



Guidance Note

Trading Halts and Suspensions

May 2017



The purpose of this guidance note is to provide guidance to NXT companies in relation to NZX's use of trading halts and suspensions, the circumstances in which NZX may apply trading halts and suspensions, and the process NXT companies should follow to request a trading halt from NZX.

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This guidance note applies to the provisions relating to trading halts and suspensions contained in the NXT Market Rules. NXT companies should note that this guidance note is not intended to be a definitive statement of the application of the NXT Market Rules in every situation, and is only a guide to NZX's policy and practice. This guidance note does not limit NZX's discretion under the NXT Market Rules. This guidance note reflects the NXT Market Rules and law as at May 2017, which are subject to change. NZX takes no responsibility for any error contained in this guidance note. NZX may replace guidance notes at any time and NXT companies should ensure that they have the most recent version of this guidance note by checking the NXT website at nxt.co.nz.

1. Introduction

As a general rule, trading interruptions on NZX's markets should be kept to a minimum and securities should be available to trade.

Trading halts and suspensions are important tools for NZX to use to ensure fair, orderly and transparent markets and NZX may use these tools to interrupt trading in some circumstances. The NXT Market Rules (the "rules") give NZX broad discretion to apply trading halts and suspensions in respect of shares and rights quoted on the NXT Market. NXT companies may also request a trading halt or a suspension from NZX.

2. Trading Halts

2.1 What is a trading halt?

A trading halt is a temporary halt in the trading of the NXT Market or in the trading of particular shares or rights quoted on the NXT Market. The primary purpose of a trading halt is to ensure that the market trades on a fair, orderly and transparent basis.

Trading halts may be applied to assist NXT companies to manage their disclosure obligations in certain circumstances or to give the market an opportunity to digest information. Trading halts may also be used in other situations where trading needs to be halted to ensure the fair, orderly and transparent operation of the NXT Market.

During a trading halt, the order book is not purged and participants may withdraw orders, amend orders or place orders in the halted security. However, no orders will be matched while the halt remains in place. NZX Participant Rule 10.20.3 prohibits market participants from effecting off market transactions, including crossings, in quoted securities subject to a trading halt.

2.2 When can a trading halt be applied?

NZX has the power to apply a trading halt either at the request of a NXT company or at NZX's discretion. These categories of trading halts are explained further in sub-sections 2.4 to 2.6 below.

2.3 What is the difference between a trading halt and a suspension?

Trading halts and suspensions are different tools that are used in different circumstances. They are also treated differently in NZX's trading system.

During both a trading halt and a suspension, orders will not be matched, however a suspension imposes further restrictions that are discussed in more detail in section 3 below.

This guidance note addresses each of the matters identified above relevant to trading halts in more detail. This guidance note also includes a separate section in relation to suspensions (see section 3 "Suspensions").

2.4 Requesting a trading halt

A NXT company may request that NZX halt trading in its shares and /or rights by written application to NZX Regulation ("NZXR"), providing details of the reasons for the halt (refer to rule 85).

A NXT company may request a trading halt to meet its disclosure obligations in certain circumstances. The rules require a NXT company to immediately release an interim update in the circumstances set out in rule 50. However, the circumstances may require a NXT company to request a trading halt until it is able to prepare and release an interim update. For example, where a third party makes a media release that results in a NXT company being required to release an interim update under rule 50.

NZXR expects and encourages NXT companies to request a trading halt whenever a NXT company is not able to release an interim update immediately as required under rule 50. This can allow a halt to be applied until an interim update can be released. Further commentary on the use of trading halts in this context is provided within NZX's guidance note 'NXT Disclosure Framework'.

Prior to granting a trading halt, NZXR will consider the information provided by the NXT company in support of a request (as discussed below) and will not grant a trading halt unless it is satisfied that it is in the best interests of the market.

Trading halt requests should not be used as a tactic to delay the release of interim updates and therefore NZX will consider all requests on a case-by-case basis. NZX encourages early engagement on such requests.

2.5 Procedure for requesting a trading halt

A NXT company that wishes to request NZX to halt trading in its shares and/or rights must provide such a request in writing to NZXR (by email to regulation@nzx.com) and should provide the following information:

- The NXT company's reasons for requesting a trading halt;
- How long the NXT company wants the trading halt to last;
- The event the NXT company expects to occur that will end the trading halt (usually this will be release of an interim update in relation to the NXT company);
- Confirmation that the NXT company is not aware of any reason why the trading halt should not be granted; and
- Any other information that is necessary to inform the market about the trading halt, or that NZX asks for.

If NZXR agrees to grant a trading halt request, it will advise the NXT company and apply a trading halt to the NXT company's shares or rights at the agreed time. NZX will also release a memorandum notifying the market of the trading halt, which may be accompanied by an announcement from the NXT company. If the reasons for a trading halt request are confidential or commercially sensitive and should not be released to the market, this should be noted in the NXT company's request to NZXR. Generally, NZX will not release specific details in relation to the reasons for a trading halt.

If NZXR declines to grant a trading halt request, it will advise the NXT company of the decision and discuss options with the NXT company for release of information to the market or possible suspension from trading.

Where possible, NXT companies are advised to contact NZXR well in advance of the event to which the halt relates. Given the time critical nature of a trading halt, NXT companies should consider calling NZXR on (04) 495 2825 prior to submitting a request in writing so that NZXR can begin to consider the issues as soon as possible.

2.6 NZX initiated trading halts

Rule 82 provides NZX with broad discretion to apply a trading halt. The following sections describe when NZXR may exercise its discretion to apply a trading halt – either in respect of the NXT Market generally or in respect of a NXT company's shares or rights.

1. Non-administrative trading halts

NZX may apply a trading halt at its discretion for to ensure its operation of fair, orderly and transparent markets. These non-administrative trading halts are typically applied relatively infrequently – for example:

- in instances of significant movements in trading volumes and/or prices where the trading behaviour in relation to a NXT company's securities does not appear to be linked to information available to the market in relation to that NXT company, NZX may apply a halt so that enquiries can be made of the NXT company to determine the reasons for the trading activity and whether an interim update is required to be released under rule 50; or
- where NZX becomes aware that a NXT company may be aware of a matter that has not been released to the market, NZX may apply a halt so that enquiries can be made to determine whether an interim update is required to be released under rule 50.

When NZX exercises its discretion and applies a trading halt to a NXT company's shares or rights (other than in the case of administrative trading halts that are applied upon the release of an announcement that is in a prescribed category), NZX will provide prior notice to the NXT company concerned, unless the delay involved in providing such notification may prejudice the interests of other participants in the market. Where NZX does not provide prior notice to the NXT company concerned, it shall do so as soon as practicable after the trading halt has been applied.

When NZX exercises its discretion and applies a non-administrative trading halt to a NXT company's securities, NZX will release a memorandum notifying the market of the trading halt.

Under rule 82, NZX may halt trading in shares and /or rights of a NXT company if, in NZX's opinion:

- trading in those shares or rights is not being conducted in an orderly manner; or
- the protection of investors so requires; or
- the integrity and reputation of the NXT Market so requires.

Some further examples of when NZX may halt trading under rule 82 are discussed below.

Third Party Announcements

NZX may apply a trading halt where it becomes aware that a third party, such as the Takeovers Panel, the Financial Markets Authority or the Commerce Commission, will release an announcement that may result in a NXT company being required to release an interim update under rule 50.

NZX will, wherever possible, consult with the NXT company concerned prior to applying such a trading halt. However, if the NXT company cannot be contacted, NZX may exercise its discretion and apply a trading halt until the NXT company has been able to prepare and release an interim update.

A NXT company which becomes aware that a regulatory body or other party is going to make an announcement to the market that may require the NXT company to release an interim

update under rule 50 is encouraged to contact NZXR as soon as possible to discuss arrangements for the release of an interim update, if any.

Other Trading Halts

NZX may apply a trading halt as an administrative tool where necessary to ensure the fair, orderly and transparent operation of the markets – for example, where a quorum of brokers for trading does not exist due to a system outage or impaired connectivity.

In such cases, a trading halt will be applied to the market as a whole and all securities of all NXT companies.

2. Administrative trading halts

Rule 82 also provides NZX with broad discretion to apply an administrative trading halt. NZX has determined that it will exercise its discretion to apply an administrative trading halt to announcements released by NXT companies that fall within a prescribed category.

One of the prescribed categories is NXT interim updates, as prescribed by schedule 5A of the NXT Rules. An administrative trading halt is applied automatically when an NXT company releases this type of announcement via the Market Announcement Platform (“MAP”), for a period no greater than 15 minutes.

In these circumstances, trading halts allow trading participants to manage their orders in a quoted security following the release of new information to the market so that the market can re-price a quoted security in an orderly manner.

NZX acknowledges it is important for NXT companies using MAP to have a degree of certainty as to when an administrative trading halt will apply. It is up to the NXT company to use its best endeavours to seek to identify whether an announcement falls within a prescribed category based on the guidance below and in the User Guide.

How do NXT Companies identify in MAP that their announcement falls within a prescribed category?

When an NXT company loads an announcement within MAP for release to market, the issuer must select the category for the announcement, which includes the prescribed categories. A NXT interim update, as prescribed by schedule 5A of the NXT Rules, is a prescribed category.

What are the prescribed categories?

There is an NZX Market Announcement Platform User Guide that tells issuers how to release announcements to the market. This includes information on prescribed categories and can be referred to should you need to confirm whether information being released falls within a prescribed category.

How are announcements falling within a prescribed category identified to the Market?

Announcements falling within a prescribed category are identified to the market, through a “P” on NZX.com. If the announcement is released during trading hours, a routine trading halt automatically applies. While a trading halt is in place, the relevant security or securities will also be labelled ‘Halted’ under the ‘Trading Status’ section of their NZX.com page or pages.

2.7 Lifting a trading halt

A trading halt will usually be lifted 15 minutes after the NXT company has made the announcement that related to the request for a trading halt, or after another matter has been resolved. If a series of announcements is anticipated, then the halt will generally remain in place

until 15 minutes after the last of the announcements is made.

3. Suspensions

3.1 What is a suspension?

A suspension of quotation (“**suspension**”) can be distinguished from a trading halt because it relates to the quotation of a NXT company’s shares or rights rather than a simple halt in trading.

A suspension is usually applied in more serious situations where a trading halt is not appropriate or where trading in shares or rights is not expected to resume. Sometimes a trading halt may be replaced by a suspension.

During a suspension, the relevant securities are placed into a ‘suspended’ state and participants can withdraw orders but cannot amend orders or place orders for the suspended security. Any existing orders in the order book for the suspended securities will be purged after market close of the date the suspension is applied. NZX Participant Rule 10.20.3 prohibits trading participants from effecting off market transactions, including crossings, in securities that are subject to a suspension.

3.2 When can a suspension be applied?

NZX has the power to apply a suspension either at the request of a NXT company or at NZX’s discretion. These categories of suspensions are explained further in sub-sections 3.3 to 3.5 below.

3.3 Requesting a suspension

A NXT company may request that NZX suspend trading in its shares and /or rights by written application to NZXR, providing details of the reasons for the suspension (refer to rule 85). Such requests will be granted at NZX’s discretion, and NZX is not required to suspend trading on application from a NXT company.

3.4 Procedure for requesting a suspension

A NXT company that wishes to request a suspension should provide its request in writing to NZXR (by email to regulation@nzx.com) and should provide the following information:

- The NXT company’s reasons for requesting a suspension;
- How long the NXT company wants the suspension to last (noting that the precise timing may not be known in some cases);
- The event the NXT company expects to occur that will end the suspension;
- Confirmation that the NXT company is not aware of any reason why the suspension should not be granted; and
- Any other information that is necessary to inform the market about the suspension, or that NZX asks for.

NZX encourages NXT companies to contact NZXR as early as possible in relation to requests for suspensions. Although the information outlined above should be provided in writing it may

also be appropriate to call NZX as a first step so that we can begin to consider the issues as soon as possible.

3.5 NZX initiated suspensions

Under rule 83, NZX may suspend trading in shares and/ or rights of a NXT company if, in NZX's opinion:

- trading in those shares or rights is not being conducted in an orderly manner; or
- the protection of investors so requires; or
- the integrity and reputation of the NXT Market so requires; or
- any amount payable by the NXT company to NZX in respect of initial or annual listing fees or penalties payable following a determination of NZMDT has been unpaid for more than 30 business days; or
- a NXT company ceases to have an operating business or disposes of its main undertaking, or otherwise does not fulfil all the requirements for listing set out in Schedule 1A (Pre-requisites for listing) of the rules.

Some further examples of when NZX may halt trading under rule 83 are discussed below.

a) Where a NXT company breaches periodic reporting rules

Under rule 84, NZX will suspend trading in shares or rights of a NXT company who has failed to release a business update, preliminary announcement, annual report or half-year report as required by any of rule 49, rule 52, rule 53 or rule 54 within 5 business days of the date by which release is required, unless NZX determines that suspension is not required for the protection of investors or to maintain the reputation and integrity of the NXT Market. NZX will apply a suspension until the relevant information has been released to the market.

b) Where a NXT company is placed in liquidation or receivership

NZX may also apply a suspension in circumstances where a NXT company is subject to an insolvency event, such as the appointment of a liquidator, receiver or statutory manager and there is sufficient uncertainty as to the state of the NXT company as a going concern. In these situations, NZX may apply a suspension to protect investors. NZX encourages NXT companies and their advisers to contact NZX to discuss such issues as early as possible.

c) Where a NXT company is delisting

Where a NXT company delists from the NXT Market, a suspension of at least three business days will be applied to allow trades to settle prior to the delisting date. Applying a suspension in these circumstances allows the market to operate in an orderly manner and facilitates the delisting of the NXT company.

d) Where a NXT company receives a compulsory acquisition notice

NZX will generally suspend a NXT company's securities five business days after it receives a compulsory acquisition notice under the Takeovers Code.

NZX generally interprets this to mean five business days after a NXT company receives a notice that the 90% threshold has been reached and that the offeror intends to compulsorily acquire all remaining shares in the NXT company. The suspension will remain in place until the NXT company is delisted at the request of the NXT company. NZXR considers that this is appropriate as there is no longer any benefit in the NXT company remaining listed once an

offeror moves to compulsory acquisition, and the Takeovers Code governs the process for payment of compulsory acquisition monies.

3.6 Other useful information

1. Same class offer exclusion

A suspension may prevent a NXT company from relying on the exclusion that is available for same class offers available under the Financial Markets Conduct Act 2013, from certain legislative disclosure requirements. A NXT company will not be able to utilise the same class offer exclusion if its shares or rights have been suspended from trading for more than five trading days during the three month period before the time of the offer.

2. Cancellation of listing

NZX will cancel the listing of a NXT company whose securities have been suspended from trading for a continuous period of six months (refer to rule 89).

3.7 Lifting a suspension

Usually, a suspension will be lifted upon resolution of the issue that led to the suspension, for example:

- Upon release of an announcement by a NXT company;
- Upon release of the relevant annual report, or other report, to which the imposition of the suspension related; or
- Upon the happening of an agreed event.

Some suspensions may never be lifted and will stay in place until the relevant NXT company is delisted and its shares or rights cease to be quoted.

4. Contact us

If you have any questions on the matters in this guidance note, please contact NZXR at regulation@nzx.com.