

Financial Market Infrastructures Act 2021

Section 39(3) Notice of Approval of Rule Change

NZCDC Settlement System (NZCDC)

The Financial Markets Authority and the Reserve Bank of New Zealand (together **the regulator**), under section 39(3) of the Financial Market Infrastructures Act 2021 (**Act**) approves the rule change to the NZCDC settlement system rules, pursuant to the application by New Zealand Clearing Limited under section 39(1) of the Act dated 23 December 2024.

The rule changes are set out in the New Zealand Clearing Limited Clearing and Settlement (**C&S**) Rules and New Zealand Depository Limited Depository Operating (**D**) Rules, forming part of the NZCDC Settlement System rules pursuant to paragraph 7(a) of the Financial Market Infrastructures Act Designation Notice (NZCDC) 2024, and is described as follows:

Rule 1.3.1 of C&S Rules regarding the updated references to the FMI Act and the rule amendment process requirement for regulatory approval rather than non-disallowance.

Rule 1.6 of C&S Rules regarding the definitions of Customer, Customer Account and General Clearing Participant to provide certainty that a customer is a counterparty to a C&S agreement and to reflect the Direct Clearing Model and International Model where the Customer is not a trading participant and does not execute the Trade.

Rule 2.11.1(b) of C&S Rules regarding warranty to ensure that a Clearing Participant is required to take reasonable steps to obtain consent to novation from a client to whom its customer provides clearing and settlement services.

Rule 2.14.3(c)(iv)(A), (B), and (C) of C&S Rules regarding client funds protection disclosures ensuring that a customer must confirm in its C&S agreement that it has provided a description of the protections that apply to its handling of client assets to its underlying clients.

Rule 2.14.3(i) of C&S Rules (deletion) and proposed Rules 2.14.3(i) to (l) of C&S Rules regarding the termination of C&S agreements requiring a Clearing Participant to remain responsible for discharging settlement transaction obligations notwithstanding the termination of the agreement.

Rule 3.6.3 of C&S Rules regarding give-ups ensuring greater certainty for clearing participants as to when novation has occurred and is effective.

Rule 7.15.4 of C&S Rules regarding the rewording of “client” to “customer” to align with the terms provided in definitions of the rules.

Rule 3.3.6 of D Rules regarding the end of day cash process enabling additional flexibility to participants to retain money balances in settlement accounts overnight rather being required to refund to an ESAS or Clearing Bank account.

The rule change takes effect from 09:00 on 28 March 2025.



26 February 2025
Scott McKinnon
Director of Prudential Supervision
Reserve Bank of New Zealand



26 February 2025
John Horner
Director Markets, Investors & Reporting
Financial Markets Authority