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NZX implements mutualised default fund

NZX has redesigned its Clearing House capital structure with the implementation of a mutualised default fund today.

The fund requires contributions from dairy derivatives clearing participants, diversifying the capital available for NZX Clearing to cover the potential risk of a participant defaulting. A fund of this nature is in line with global best practise and, given the growth trajectory of NZX's dairy derivatives market, it is an appropriate time for the exchange to implement this structure.

NZX Head of Markets Development & Clearing Benjamin Phillips commented: "The mutualised default fund is an essential enhancement to NZX's risk management framework and will support the growth of our global derivatives market. Core to the delivery of the fund is efficient utilisation of capital when providing market protection, which in turn supports market growth."

The fund's implementation will allow for great growth of the dairy derivatives market before the exchange is required to contribute further capital. It builds on a series of initiatives NZX has delivered over the past 12 months to grow the market, including the introduction of increased trading functionality, and extension of market trading hours to meet customer demand in Asia and Europe.

The fund's introduction follows a 12-month consultation and engagement period with the market on proposed changes and amendments to the NZX Clearing and Settlement Rules. The updated rules and default fund policy can be found at the link below:

<https://www.nzx.com/regulation/nzx-rules-guidance/default-fund-rule-amendments>

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