

New Zealand Financial Product Market Licence (Catalist Public Market) 2021

1 Title

This licence may be cited as the New Zealand Financial Product Market Licence (Catalist Public Market) 2021.

2 Definitions

(1) In this licence:

Act means the Financial Markets Conduct Act 2013.

Auction Process means an auction process conducted in accordance with the Catalist Market Rules, including the related content on the Catalist website.

Catalist means Catalist Markets Limited.

Catalist Public Market has the meaning given to it in the Regulations.

Commencement Date means 21 June 2021.

Electronic Transfer System means a system approved for electronic transfer of financial products under the Financial Markets Conduct (Approval of Catalist Electronic Transfer System) Order 2021.

FMA means the Financial Markets Authority.

Issuer Rules Enforcement Policy has the meaning given to it in the Market Rules.

Market capitalisation means in relation to:

(a) an issuer of equity securities that are or will be quoted on the Catalist Public Market (whether or not it is also an issuer of debt securities that are or will be quoted), means the higher of the following:

(i) the value of all of the issuer's equity securities, as implied by the market price or fair value of those equity securities to be determined in accordance with generally accepted accounting practice: and

(ii) the net assets of the issuer and its subsidiaries (if any) as reported in the most recent financial statements or group financial statements prepared in accordance with generally accepted accounting practice for the issuer and those subsidiaries (if any):

(b) an issuer to which paragraph (a) does not apply and is an issuer of debt securities that are or will be quoted on the Catalist Public Market, means the net assets of the issuer and its subsidiaries (if any) as reported in the most recent financial statements or group financial statements prepared in accordance with generally accepted accounting practice for the issuer and those subsidiaries (if any)

(c) an issuer to which neither paragraph (a) nor paragraph (b) applies and that is an issuer of managed investment products that are quoted on the Catalist Public Market, the total gross value of assets under management by the issuer in respect of all managed investment schemes of which it is the manager (calculated in accordance with generally accepted accounting practice).

Market Rules means the Catalist Public Market rules, within the meaning of section 328 of the Act, and include listing rules and business rules (by whatever name called), as amended or replaced from time to time.

Regulations means the Financial Markets Conduct (Catalist Public Markets) Regulations 2021.

(2) Any term or expression that is defined in the Act and used, but not defined, in this licence has the same meaning as in the Act.

3 Licence and revocation

(1) This licence is a financial product market licence conferred on Catalist under clause 316 of the Act to operate the Catalist Public Market.

(2) This licence is effective from Commencement Date and shall continue in force until cancelled.

4 Application

This licence is subject to the conditions set out in this licence, the Regulations and applicable requirements in the Act for licensed market operators.

5 Operating condition

Under this licence Catalist may operate only the Catalist Public Market.

6 Clearing and settlement arrangements condition

(1) Catalist must have and maintain at all times adequate and effective clearing and settlement arrangements for transactions effected through the Catalist Public Market.

- (2) Clearing and settlement arrangements are those described in the Market Rules and the rules governing the use of Electronic Transfer System.
- (3) Catalist must notify the FMA of any material changes to the clearing and settlement arrangements at least 30 days' prior to them coming into effect, or in relation to the Market Rule changes as prescribed by the Act.

7 Enforcement of Market Rules condition

- (1) Catalist must have and maintain the arrangements for enforcing compliance with the Market Rules as set out in the Market Rules and the Issuer Rules Enforcement Policy.
- (2) Catalist must notify the FMA of any material changes to the enforcement arrangements at least 30 days' prior to them coming into effect, or in relation to the Market Rule changes as prescribed by the Act.

8 Further conditions

- (1) Catalist must apply the following market capitalisation limits and parameters to all issuers (i.e. irrespective of whether the issuer is holding public or restricted auctions):
 - (a) To be eligible to list on Catalist Public Market, an issuer's initial Market Capitalisation must not exceed NZ\$60 million.
 - (b) Once listed, an issuer's Market Capitalisation must not exceed NZ\$100 million;
 - (c) A two-year transition period will apply for issuers from the date the Issuer's Market Capitalisation first exceeded this level, i.e. once the NZ\$100 million market capitalisation is reached, an issuer will have two years to exit the market. In exceptional circumstances, Catalist may grant a waiver in accordance with its Market Rules, after Catalist has consulted with the FMA in relation to such waiver and taken their response into account;

This condition will be subject to review by the FMA within 24 months of the commencement of any activity covered by this licence.

- (2) Catalist must have adequate arrangements to ensure that, before a retail investor first acquires a financial product on the Catalist Public Market, the retail investor has been provided with information on the nature of the Catalist Public Market and how it differs to a continuous trading exchange, and the risks associated with investing on a market designed for small and medium-sized businesses.

- (3) Prior to commencement of any activity covered by this licence, Catalist must receive written confirmation from the FMA that it is satisfied with the final technology solution.
- (4) Within 6 months of commencement of any activity covered by this licence, Catalist must provide the FMA with independent verification of the key aspects of the system functionality for executing, running, and settling market transactions, and on the accuracy and integrity of the automated trading functions.
- (5) Catalist must have at least one experienced independent director on Catalist's Board.
- (6) the compliance assurance functions for Catalist Public Market, whether insourced or outsourced, must have a direct reporting line to the Catalist's Board provided that the majority of the Board are independent. If the majority of Catalist's board of directors is not independent then the compliance assurance functions must instead have a direct reporting line to an independent director.
- (7) Catalist must have a dedicated regulatory and compliance resource, which is separate to its commercial function when the Catalist Public Market exceeds its initial year trading projections as notified to the FMA at the time of licence application.
- (8) Catalist must comply with the provisions contained in the Regulations.
- (9) In relation to the Catalist Public Market, Catalist shall at all times ensure that the FMA has been given notice of the person the FMA should contact in the first instance about any matters arising.



Hon Dr David Clark
Minister of Commerce and Consumer Affairs

31 / 5 / 21