that the Managing Principal considers responsible for the preparation of financial information.

Per NZX Participant Rule 15.13 the ICC needs to be signed by the Managing Principal. A Managing Principal can appoint a delegate to sign off on individual sections of the ICC. However, the **Monthly Reporting submission and ICC in its entirety needs to be ultimately approved as accurate by the Managing Principal and signed-off accordingly.**

It is the Managing Principal's responsibility to ensure that the responses provided in the Liquidity and Equity statement in the FF1/FF2 template and the ICC are accurate. If a Managing Principal is relying on a delegate to confirm that individual sections of the ICC are correct, they should ensure that there are robust internal procedures and checks to ensure the responses are accurate and that the Market Participant complies with the Rule requirements. These internal processes may need to be audited from time to time to ensure they are operating effectively. **Incorrect declarations may be subject to further action by NZX, including, but not limited to, referral of the Market Participant and/or the Managing Principal to NZX Discipline.**

In the event that a Managing Principal is unable to sign off a Market Participant's Monthly Reporting submission (e.g. if on annual leave), the Managing Principal is required to request approval from NZX prior to the final due date (by emailing compliance@nzx.com) to appoint a delegate to sign as an alternate. NZX approval will generally be given, subject to receipt of the declarations counter-signed by the Managing Principal when the Managing Principal is next available.

How to submit

Monthly Reporting submissions need to be received by NZX on or before close of business of the **10th business day** after month end.

An electronic version uploaded to the compliance portal (www.compliance.nzx.com) is acceptable in order to meet the reporting time frame provided that the original documents are received by NZX Compliance within 2 business days after the reporting deadline.

Should respective components of the monthly return be completed by separate divisions, NZX asks that all information is submitted together and by the due date.

In the event that a Market Participant is aware, ahead of the due date, that the Monthly Reporting for a given month is unable to be provided to NZX within the time frame, that Market Participant should request approval from NZX Compliance for late submission (by emailing compliance@nzx.com). Such a request should include details as to why the Market Participant is unable to meet the timeframe and confirmation of the date that NZX will receive the submission.

Penalty for late submission – Rule 16.18

Monthly Reporting submissions need to be received by NZX on or before close of business (5.00pm NZ) of the **10th business day** after month end.

NZX Participant Rule 16.18 stipulates that:

“...each Market Participant failing to supply, by the specified date, any returns or records required by NZX under these Rules shall be liable for a late filing fee as determined by NZX from time to time”.

In respect of this Rule, any Market Participant that fails to supply their complete Monthly Reporting Submission to NZX on or before close of business of the 10th business day after month end will be liable for a late filing fee. Currently this fee is **\$250 (GST exclusive)**, per business day that the submission is late. For the avoidance of doubt, an incomplete submission may also be liable for this late filing fee.

A Market Participant will not be liable for this fee if prior approval for late submission has been sought and granted by NZX Compliance.

If you have any questions in relation to the NZX Participant Rules and/or compliance with these rules, please contact NZX Participant Compliance at compliance@nzx.com.

APPENDIX I – Detailed Principal Position Report

The following template is provided in order to achieve consistency in reporting and is intended as an indicative standard as to the format and content of this detailed report. It is likely that this schedule will be added to the FF1/FF2 template upon its next revision.

Detailed Principal Positions Report

Equity Securities

Market NZX

Security	Quantity	Local Value	NZD Value	Long Value	Short Value	Absolute value
TEL	10,000		6.27	62,700	-	62,700
FBU	(10,000)		6.88	-	(68,800)	68,800
Market	ASX	\$AU				
TLS	10,000	4.99	5.489	54,890	-	54,890
				117,590	- 68,800	186,390
				a.	b.	c.

Debt Securities

-	-	-
d.	e.	f.

a. = References to FF2, Line F, Dr Column

b. = References to FF2, Line F, Cr Column

c. = References to Risk Based Adjustments, equity securities total.

d. = References to FF2, Line G, Dr Column

e. = References to FF2, Line G, Cr Column

f. = References to Risk Based Adjustments, Fixed Interest etc.