

Exchange by a ballot in the manner hereinbefore provided, as if such partner were a candidate for admission to membership. In the event of such partner not being approved by the Exchange, the member shall dissolve the partnership with the partner who has not been approved. Failing the dissolution of such partnership within 1 month after the taking of the ballot, the member or members remaining in partnership with the partner who has not been approved shall be deemed to have retired from the Exchange and to be no longer a member or members.

An approved partner shall have the right to attend all trading meetings of the Exchange and to make quotations and purchase or sell shares. He shall not be entitled to attend or vote at any general meeting of the Exchange. Every rule regulating or relating to transactions between members, or between members and non-members, or to the obligations of members to other members or non-members, or to the Exchange as to the conduct, business practice, or ethics of members, shall bind an approved partner as if he were a member.

The members at a general meeting may, on the recommendation of the Committee, resolve to withdraw the approval of any partner who has been guilty of conduct which, in the opinion of the Committee, would demand his expulsion if he were a member of the Exchange, and in such case the same consequence shall follow as if such withdrawal were a disapproval of that partner by the Exchange on an original application for his approval.

Authorised Clerks

25. Without limiting the powers of a member under these rules, the Chairman or Vice-Chairman may grant a member permission for a clerk in his service to attend the official meetings, for the purpose of making quotations and the purchase and sale of shares on behalf of such member and in his stead, but for no other purpose. Such authorised clerk shall be subject to the rules and usages of the Exchange, but shall not have a vote at any meeting, or any voice in the management of the Exchange. The Chairman or Vice-Chairman may withdraw the permission at any time.

26. A clerk so admitted to official meetings shall be deemed to be the agent of his employer, and the member on whose application he is admitted shall be responsible for all the transactions of the said clerk.

27. A clerk shall not be eligible for admission unless he be at least 20 years of age.

28. A member may, by a letter addressed to the Secretary, withdraw the authority to his clerk to act, but his responsibility shall continue until such withdrawal shall have been notified to the members in writing.

(a) If the clerk of any member commits any violation of any usage of the Exchange, or of the letter or spirit of these rules, the Committee, in addition to its powers over such member conferred by these rules, may at its discretion call upon such member to dismiss such clerk from his employment within such time as the Committee thinks fit.

(b) Without the permission of the Committee first had and obtained, no member shall at any time during a period of 2 years from the date of a direction of the Committee under paragraph (a) of this rule employ any clerk dismissed by a member in accordance with its terms.

(c) Any member who is called upon under the provisions of this rule to dismiss any clerk, and who fails to do so within the time mentioned in the Committee's requisition, shall be liable to be dealt with by the Committee under the provisions of these rules.

(d) Before the Committee gives any direction under this rule, any member or employee of a member to whom the direction applies shall have a right to be heard by the Committee and may be represented at the hearing by his solicitor or counsel.

(e) Any decision by the Committee under this rule shall be subject to a right of appeal, by a member or his employee concerned, to the Committee of the Association.

Defaulters

29. The Committee shall suspend for such period as it shall think fit, and may also fine or recommend for expulsion, any member who shall fail to pay when due any debt incurred by him to another member. Should the Committee decide to recommend the member's expulsion, they shall report accordingly to the members at a special general meeting called for that purpose. It shall be competent for the said special general meeting to confirm the Committee's recommendation and expel the member so brought before them,

or deal with him by fine or suspension from membership. A member who becomes insolvent or assigns his estate for the benefit of, or compounds with, his creditors, shall *ipso facto* cease to be a member, and shall forfeit to the Exchange all interest in his membership and in the funds and property of the Exchange, notwithstanding that he may not be at the same time a defaulter on the Exchange.

30. The Committee shall have power to order that all open transactions, including time bargains, between any member unable to meet his engagements and other members shall be closed within a time to be named by the Committee. Such transactions shall be closed accordingly by the Chairman buying or selling in the market on account of the member in default such stock or shares as he may have contracted to sell or purchase. The Chairman shall charge current rate of brokerage to the defaulter, and such brokerage shall be the property of the Chairman. Members shall, without delay, render full statements of account to the Committee.

31. Should it come to the knowledge of any member of the Exchange that a broker, either in Christchurch or elsewhere, has failed to meet his engagements, the said member must at once report the circumstances to the Chairman who shall bring the matter before the Committee at its first meeting for decision as to what action shall be taken. Any member failing or neglecting to report to the Chairman as above specified shall be liable to be fined a sum not exceeding \$400, or to be suspended at the option of the Exchange.

Nothing in this rule shall be deemed to require any member who is also a member of the Fidelity Fund Board to disclose information which is confidential to that Board.

32. The Committee shall have power to investigate the accounts of members with a member in default, and to reject or require the correction of any items which they may deem unsatisfactory.

33. Members, creditors of a member in default, shall have a preferential claim on all surpluses in the hands of other members resulting on the closing of transactions open at the time of default, and also on all moneys which may become payable to a member in default out of funds in the hands of the Committee from the estate of another member in default. All surpluses in the hands of members resulting on the closing of open transactions with a member in default shall be paid to the Committee.

34. The Committee shall distribute as soon as possible amongst members, creditors of the member in default, the surpluses received from other members on his account, and all moneys due to him out of funds in the hands of the Committee from the estate of another member in default.

Distribution of Assets of Ex-Members

35. The Committee, in dividing amongst members, creditors of a late member, the proceeds received by them on sale of a membership, after deducting all liabilities due to the Exchange, or in dividing any surpluses received by them from members on account of a defaulting member's estate, or in dividing any moneys due to him out of funds in the hands of the Committee from the estate of another member in default, shall not necessarily distribute the same pro rata, but may, in their discretion, give preference either wholly or in part to claims of recent date over claims of longer standing which were not divulged to the Committee at the time they arose.

36. Claims on the estate of a resigning, retiring, or deceased member, that do not arise from transactions under these rules, shall not be recognised by the Committee until all claims that have arisen from transactions under the rules shall have been satisfied.

37. A member shall not, without the consent of the Committee being first obtained, employ in his business a former member who has made default or who has been expelled from membership for any reason, unless such person shall have made an arrangement with his creditor satisfactory to the Committee.

Non-Members—Failure to Meet Engagements

38. Non-members shall pay for all stocks or shares purchased on their account before 2 o'clock on the day following the purchase, unless an agreement be made in writing to the contrary.

Should a purchaser, not a member, fail to pay the amount due on his purchase as provided by this rule, either the seller or his broker, or the purchaser's broker shall be at liberty, at any time thereafter, at his or their option, either to sue such purchaser for breach of contract, or to re-sell the securities in any manner and upon such terms and conditions as he or they may think proper and to sue for the difference and all loss and expense consequent upon such re-sale,