

# NZFOE BULLETIN

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**To:** All Dealers

## **AMENDMENTS TO THE BUSINESS RULES**

Amendments have recently been made to the following Business Rules:

### **RULE 34 – CALLING OF MARGINS BY PUBLIC BROKERS**

This Rule has been amended as the Business Conduct Committee considered that it did not clearly state the period for payment of a margin or lodgement of cover within the body of Rule 34. Consequently, Rule 34.3 has been amended to state that the period for payment of a margin or lodgement of cover must be within twenty-four (24) hours of the call for a margin or a request of lodgement of cover. Where a client is overseas then the period for payment of a margin or lodgement of cover must be made within forty-eight (48) hours.

Further, an amendment to Rule 34 has been made to incorporate the addition of Rule 34.7. This Rule states that a Dealer must “top up” the client bank account after five (5) clear business days where a margin or lodgement of cover has not been made by a client.

The amended sections (additions underlined, deletions struck through), are set out in the Annexure A. This amendment is effective immediately.

**RULE 37 - INSIDER TRADING AND DUAL TRADING**

An amendment to Rule 37 has been made to incorporate the addition of Rule 37.2 – Dual Trading Provisions. This Rule is to prohibit an Exchange Dealer employee from initiating a trade for any house account where the employee has knowledge or is likely to have knowledge of client orders to trade in the same or similar commodity. The Board has prescribed the contracts to which this Rule applies as follows:

- (i) SPOT 90DAY BB;
- (ii) SPOT+1 90DAY BB;
- (iii) SPOT+2 90DAY BB.);

The amended sections (additions underlined, deletions struck through), are set out in the Annexure B. This amendment is effective immediately.

**RULE 49 –PROCEDURES AND GENERAL POWERS**

This Rule has been amended as the Business Conduct Committee considered that it did not have sufficient powers to impose penalties on SYCOM® Traders and representatives of Dealers.

The amended sections (additions underlined, deletions struck through), are set out in the Annexure B. This amendment is effective immediately.

**DEAN CROWLE**  
**COMPLIANCE OFFICER**

**24 JULY 2001**

**ANNEXURE A****RULE 34 – CALLING OF MARGINS BY PUBLIC BROKERS**

- 34.3(a) A call by a Public Broker for a margin must be satisfied by payment unless the Public Broker agrees to accept, and receives, Approved Securities,
- (b) When making a call for a margin the Public Broker shall stipulate the period within which payment must be made or Approved Securities lodged. ~~The period stipulated shall be the minimum period reasonably necessary, taking into account the circumstances of the client at the time the obligation arises.~~ The period for payment of a margin or lodgement of cover must be within twenty-four hours (24) hours of the call for a margin or the request for the lodgement of cover. Where a client is overseas then payment of a margin or lodgement of cover must be made within 48 hours. No Public Broker shall provide credit or cover for a client or a Principal Trader beyond these periods.
- (c) Payment of a margin or lodgement of cover must be made within the time stipulated, time being of the essence.
- 34.7 Where five clear (5) clear business days (inclusive of the day of the call for margin) after a call has been made on a client for initial or variation margin in accordance with the Rules, or such call should have been made in accordance with those Rules, the call which was or should have been made has not been satisfied by payment of monies into a client bank account or lodgement of cover, then the Dealer shall pay into a client bank account in accordance with Regulation 18 of the Regulations an amount of money not less than either the liability of the Client under such a call or the amount which the Dealer would be obliged to call the client on the day after five (5) clear business days (inclusive of the day of the call) has elapsed as aforesaid, which ever is the lesser.

The Dealer is furthermore obligated to pay into the client bank account after five (5) clear business days, any amount (which has not been met by the client), which arises as a result of debit balances of a client resulting from realised losses or otherwise. Such monies may be withdrawn in accordance with Regulation 8 and 18 of the Regulations.

**RULE 37 - INSIDER TRADING AND DUAL TRADING**

## 37.2 Dual Trading Prohibition

- (a) An Exchange Broker's employee or representative shall not initiate a trade for any house account in a Contract where that Exchange Broker's client orders to trade, or for any reason is likely to have knowledge or information of the Exchange Broker's Client orders to trade in the same or similar commodity. The Board may in its absolute discretion from time to time prescribe classes of Contract or Options Contracts for purposes of this Rule 37.2.

Further the purpose of this Rule 37.2 house account means an account operated by an Exchange Broker for principal trading only and principal trading excludes any trading by an Exchange Broker which is a company on behalf of a related company as defined by the Companies Act 1955 or on behalf of a division of the Exchange Broker – which is separate from the Exchange Broker's futures division.

- (b) Rule 37.2 shall not apply to an employee or representative where that employee or representative has executed a trade in error and subsequent action taken by an employee or representative requires execution of a trade to cover that position.
- (c) The Board or its delegate may in its absolute discretion grant an exception to the requirements of Rule 37.2 (a), (b) or (d) upon such terms and conditions as the Board or its delegate may consider necessary.
- (d) Exchange Brokers are required to maintain a separate record of error trades (for all error trades in all contracts) which shall contain the following details:
- (i) description of the trade;
  - (ii) the name of the employee or representative responsible for the error trade;
  - (iii) the name of the SYCOM® Trader responsible for the execution of the trade;
  - (iv) a detailed explanation as to how the trade occurred;
  - (v) any subsequent action taken by the Exchange Broker in relation to that trade; and
  - (vi) the financial result of the trade.

**RULE 49 –PROCEDURES AND GENERAL POWERS**

The Business Conduct Committee, after considering any matter referred to it, or investigating any matter of its own volition, may:

- (a) decide that no action should be taken;
- (b) issue a private warning or reprimand;
- (c) issue a notice of censure;
- (d) issue such recommendations, or give such advice, or issue such directions to remedy any matter revealed in the evidence or contained in any reports submitted to the Committee, as it sees fit;
- (e) fine a Dealer or representative in such amount as the Committee considers appropriate