



Subject Outline

508N Securities Law and Market Regulation in New Zealand



Section 1 — General information

1.1 Administrative details

Duration	Subject coordinator
One study period (12 weeks)	Alan Hewetson

1.2 Core or elective subject

This is a core subject for the NZX Adviser course.

1.3 Delivery mode

This subject is delivered online.

1.4 Prerequisites

There are no prerequisites for this subject.

1.5 Assumed knowledge

Not applicable.

1.6 Course transition subject equivalence

There are no equivalences for this subject.

1.7 Work integrated learning

There are no placements, internships or work experience requirements associated with undertaking this subject.

1.8 Other resource requirements

Students do not require access to specialist facilities and/or equipment to undertake this subject.



Section 2 — Academic details

2.1 Subject overview

This subject focuses on the legal system in New Zealand as it relates to the market. It provides an overview of the functions of key regulatory bodies, including the New Zealand Exchange Limited (NZX). The subject also discusses how companies raise capital, then establish and run a business. It also outlines the protection available to investors in the NZX. Individuals apply their knowledge via case studies and realistic scenarios.

2.2 Subject learning outcomes

On successful completion of this subject, students should be able to:

1. Explain the regulatory framework of the securities industry in New Zealand.
2. Identify and apply various common law, rules, legislation and financial market rules applicable to market participants.
3. Explain how companies differ from other business structures and identify the duties/rights of directors and shareholders.
4. Discuss the rights and obligations of the NZX firm/client relationship.
5. Discuss the regulation of derivatives.

2.3 Topic learning outcomes

Topic 1: Fundamental objectives of NZX and stock market regulation

On successful completion of this topic, students should be able to:

- explain the objectives of stock market regulations in New Zealand
- give an overview of the different sources of law and the rules applicable to the securities industry
- list the current sources of securities industry law
- explain the role of NZX
- define self-regulation.

Topic 2: Bodies that regulate the stock market

On successful completion of this topic, students should be able to:

- list the major regulatory bodies in the securities industry in New Zealand
- explain the role and function of NZX Limited (NZX)
- explain the role and function of the NZ Markets Disciplinary Tribunal (NZMDT)
- explain the role and function of the Financial Markets Authority (FMA)
- discuss the enforcement powers of each regulatory body
- explain the role and function of the Ministry of Business, Innovation and Employment (MBIE)
- explain the role and function of the Commerce Commission
- explain the role and function of the Overseas Investment Office (OIO)
- list other bodies that have a role, whether directly or indirectly, in the securities industry.

Topic 3: Listing and quotation of securities on NZX

On successful completion of this topic, students should be able to:

- explain flotation
- describe the function of the Listing Rules
- define the prerequisites for listing
- outline the steps in the listing process
- explain the prerequisites for quotation
- understand the documents which must be approved or submitted to obtain listing and quotation
- explain the different offer documents under the Financial Markets Conduct Act 2013
- explain what should be included in a product disclosure statement (PDS)
- explain what should be included on the register
- describe the requirements for registration of a PDS
- explain how amendments can be made to a PDS
- describe when a PDS may be suspended or prohibited and the effect of that action
- describe when registration of a PDS may be cancelled or suspended and the effect of that action.

Topic 4: Continuing obligations of listed issuers under the Listing Rules

On successful completion of this topic, students should be able to:

- describe the Listing Rules applicable to directors
- explain the NZX Corporate Governance Code
- explain the provisions of the Listing Rules in relation to issues and buybacks of equity securities
- explain the provisions of the Listing Rules in relation to the variation of voting rights, pricing and modification
- describe the voting rights of partly paid shareholders
- explain the participation of options in a rights issue
- explain the rights of an issuer to a lien in respect of unpaid amounts
- explain the forfeiture of securities
- describe the Listing Rule requirements if an issuer wishes to enter into a material transaction or a transaction with a related party
- explain the procedure required before an issuer can enter into a major transaction
- describe the rights of a shareholder who votes against a resolution to approve a major transaction
- explain the various disclosure obligations of listed issuers
- define 'material information'
- describe, in general, the Listing Rule provisions for transfers and statements.

Topic 5: Takeovers

On successful completion of this topic, students should be able to:

- define a takeover
- list the objectives that may prompt a takeover
- list the alternatives to a takeover
- outline the main provisions of the Takeover Rules that regulate takeovers
- explain the Fundamental Rule used in the Takeover Rules
- explain the key difference between the Takeover Rules and the previous rules that applied up to 30 June 2001
- describe the enforcement provisions of the Takeover Rules
- explain the compulsory acquisition rules.

Topic 6: Business structures

On successful completion of this topic, students should be able to:

- list the various legal structures available for conducting a business
- list the main powers and liabilities of a company
- distinguish between the two types of companies
- describe and explain the functions of the constitution of a company
- list and explain the main duties of directors under common law and statute law
- explain the rights conferred on shareholders of a company
- explain what is meant by a class of shares
- describe the right of pre-emption under section 45 of the Companies Act 1993
- define a 'major transaction' under the Companies Act
- define an 'interest group'
- explain the requirements of the Companies Act 1993 in relation to taking an action which affects a shareholder's rights
- describe the buyout rights of a dissenting shareholder
- explain the structure of a managed investment scheme
- explain the roles of the supervisor and manager of a managed investment scheme.

Topic 7: Effect of common law on Market Participants

On successful completion of this topic, students should be able to:

- outline the law of contract
- list and describe the six essential elements of a contract
- describe the effect of 'mistake' on the law of contract
- list and describe the three classes of misrepresentation
- describe contracts which the law regards as illegal
- define the law of tort
- distinguish between rights under the law of tort from those under the law of contract
- list the four essential elements in the tort of negligence
- describe the 'duty of care' and explain when it applies
- describe the development of the tort of negligent misstatement
- list the potential liability for misstatements under other Acts relevant to the securities industry.



Topic 8: Relationship between Client Advising Participants and clients

On successful completion of this topic, students should be able to:

- explain the contractual relationship between Client Advising Participants and clients
- list the main rules governing the Client Advising Participant–client relationship and describe the context in which they apply
- describe the consequences of default by a client in buying or selling securities
- list possible conflicts of interest between Client Advising Participants and clients and describe the Client Advising Participant’s obligations in these circumstances
- understand good broking practice and the duty of care that a client can expect from their adviser
- list the five types of information contained in an Adviser disclosure statement that advisers must disclose to clients before giving advice
- describe the procedures for buying and selling securities on the markets operated by NZX and off-market.

Topic 9: Statutory law protection of investors

On successful completion of this topic, students should be able to:

- identify three categories of risk
- discuss three different approaches to protection
- list the powers of shareholders under the Companies Act 1993
- list other provisions of the Companies Act 1993 which afford protection to investors
- describe the purpose of the Financial Reporting Act 2013
- list the ways in which the Financial Markets Conduct Act 2013 controls both the way companies issue securities and the behaviour of security holders
- list the main features of the NZX Listing Rules aimed at protecting security holders and investors
- describe the purpose of the Commerce Act 1986
- describe the purpose of the Consumer Guarantees Act 1993
- describe the purpose of the Financial Advisers Act 2008 which regulated Financial Advisers until it became part of the Financial Markets Conduct Act from 15 March 2021
- describe the purpose of the Financial Service Providers (Registration and Dispute Resolution) Act 2008
- describe the purpose of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009
- describe the purpose of the Fair Trading Act 1986
- describe the purpose of the Privacy Act 1993
- describe the purpose of the Overseas Investment Act 2005.



Topic 10: Market Participants and NZX Advisers

On successful completion of this topic, students should be able to:

- explain the application and designation requirements for an NZX Trading and Advising Firm under the NZX Participant Rules
- explain the term Market Participant
- discuss the term 'good broking practice'
- describe the capital adequacy requirements in relation to Market Participants
- explain the importance of capital adequacy requirements for Market Participants
- describe the requirements in relation to the directors, the constitution and share ownership of a Market Participant which is a company
- explain the role of the managing principal and responsible executive
- describe the rules which relate to the management of Market Participants, and in particular NZX Trading and Advising Firms
- explain the designation requirements for NZX Advisers
- discuss ongoing compliance with the conduct rules by NZX Advisers
- explain the supervision requirements and the importance of the supervision requirements on applicants
- explain when designations such as a Market Participant, or NZX Adviser may be suspended or revoked
- discuss ethics within the stockbroking industry.

Topic 11: Trading conduct

On successful completion of this topic, students should be able to:

- describe the practice of short selling and outline the circumstances under which it is permitted
- outline the provisions designed to prevent market manipulation
- explain the elements of insider trading
- outline the exceptions to liability available to insiders.

Topic 12: Derivatives regulation

On successful completion of this topic, students should be able to:

- explain the New Zealand regulatory framework for dealing in derivatives
- describe the role and powers of the NZX in respect of the regulation of derivatives participants
- outline the key NZX Derivatives Market Rules.



2.4 Assessment schedule

Assessment	Description	Week	Topics	Weighting	Subject learning outcomes assessed
Task	Short- and long-answer questions	Week 4	1–3	20%	LO1, LO2
Assignment	Scenario based short- and long-answer questions	Week 7	1–7	40%	LO1–LO3
Exam	Multiple-choice, short-answer and scenario-based questions	Week 12	5–12	40%	LO2–LO5

Please refer to our website <www.kaplanprofessional.edu.au> to review student policies relating to your assessment, including the *Kaplan Assessment Policy* and *Academic Integrity and Conduct Policy*.

2.5 Prescribed text

There is no prescribed text for this subject. Students are provided with key readings and access to Kaplan's online databases. Students are encouraged to research and read widely on the topic.

2.6 Study plan

Week(s)	Topic name	Study load in hours
1	Topic 1: Fundamental objectives of NZX and stock market regulation	7
2	Topic 2: Bodies that regulate the stock market	7
3	Topic 3: Listing and quotation of securities on NZX	12
4	Topic 4: Continuing obligations of listed issuers under the Listing Rules Task (Weighting 20%)	12
5	Topic 5: Takeovers Topic 6: Business structures	14
6	Topic 7: Effect of common law on Market Participants	14
7	Topic 8: Relationship between Client Advising Participants and clients Assignment (Weighting 40%)	12
8	Topic 9: Statutory law protection of investors	8
9	Topic 10: Market Participants and NZX Advisers	8
10	Topic 11: Trading conduct	8
11	Topic 12: Derivatives regulation	12
12	Exam (Weighting 40%)	6
Total minimum study load		120 hours

Additional study hours (if required), dependent on knowledge and personal commitments	60 hours
Total study load, including additional study hours	180 hours