

(b) the termination of any such agreement.

28.6 An Exchange Broker shall not permit any one client (in which context the expression "client" includes all persons related or affiliated to, associated or connected with, or financially dependent upon, the client) to represent such a percentage of the trading by the Exchange Broker as may prejudice or diminish the ability of the Exchange Broker to meet its obligations.

28.7 An Exchange Broker who is a Trading Permit Holder shall, when entering an order into the Trading System in consequence of instructions received from a client, use the identifier assigned to that client in accordance with Rule 35.2.

## 29. FINANCIAL RESOURCES REQUIREMENT

29.1 An Exchange Broker, unless it is a registered bank or an Australian bank (in which case it shall be exempt from this Rule 29), shall ensure that at all times its Financial Resources exceed its Financial Resources Requirement.

For the purposes of this Rule 29:

- (a) an Exchange Broker's Financial Resources are its Allowable Assets **less** its Liabilities, both as calculated and/or adjusted in accordance with Rule 29.4;
- (b) an Exchange Broker's Financial Resources Requirement is the aggregate of its Base Requirement (as calculated in accordance with Rule 29.2) **plus** its Investment Position Risk Requirement (as calculated in accordance with Rule 29.3).

29.2 An Exchange Broker's Base Requirement is the greater of:

- (a) its Absolute Minimum Requirement; which
- |  |           |
|--|-----------|
| (i) in the case of an Introducing Broker is:   | \$15,000  |
| (ii) in the case of an Exchange Broker, all of whose customer business activities are subject to compliance with the Regulations is: | \$150,000 |
| (iii) in the case of any other Exchange Broker is:   | \$300,000 |
- (b) its Volume of Client Business Requirement; which is the aggregate of the following amounts:
- |   |  |
|---|--|
| (i) where the initial margin requirement for a client, or any affiliated clients, represents 20% or more of the total initial margins for all clients:    | 50% of the minimum initial margin requirement for each of those clients, or affiliated clients |
| (ii) where the initial margin requirement for a client, or any affiliated clients, represents less than 20% of the total initial margins for all clients: | 20% of the minimum initial margin requirement for each those clients or affiliated clients     |

29.3 An Exchange Broker's Investment Position Risk Requirement is the aggregate of the following amounts calculated in respect of all Contracts, contracts for differences, and investments, held by the Exchange Broker for its own account, in respect of which exposure to loss is not limited to the purchase price:

- (a) margined transactions:

- |                                      |  |
|--------------------------------------|--|
| (i) bought options                   | the amount of the premium less initial margins paid                                    |
| (ii) all other margined transactions | twice the initial margin requirement   |
| (b) non margined transactions        | 7.5% of market value, or, if there is no market value, 10% of original historic value. |

29.4 In calculating the Financial Resources of an Exchange Broker the following rules shall apply:

- (a) Allowable Assets are:
- (i) 100% of client money and client property:
- |  |
|--|
| (aa) held in client bank accounts or as specified client investments pursuant to the Regulations;  |
| (bb) held in client funds accounts with any clearing house pursuant to the Regulations;  |
| (cc) held in client funds accounts with any other Dealer pursuant to the Regulations where such amounts are not more than five days overdue. |
- (ii) 100% of the Exchange Broker's own money and property:
- |  |
|--|
| (aa) held with any registered bank or overseas bank or held in any property approved as suitable for specified client investments pursuant to the Regulations; |
| (bb) held with any exchange clearing house;  |
| (cc) held with any other futures broker where such amounts are not more than five days overdue.  |
- (iii) 100% of claims on any instrument designated with a risk weighting of 20% or less under the capital adequacy measurement regime applied by the Reserve Bank of New Zealand.
- (iv) 75% of the market value of shares listed on a recognised stock exchange.
- (v) Any debt due by any person to the Exchange Broker, to the extent that the Business Conduct Committee is satisfied that the debt is properly secured and the Exchange Broker has the right to set off amounts owed by it against that debt and that right is contained in an agreement with that person. For the purposes of this Rule 29.4(a)(v) "properly secured" in relation to a debt owed to an Exchange Broker means a debt which is secured by a charge in favour of the Exchange Broker over a readily realisable investment where the Exchange Broker has in its possession or under its control the document of title to that investment or asset or is otherwise able to realise it so as to discharge the debt.

All other assets shall be excluded except those for which prior written approval to their inclusion has been obtained from the Business Conduct Committee.

- (b) All Liabilities shall be included with the exception of:
- (i) in the case of an Exchange Broker which is a corporate body, its paid up share capital and reserves;