

the sum derived by multiplying \$200,000 by the number of individual ordinary members of the Exchange who are the beneficial and registered owners of the voting shares of the company; or

- 6.0723 If the company does not have trading floor representation, the sum derived by multiplying \$100,000 by the number of individual ordinary members of the Exchange who are the beneficial and registered owners of the voting shares of the company.
- 6.073 The holders of any uncalled, or called but unpaid, shares in the capital of the company have been approved by the Board as persons of proper financial standing and repute.
- 6.074 The articles of association of the company provide that:
- 6.0741 The company agrees to be bound by the Rules of the Exchange, and the bylaws of the appropriate regional exchange in force from time to time; and
- 6.0742 The directors required to form a quorum for a directors' meeting shall include a majority of directors who are members of the Exchange; and
- 6.0743 The directors may not delegate their powers by power of attorney or in any other manner, provided that a director who is a member of the Exchange may appoint as his alternate director a person who is a member of the Exchange.
- 6.075 The registered office of the company is located at a sharebroking office of the company.
- 6.076 The articles of association of the company comply in all material respects with the standard form (if any) prescribed from time to time for such articles by the Board and the determination of the Board that the articles of association of a company do or do not at any time comply with this Rule 6.076 shall be final and binding on the company member.
- 6.08 The shares of a company member may be held in the name of a nominee but where any shares of a company member are held in or transferred into the names of nominees, the directors of the company member shall immediately advise the Board of the identity of the beneficial owner or owners of such shares.
- 6.09 No company member shall have any of its shares held in such a way that the identity of the beneficial owner of those shares cannot be determined or disclosed to the Board and to all other members. All company members shall provide the Executive Director with a schedule of their shareholders, listing the identity of the beneficial owners of such shares and the number of shares held by each beneficial owner. The Executive Director shall maintain a file of such schedules and the file shall be open for inspection by any person at an office of the Exchange nominated by the Executive Director.
- 6.10 Where there is a change in either the registered ownership or the beneficial ownership of any shares in a company member, the directors shall immediately advise the Executive Director, giving full details of the change and also confirming the identity of the beneficial owner of such shares so that the register referred to in Rule 6.09 may be updated.
- 6.11 Failure by a company member to disclose either changes in shareholding or the identity of the beneficial owners of its shares shall render the member liable to suspension by the Board. A suspension pursuant to this rule shall continue until such disclosure shall have been made to the satisfaction of the Board.
- 6.12 Whenever a new director of a company member is appointed, the company shall forthwith deliver to the committee of the appropriate regional exchange a statutory declaration by the director stating that the company is complying with Rule 6.07 and that the director will ensure

that the company will abide by the Rules of the Exchange and the bylaws of the appropriate regional exchange.

- 6.13 Whenever a company member files with the Registrar of Companies an annual return or a notice of a change in its share capital, or its directors or articles of association, it shall at the same time send a copy of such return or notice to the Executive Director and to its regional exchange.

- 6.14 Every sharebroking firm shall designate one individual member to be managing partner or managing director as the case may be.

7.0 Sharebroking Offices

- 7.01 A member may have more than one sharebroking office and any sharebroking office may be situated anywhere in New Zealand or overseas.

- 7.02 Every sharebroking office shall be under the direct full time control of either at least one individual member or a suitably qualified and experienced employee of that member.

- 7.03 Where a member proposes to operate a sharebroking office under the control of a non-member employee, that member shall first seek the consent of the Board to the proposal by satisfying the Board that the employee concerned has the necessary qualifications and experience to be in charge of a sharebroking office.

- 7.04 As a minimum, an employee so proposed should:

- 7.041 Have at least 2 years' full time experience in the office of a member or in the giving of investment advice to the public; and

- 7.042 Hold a sharebroker's licence; and

- 7.043 Have attained a pass in such examinations or part thereof as the Board may from time to time prescribe or have completed any educational programme which in the opinion of the Board should qualify such a person to be in charge of a sharebroking office.

- 7.05 Where a member's sharebroking office is situated in the territory of a regional exchange that is not the member's regional exchange, the sharebroking business conducted in or from that sharebroking office shall be subject to:

- 7.051 Rule 23 of these rules as if the member belonged to that regional exchange; and

- 7.052 The bylaws of both of those regional exchanges. In the case of any conflict between such bylaws, the bylaws of the regional exchange within the territory of which that sharebroker's office is situated shall prevail.

- 7.06 A member wishing to open his first sharebroking office, or to establish a new sharebroking firm, whether as a sole trader, as a company member or in association with another member, shall first be required to satisfy the Board that:

- 7.061 He and any other member with whom he is associated in the venture, is able to meet the capital and equity requirements set out in these rules or in any regulations made thereunder;

- 7.062 His office and book keeping systems are of an acceptable standard when measured against those already in place in other sharebroking firms. For the purposes of this rule, a certificate to the appropriate effect from the Stock Exchange Inspector will suffice;

- 7.063 His senior staff are suitably experienced and capable to enable his business to be conducted in a way which will not place other members and the investing public at financial risk.

For the purposes of this Rule, no sharebroking firm shall be deemed to be "new" merely because another member has become associated with it or because any part of its shareholding may have changed hands or because it has merged with another sharebroking firm.

- 7.07 Any person admitted to membership who is at the time of