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NZX confirms changes to trading and clearing pricing structure

NZX confirms it will implement changes to its trading and clearing pricing structure on 1 October 2018. Targeted policy changes and technology improvements will be introduced alongside pricing changes.

Driving secondary market development, further improving liquidity levels and enhancing price transparency were some of the most important initiatives outlined in the exchange's refreshed strategy in November 2017.

These changes follow a successful trial of a new pricing structure in the secondary market over the past 12 months, which has helped contribute to an additional 33% in on-market value traded since August 2017. At the beginning of 2017 on-market activity was 39.8%, it is now 53.3%. This compares to 23% on-market value traded ten years ago, and 28.8% five years ago.

NZX anticipates that on-market liquidity will continue to grow at the same rate.

Trading and clearing pricing changes

The new pricing structure will remove the current \$1.31 per trade fixed fee and move to a fully variable or value based fee structure. This pricing structure now aligns with broker business models and will enable them to price for their services with more certainty. The new trading and clearing pricing schedule can be accessed [here](#).

Targeted policy changes

NZX released a [consultation paper](#) in April 2018 to review targeted areas of its secondary market rule settings to support the pricing and technology changes. NZX received six formal submissions along with extensive written and verbal feedback from brokers, the New Zealand Shareholders' Association, institutional investors, Transparency International New Zealand, and the Financial Markets Authority. These changes are designed to address this feedback.

The outcome of the review was that NZX will introduce a minimum crossing size for trading on its Main Board and NZAX markets, initially set at \$50,000. Off market crossings may be conducted below this level provided they result in "price improvement" for both sides of the trade. The minimum crossing size will be reviewed regularly to ensure it remains fit for purpose as NZX's markets develop further. Changes will also require that at least one side of a crossing relates to a single party.

Subject to approval from the Financial Markets Authority, NZX aims to introduce the rule changes on 1 October 2018 to align with pricing and technology changes. NZX will confirm timing for the rule changes in due course.



Technology changes

Pricing and targeted policy changes are supported by additional functionality which will be added to the trading system, X-Stream. This responds to feedback from the market to introduce pre-negotiated deal functionality to allow pricing of trades to four decimal places. These changes will enable dealers to facilitate midpoint crossings below the minimum crossing threshold and report off-market trades with increased precision (e.g. VWAP trades).

NZX Head of Markets Development and Clearing Benjamin Phillips commented: “Driving secondary market development was a key pillar of our refreshed strategy, and momentum created over the past 18 months demonstrates that the market is aligned on its direction.”

“Collectively, today’s changes will enhance price transparency, facilitate growth in liquidity, and continue to advance New Zealand’s secondary market.”

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