



Practice Note #7

Trading Wholesale Securities

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Qualifications

The Stock Exchange of Newcastle Limited (NSX) issues practice notes to promote commercial certainty, reduce costs to business and assist market participants, and we are available to discuss any questions you have in relation to a practice note.

NSX may replace practice notes at any time. Issuers should contact NSX to ensure that they have the latest version of a practice note. As a practice note is only a guide to NSX practice, issuers are advised to contact NSX to discuss their particular circumstances and the application of the listing rules. NSX cannot give legal advice to issuers and recommends that they consider taking advice from a qualified professional person.

Practice Note History

First Issued 20/5/2003

Introduction

The Stock Exchange of Newcastle Limited (NSX) lists wholesale Securities under Listing Rules Section 2B. This Practice Note describes the method of trading that apply to Participating Organisations who wish to transact in Wholesale Loan Securities.

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Definitions

- (a) "**Act**" means the Corporations Act 2001, as amended.
- (b) "**Wholesale Loan Securities**" means Loan Securities and transferable certificates of deposit for which the minimum value of a bid or Offer is \$500,000.
- (c) "**Bulletin Board**" means the electronic mechanism which displays bids and Offers for Securities but does not provide the mechanism for execution or settlement of transactions in the Securities displayed.
- (d) "**Wholesale Loan Securities Market**" means the Bulletin Board part of NETS for Wholesale Loan Securities.

Unless the contrary intention appears in this Practice Note, where a word or expression has a particular meaning in the Listing Rules and Business Rules, that word or expression has the same meaning in this Practice Note.

Minimum bids and Offers

Participating Organisations are advised that the minimum value of a bid or Offer for Wholesale Loan Securities must be \$500,000. The face value of the Security is determined by the issuer. The minimum traded value must be \$500,000 or more.

A Participating Organisation must not aggregate client orders, which individually have a value of less than \$500,000 so as to be able to place one consolidated order in the Wholesale Loan Securities Market.

Each bid or Offer price entered into the Wholesale Loan Securities Market will be placed in priority according to the highest priced bid and the lowest priced Offer, notwithstanding that there will be no matching of bids and Offers.

Trading Loan Securities by Participating Organisations

Where a transaction in Wholesale Loan Securities entered into between a buying Participating Organisation and a selling Participating Organisation results in the selling Participating Organisation having a remaining Offer with a value of less than \$500,000 then the selling Participating Organisation shall either:

- (a) amend the Offer so that it is not less than \$500,000; or
- (b) remove the Offer from the Wholesale Loan Securities Market.

A Participating Organisation that wishes to participate in the Wholesale Loan Securities Market must choose the counterparty with which it wishes to trade, subject to the following:

- (a) the Participating Organisation must enter a bid or Offer (whichever is applicable) into the Wholesale Loan Securities Market in respect of the class of Wholesale Loan Securities it wishes to trade;
- (b) the proposed counterparty must have entered a corresponding Offer or bid (whichever is applicable) into the Wholesale Loan Securities Market in respect of the same class of Wholesale Loan Securities;
- (c) a Participating Organisation must take immediate action to manually amend any bid or Offer which is partly satisfied or remove any Bid or Offer which is fully satisfied;
- (d) a Participating Organisation who executes a transaction must notify that transaction to the Exchange in a manner specified by the Exchange and published to the market (Business Rule Part C 82.1). Such a notification will constitute confirmation of the transaction, however failure to notify the transaction shall not affect the validity of the transaction.

The Participating Organisation may communicate the bid or Offer (whichever is applicable) in Wholesale Loan Securities to sellers or buyers (whichever is relevant) by telephone or any other form of communication acceptable to the parties. Any agreement arising from that communication must be able to be verified.

A transaction in respect of Wholesale Loan Securities shall be binding from the time that both Participating Organisations agree to the terms of the transaction.

The provisions of Business Rules Part C 70 – 81, 83, 84 do not apply to transactions in Wholesale Loan Securities.

Trading activity reflected on NETS Trader Workstation

Wholesale Loan Securities are displayed in a bulletin board style on NETS. That is, all Wholesale Loan Securities are placed in **permanent** pre-open on NETS. NETS will not automatically match any orders in these Securities. Orders must be entered or amended by Designated Trading Representatives, however, trading will be conducted off-market. It is expected that dealers will execute trades over the phone and verifiable records must be made of details of the trade.

A participant with an order in the market is able to trade with any participant who has an order on the opposing side of the market. Please note that although NETS will display the orders in price/time priority, participants are not obliged to follow priority when determining who to trade with.

Once a trade has been agreed by the Participants, the seller must report the trade on NETS, using the Trade key and Parameter D (NSX Directed Reporting - Business Rule Part C 85.1). Both the Buyer and Seller must also amend/delete their orders to reflect that the trade has occurred.

Any trades that are reported to NETS will not update the open, high, low and last prices. However, these trades will update the daily volume and value.

NETS will continue to validate that any order entered in a Wholesale Loan Security meets a minimum consideration of \$500,000.

Designated Trading Representatives can view a list of Wholesale Loan Securities through NETS Trader Workstation. To access the Wholesale Summary work page:

Press IR then to the **Param** field and type **5HT**

Settlement

Currently all of these Securities settle outside CHESS. Non CHESS settled Securities can be identified on NETS through the presence of the NON-CHESS identifier in the Extended Detail Header (Function D) on the NETS Trader Workstation.

Unless otherwise agreed, the transaction in Wholesale Loan Securities shall be settled three (3) Business Days after the date that the parties agree on the terms of the transaction.

Crossings

The Crossing Rules in Business Rules 34 – 38 (contained in Part C) and the reporting obligations in relation to Crossings and Special Crossings in Business Rule 75 (contained in Part C), do not apply to the Wholesale Loan Securities Market.

A Participating Organisation who initiates a Crossing in Wholesale Loan Securities shall notify the Crossing to the Exchange in a manner specified by the Exchange and notified to the market (Business Rule Part C 82.1).

Suspensions

If Securities which are quoted on NETS (including the Wholesale Loan Securities Market) are suspended from quotation no trading can take place in relation to those Securities (including Wholesale Loan Securities) without the permission of the Exchange.

If the Trading Permission of a Participating Organisation is suspended in accordance with Listing Rule 2.18 then the Trading Permission of the Participating Organisation shall be suspended generally so that the Participating Organisation must not enter orders into NETS and must not seek to enter into transactions in the Wholesale Loan Securities Market.

If the Exchange reasonably considers it necessary for the efficiency and integrity of:

- (a) the Wholesale Loan Securities Market; or
- (b) the markets generally provided by the Exchange; or
- (c) the proper functioning of the Wholesale Loan Securities Market,

the Exchange may suspend the operation of the Wholesale Loan Securities Market generally, or the Wholesale Loan Securities Market in relation to a particular class of Wholesale Loan Securities.

Amended, Cancelled Or Withdrawn Orders

The provisions of Business Rules Part C 88 – 90 do not apply to the Wholesale Loan Securities Market.

Once agreement has been reached by the Participating Organisations who are parties to a Wholesale Loan Securities transaction, the transaction can only be cancelled with the consent of both parties to the transaction and in such event where the transaction has been previously notified to the Exchange, the cancellation of the transaction shall be notified to the Exchange in the manner specified by the Exchange and notified to the market.

Orderly Market

A Participating Organisation must ensure the conduct of an orderly market in Wholesale Loan Securities and in this regard, the provisions of Business Rule Part C 7.1 shall apply.

Manipulative Trading

A Participating Organisation shall not deal in Wholesale Loan Securities in a manner which has the effect of creating a false or misleading appearance of active trading in Wholesale Loan Securities, or with respect to the market for or the price of Wholesale Loan Securities and accordingly, the provisions of Business Rule Part C 8 shall apply.