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Issued

Disclaimer

This guidance note has been prepared to assist issuers, market participants and the public to understand the use of the trading halt mechanism and to illustrate how the relevant rules operate. This Guidance 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. Guidance Notes do not constitute legal advice and are only a guide to NZX's policy & practice.

NZX may replace Guidance Notes at any time. Issuers should ensure that they have the most recent version of the Guidance Note. Guidance Notes are posted to NZX's website at www.nzx.com

GUIDANCE NOTE – TRADING HALTS

Introduction

This guidance note has been prepared to assist issuers, market participants and the public to understand trading halts.

What is a Trading Halt?

A trading halt is a temporary halt in the normal trading of the market or in the trading of particular quoted securities.

Key Principles Relating to Trading Halts

1. The overriding principle that will guide NZX when it is considering the application of a trading halt is that the market should continue to trade unless there is a compelling reason for it not to trade.
2. Speculation and risk taking are features of active and efficient markets. Accordingly, uncertainty about future events will not be considered a sufficient reason to apply a trading halt.

Trading Halt Listing Rules

A trading halt may be implemented by NZX:

- under NZSX and NZDX Listing Rule 5.4.1 or NZAX Listing Rule 5.4.1 (as the case may be) at the request of an issuer; or
- under NZSX and NZDX Listing Rule 5.4.2 or NZAX Listing Rule 5.4.2 (as the case may be) in NZX's discretion.

Issuer Requested Trading Halts

NZSX and NZDX Listing Rule 5.4 and NZAX Listing Rule 5.4.1

“Request: *An Issuer [or NZAX Issuer] may request:*

(a) *by notice in writing to NZX, that trading in its Securities be halted by NZX for a period not to exceed two Business Days;...*

...After receipt of a request from an Issuer [or NZAX Issuer] in accordance with:

(a) *Rule 5.4.1(a) [NZAX Listing Rule 5.4.1(b)] NZX may halt trading;...*

...on or subject to such conditions as NZX thinks fit.”

When can an Issuer apply for a trading halt?

An issuer should only apply for a trading halt where it considers that a halt is required in order to enable immediate compliance with its continuous disclosure obligations or where it considers a market exists that is materially influenced by false or misleading price sensitive information.

Outside these limited parameters, NZX will not grant halts and specifically emphasises that it will no longer grant halts prior to intended material announcements that are going to be made by the issuer at a future time. If an exception to the continuous disclosure requirements applies, there is no need to make an announcement and no need to halt securities. If an exception does not apply, an announcement should be made without delay.

NZX also notes that it will not halt trading in a stock where an announcement is expected from a third party, such as a ;

- regulatory body; or
- governmental agency; or
- takeover aggressor; or
- court ,

that may have an effect on an issuer.

Applying a halt in these circumstances would eliminate liquidity and stifle speculation and risk taking, and accordingly does not fit within NZX’s key principles for the granting of trading halts.

Trading halt where a market is materially influenced by false or misleading information.

NZX draws Issuers attention to Rule 10.1.1(c) and footnote 9 to that Rule. Where an Issuer considers that a market may exist that is materially influenced by false or misleading price sensitive information and where the Issuer has the obligation to correct that market, NZX accepts that it may be necessary to halt trading to enable the Issuer to prepare a suitable announcement.

NZX notes that in most circumstances a confirmation by the Issuer that it is in compliance with its continuous disclosure obligations will suffice to discharge its continuous disclosure obligations. An Issuer may however choose to release such clarification to the market as is needed. For more information please refer to the Media Rumours section (pps8-9) of NZX’s Continuous Disclosure Guidance Note.

Procedure for requesting a Trading Halt

Rule 5.4.1 provides guidance to an issuer that wishes to request a trading halt. This Rule states that an issuer may request, by notice in writing to NZX, that trading in its Securities be halted by NZX. The maximum timeframe anticipated under the Rules is two Business Days. After receipt of a request from an issuer in accordance with NZSX and NZDX Listing Rule 5.4.1(a) or NZAX Listing Rule 5.4.1(b) NZX may halt trading on, or subject to compliance with, such conditions as NZX thinks fit.

A request to NZX for a trading halt should contain certain information to enable to NZX to reach a decision on the request, and implement the halt, if it determines to grant the request. In that regard, the footnotes to Rule 5.4.1 state:

- “1. Where an Issuer [or NZAX Issuer] is requesting a trading halt, pursuant to Rule 5.4.1(a) [NZAX Listing Rule 5.4.1(a)], it must provide information to NZX on each of the following:
 - its reasons for the trading halt;
 - how long it wants the trading halt to last;
 - the event it expects to happen that will end the trading halt;
 - that it is not aware of any reason why the trading halt should not be granted;
 - any other information necessary to inform the market about the trading halt, or that NZX asks for.
2. NZX is not required to act on the Issuer's [or NZAX Issuer's] request for a trading halt.”

Where an issuer wishes to request a trading halt, it should send its request to NZX Regulation at waiwersandrulings@nzx.com. Issuers should note that the information as set out in the footnote to Rule 5.4.1 must be provided in order for the request to be considered without delay. In particular the question whether the Issuer is aware of any reason why the halt should not be granted must be addressed. Circumstances such as the expectation of a takeover offer being made, or the acquisition of a substantial shareholding, would be relevant.

If NZX agrees to grant the trading halt it will advise the issuer and immediately place a trading halt on that issuer's quoted securities.

The application and the reasons for the trading halt will generally be released to the market together with any other information necessary to keep the market informed. If the reasons for the request are confidential or commercially sensitive and should not be released to the market, this should be noted in the issuer's request to NZX.

The granting of a trading halt is always at the discretion of NZX Regulation. Prior to granting a trading halt, NZX will not grant a trading halt if it is not satisfied that a trading halt would be of benefit to the market.

Lifting the Halt

A trading halt will usually be lifted five minutes after the issuer has made the announcement that related to the request for a trading halt. If a series of announcements is anticipated, then the halt will generally remain in place until the last of the announcements is made. If an announcement has not been made by

the agreed time, NZX may suspend the issuer's securities from quotation or allow trading in securities to resume.

NZX INITIATED TRADING HALTS

The relevant rules are NZSX and NZDX Listing Rule 5.4.2 or NZAX Listing Rule 5.4.2, which provide that:

“NZX may at any time, and in its absolute discretion, do any one or more of the following, without giving any reasons and (subject to Rule 5.4.4) [NZAX Listing Rule 5.4.4] without giving prior notice to the Issuer [NZAX Issuer] concerned:

- (a) cancel the Listing of any Issuer [NZAX Listed Issuer]; or*
- (b) cancel, halt or suspend for such period as NZX thinks fit, the Quotation of any or all of an Issuer's [NZAX Issuer's] Securities; or*
- (c) (Revoked 1/5/04)*
- (d) refer the conduct of any Issuer [NZAX Issuer], or of any Directors or Associated Person of any Issuer [NZAX Issuer], to NZX Discipline or to any statutory or governmental authority.”*

Unequally or Falsely Informed Market

If NZX considers that an Issuer is required to make an announcement to comply with its continuous disclosure obligations, and as a result of failing to do so the market is trading with an unequal availability of information or is materially influenced by false or misleading information, it may apply a trading halt at its own initiative. NZX will, wherever possible, consult with the issuer concerned prior to a trading halt being implemented. However if the matter is considered to be urgent, and/or the issuer cannot be contacted, NZX will exercise its discretion as to whether or not to apply a trading halt on the company's securities.

An example of such a case would be where NZX became aware that confidential material information concerning an Issuer has lost confidentiality.

Delay for Dissemination and Digestion

Where NZX believes that information contained in an announcement is price sensitive, NZX may implement a trading halt at its own discretion at the time that the announcement is released to the market. In such a case, it is NZX's policy to implement a trading halt for a period of not greater than five minutes. The purpose of that halt is to allow Market Participants to evaluate the Material Information and, if they believe it is necessary, to implement changes to their clients' market orders.

This provides the market with an opportunity to assess the information and re-price a quoted security in an orderly manner.

Determining Price Sensitivity

The Listing Rules define Material Information as follows:

“**Material Information**” in relation to an Issuer is information that:

- (a) a reasonable person would expect, if it were generally available to the market, to have a material effect on the price of Quoted Securities of the Issuer; and
- (b) relates to particular securities, a particular Issuer, or particular Issuers, rather than to securities generally or Issuers generally.

NZX encourages Issuers to release material announcements, if possible, prior to market open or after market close. This ensures that the market has the maximum time to consider and evaluate the information contained in the announcement and there is no need for trading in the security to be halted. NZX encourages all listed issuers to work with the NZX release team to most effectively use the MAP platform. As part of this process, NZX encourages issuers to engage with NZX as early as possible to facilitate the prompt release of announcements

NZX will usually consider information to be price sensitive where it meets this test. NZX acknowledges that there can be no definitive list of all matters that might be price sensitive. However, to give assistance to Issuers, NZX indicates that the following announcement types to be potentially price sensitive, and will generally automatically apply a trading halt for a period not exceeding 10 minutes where they are received during normal trading:

- Release of half year and full year reports.
- Release of, or change to, financial forecasts.
- Acquisition, merger or a change in control.
- A transaction for which the consideration payable or receivable is a significant proportion of the entity’s market cap. Normally, an amount of 5% or more would be significant.
- Mining reports, including Hydrocarbon Reports, Ore and mineralization reports and Quarterly mining reports.
- Change of CEO.
- Declaration of a dividend or distribution, including that a dividend will not be declared.
- Announcement of a Takeover offer, and announcements in the course of a Takeover offer.

As noted above, there can be no definitive list of all the circumstances where a trading halt may be applied and NZX staff review all announcements to determine if they contain material information. With regard to large or substantial announcements, particularly presentations, NZX encourages Issuers to inform NZX of whether they consider the announcement or presentation contains any Material Information.

Administrative Trading Halts

Under NZSX and NZDX Listing Rule 5.4.2 or NZAX Listing Rule 5.4.2 (as the case may be) and NZX Participant Rule A10.22 a trading halt may be used where administrative or technical issues affect the fair, orderly and transparent operation of the market. This includes circumstances of system outages and impaired connectivity.

In such cases, a trading halt will be applied to the market as a whole and not to securities individually. Discussions of the criteria applied when considering halts of this nature will be the subject of a separate guidance note

Contact Us

If issuers have any questions on the matters in this guidance note they may direct them to the Issuer Regulation team at NZX.

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