

SPX GUIDELINE NO. 01/2007

PROCEDURES FOR NEGOTIATED DEALS/SPECIAL CROSSINGS

INTRODUCTION

According to the South Pacific Stock Exchange (SPX) Business Rule 6.9.1., all negotiated deals or special crossings must be approved by SPX and effected by members in accordance with the negotiated deals/special crossing guidelines.

Transactions where brokers are able to match large volume require special consideration for execution. This is similar for exception given to private transaction categories. Appropriate consideration must be given for such transactions because if executed on SPX they may distort existing market conditions. The negotiated deal or special crossing of trades on SPX is allowed subject to obtaining prior approval from the SPX.

NEED FOR THE GUIDELINES

There are no specific provisions in the SPX Business Rules that establish the criteria for negotiated deals or special crossings. This notice provides SPX members with a practical guideline to be followed when crossing transactions of such nature.

GUIDELINES FOR NEGOTIATED DEALS OR SPECIAL CROSSING OF TRADES ON SPX

1. Application for permission to cross any trades has to be made to the South Pacific Stock Exchange and the application shall include the following information:
 - Reasons justifying the need for crossing
 - Names of the Buyers and Sellers
 - Volume of Shares to be crossed
 - Number of parcels
 - Price at which the crossing will take place
 - Proposed date of crossing
2. The consideration for the transaction is not less than \$100,000.00 or 5% of the Market Capitalization of the listed company of those Securities or such other amount as prescribed by the SPX.
3. The criteria for permission would also be limited to the following:
 - Non-Market Transactions i.e. non-commercial in nature
 - Any other circumstances that the SPX feels fit
4. The price range at which crossings can be done is either at the last trade price, within the range of 10% limit up or down or at a price accepted by SPX.

5. The Exchange will consider the application and make a decision. The decision will be conveyed to the member within 3 working days from the date of the application.
6. Once permission is granted, the crossing should be executed within the next 3 call market sessions from the date of permission. The Members need to advise the Exchange in writing by 9.00am on the day it chooses to cross.
7. "Special Market Announcement" will be made in the media for crossing. The announcement will include the volume and price crossed. The current market price of the security crossed will not be affected.
8. Normal SPX Facility & Settlement fees and RBF levy will be applicable (as defined in Schedule B of the Business Rules). Discount will be given based on the table below:

Consideration (\$)	Discount (%)
On the first 5 million	No discount
On the next 5 million	20%
On the next 10 million	35%
Thereafter	50%

9. Settlement of all crossed transactions needs to be done two days after the date of crossing (i.e. T+2). However, the SPX urges brokers to settle the special crossing trade after one day (i.e.T+1) to avoid a sudden increase in aggregate indebtedness which in turn affects the monthly net capital amount of the broking firm.
10. The following procedure should be adopted when executing special crossings:
 - The broker will right click on the security in which he wishes to execute the special crossing and select 'Negotiate Deal'.
 - The broker must then enter the details pertaining to the special crossing in terms security, board, quantity and price. For example, Security – FHL, Board – SPX Restricted Securities, Quantity – 50,000, Price - \$3.050.
 - For 'Reporting', select 'Q – Special Crossing - le' from the drop-down menu.
 - If the broker firm for both the buy order and sell order is the same, the broker must select 'Crossing'. Cross check details pertaining to the special crossing. Click on 'Enter' and the special crossing is executed.
 - If the broker firm for the buy order and sell order are different, the broker must select 'Two Sided'. The counterparty details need to be entered in terms of 'Firm' and 'User'. For example, if the sell broker is from FHS, select FHL Securities under 'Firm' and fhs_aw under 'User'. Click on 'Enter' to seek confirmation of the special crossing from the sell broker.
 - The sell broker will receive notification of the buy order relating to the special crossing on the 'Neg Deals' table. The sell broker must

double click on the notification received from the buy broker and cross check all details relating to the special crossing before selecting 'Confirm'. The confirmation will be received by the buy broker on the 'Neg Deals' table. The buy broker must double click on the confirmation and then click on 'Confirm' to execute the special crossing.

