

accountable to the Board and shall have such powers as the Board from time to time determines.

- 25 (3) Every member who carries on whether alone or in partnership any business in addition to the business of sharebroking shall give security by bond (at such time for such amount and in such form as shall be determined by the Board) conditioned to secure the fidelity of such member.
- 25 (4) Every member who is in partnership with any person who is not a member (whether or not such person is in the opinion of the Board actively engaged in sharebroking) shall (in addition to compliance with Rule 25 (3)) take out and maintain a bond to secure the fidelity of that person in respect of each type of business (other than sharebroking) engaged in by him each such bond to be in the sum of \$20,000 or such larger figure as the Board may from time to time determine and such bond shall be in favour of or assigned to the Exchange provided that this Rule shall not apply in respect of any business where that person is already covered by a fidelity fund covering real estate agents or chartered accountants or by some other fidelity fund approved for the time being by the Board.
- 25 (5) Every member shall (except as provided in Rule 25 (8)) pay such annual contribution and such additional levy as may from time to time be fixed by the Board, provided that the total amount of all contributions and additional levies paid by members in any one year shall not, in aggregate, exceed the sum of \$500,000 and the Board may differentiate between individual members and company members in setting the amount of any levy payable by either class of member. No person shall be entitled to a refund of any contributions or additional levies paid into the fund.
- 25 (6) The Board shall also have the power to enter into any contract of insurance which may either supplement, replace or otherwise contribute to any payment made from the fund as a result of any just claim being met.
- 25 (7) The premium for such insurance may at the complete discretion of the Board, be paid from the capital of the fund, the income of the fund, special levies upon members or upon market transactions or any combination thereof.
- 25 (8) If at the beginning of any financial year the amount of the fund after deducting the amount of all unpaid claims and other liabilities outstanding is not less than \$250,000, the amount of the annual contributions payable in respect of that year may be reduced by the Board but nothing herein shall be construed to limit the power of the Board to fix any additional levy in respect of that year.
- 25 (9) Subject to Rule 25 (11), a person claiming to be entitled to reimbursement from the fund or any scheme of insurance related thereto shall not be entitled to receive more than \$20,000 or such greater amount as the Board may in its absolute discretion determine in respect of any loss suffered as a result of the acts or defaults of any one member or his firm.
- 25 (10) Subject to Rule 25 (11), the total amount payable out of the fund or any scheme of insurance related thereto, to meet claims (as limited by Rule 25 (9)) arising out of the inability of any member or his firm to meet the financial obligations of such member or his firm shall be limited to \$500,000 or such greater or lesser amount as may be from time to time determined by the Board.
- 25 (11) Subject to Rules 25 (9) and 25 (10), the Board in its absolute discretion shall determine the extent (if any) to which any claim on the fund shall be met.

26 Short Sales

- 26 (1) No member shall enter into a short sale contract, either on his own behalf or knowingly for a client unless such short sale is undertaken in compliance with procedures from time to time prescribed by the regulations.
- 26 (2) The term "short sale" shall have the meaning given to it in the regulations and variations of that term shall have corresponding meanings.
- 26 (3) The Board shall make regulations setting out the conditions on which members may make short sales. Such regulations shall include provision for approving securities which may be short sold, setting limits on the proportion of issued capital of any company which may be the subject of open contracts to short sell, and establishing margins of cover for short sales and position limits where appropriate.

27 Miscellaneous and Common Seal

- 27 (1) Odd lot dealers shall be appointed to deal with sales of parcels of shares not amounting to a marketable parcel as defined by or under these Rules. The operation of dealings in odd lots by or with official odd lot dealers shall be prescribed by the regulations.
- 27 (2) Where existing shareholders are given the right to apply for new shares, notes, debentures, or other securities offered to shareholders prior to delivery of shares sold for cash, members shall take such action as may be necessary or prescribed by the regulations to protect the rights of the buyers in respect of the securities so offered.
- 27 (3) Members shall take such action as may be necessary or shall be prescribed by the regulations to protect the rights of buyers in respect of entitlements to dividends or interest and the Board may by regulation or otherwise lay down Rules for determining the respective rights of buyers and sellers in regard to dividends, interest or capital distributions and in regard to settlement procedures relating to matters affected by this Rule.
- 27 (4) The Board may by regulation or otherwise make such provision as it thinks fit for dealing with the rights and obligations of buyers and sellers with regard to calls made on shares the subject of sale.
- 27 (5) Securities transfers as defined by the Securities Transfer Act 1977 must be used for all transactions in New Zealand registered securities and the Board may determine, by regulation or otherwise, the procedures to be adopted with regard to the completion and processing of all such transfers.
- 27 (6) The Exchange shall have a Common Seal which shall be kept in the custody of the Managing Director and shall be used only by the authority of a resolution of the Board and every instrument to which the Common Seal is affixed shall be signed by a member of the Board and countersigned by a second member of the Board.

28 Financial

- 28 (1) The Board shall have power to invest the funds of the Exchange in such manner as it shall think fit.
- 28 (2) The Exchange shall have power to borrow or raise or secure the payment of money in such manner as the Board may think fit and may for that purpose mortgage charge or otherwise encumber all or any of the assets of the Exchange.
- 28 (3) The control of the funds of the Exchange shall be vested in the Board.
- 28 (4) The Board may delegate to any member or members, authority to control, invest or use such part of the funds of the Exchange as it thinks fit.