

NSX Limited

Managing Conflict of Interest Procedures.

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SIM Venture Securities Exchange Limited

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1 INTRODUCTION

NSX Limited (“NSX”) is committed to conducting its business in a way that is open and accountable to shareholders and the wider marketplace. We believe our corporate governance practices as a public company are of a high standard.

In reading this document, reference should also be made to the relevant sections in the following documents:

- NSX Constitution
- NSX Corporate Governance Statement
- NSX Board Charter
- NSX Code of Ethics and Conduct
- NSX Policy and Procedures for Dealing in Securities.
- NSX Provision of Services by Directors or Director Related Parties Procedures

Definition: A conflict of interest is a situation where your own interest and NSX interest(s) are in conflict and you give preference to your interest usually for a financial gain or other benefit, ahead of the interest(s) of NSX.

2 PURPOSE OF THE PROCEDURES

These procedures are a guide for NSX Director’s and Staff to help manage conflict of interest situations.

3 BUSINESS CODE OF CONDUCT AND ETHICS

As an employee or a director of NSX you will be a representative of our reputation. It is vital that the conduct of each employee and director is at all times to the highest standard. This includes a commitment to satisfy the standards of honesty and fair trade at all times. All employees or directors should adhere to the fundamental ethical practices and principles of this company as outlined in our mission statement and other related documentation.

Further information can be obtained from reading the document “NSX Ethics and Code of Conduct”.

4 COMMERCIAL AND REGULATORY CONFLICTS

4.1 Commercial conflicts

Commercial conflicts exist where NSX directors or employees have an interest or association with a third party and that third parties interests is promoted ahead of NSX;’s interests.

On a day to day basis Directors and employees of NSX may encounter various forms of conflict that need to be managed.

4.2 Regulatory conflicts

4.2.1 Australian Market Licences

As the holding company of two subsidiaries National Stock Exchange of Australia (“NSXA”) and SIM Venture Securities Exchange (“SIMVSE”) each holding an Australian Market Licences, NSX, is obligated by sections 792A, 798C ,798DA and 798E of the Corporations Act to appropriately manage conflicts whilst maintaining fair, orderly and transparent markets.

4.2.2 Market operator must manage conflicts

Section 792A requires NSX, to the extent that it is reasonably practicable, do all things necessary to ensure that the markets are fair, orderly and transparent.

4.2.3 Self-listed Market Operator must manage conflicts

Section 798C requires that if NSX Limited is itself listed on one of its markets or its financial products are listed on its markets that NSX has in place arrangements for dealing with possible conflicts of interest that might arise from the licensee's financial products being able to be traded on the market.

4.2.4 Market operator must manage conflicts when it supervisors related entities or competitor entities

Section 798DA requires NSX to have in place operating rules that ASIC, instead of the market licensee, while a participant operates on the market, makes decisions and to take action or require the market licensee to take action on ASIC's behalf in relation to:

- (a) the admission of the participant to the market; and
- (b) the expulsion and suspension of the participant from the market; and
- (c) the disciplining of the participant; and
- (d) the participant's compliance with the operating rules or the Corporations Act, including:
 - (i) the method of determining whether the participant has complied with those rules or this Act; and
 - (ii) any action (including the imposition of a fine or penalty) to be taken in respect of contraventions of those rules or the Corporations Act.

A participant is defined as:

- (a) the market licensee;
- (b) a related body corporate of the market licensee;
- (c) a partnership if a partner in the partnership is a related entity of the market licensee;
- (d) an entity if:
 - (i) the entity conducts, or participates in, a business that is in competition with a business conducted by the market licensee, or by a related body corporate of the market licensee; and
 - (ii) the entity requests that ASIC make decisions and take action in relation to the matters.

For the purposes of this section of the act NSX calls these entities "**Review Parties**".

4.2.5 Market operator must manage other potential conflicts

Section 798E relates to other potential conflict situations that might arise and is governed by regulation 7.2.16. Section 798E gives ASIC power to take action under the market's operating rules in relation to a conflict or potential conflict. Regulation 7.2.16 currently only applies to ASX.

4.3 Balancing commercial versus regulatory conflicts

Rather than being in conflict, NSX considers that its commercial interests and behaviour by Directors and employees are in fact strongly aligned with the requirements of s792A, 798DA and 798E obligations. If NSX do not satisfy these obligations, this could potentially drive issuers, participants and investors to competitor markets, to NSX's long term detriment.



As described below NSX markets has in place appropriate procedures processes and policies to adequately balance the competing needs of commercial and regulatory outcomes.

5 EXAMPLES OF CONFLICTS OF INTEREST

Employees and Directors have the responsibility to work in the best interests of the NSX and avoid situations and actions by them that may be, or create, the appearance of being, in conflict with the company's overall objectives and principles. This behaviour flows onto the regulatory conflicts that NSX must manage with respect to its markets.

The following are examples of activities that have the potential to cause conflict of interest and should be avoided :

- Holding, directly or indirectly, a substantial financial interest in any company with whom NSX has business dealings (eg competitors, suppliers and customers), including participants, listed entities and nominated advisers.
- The acceptance by an employee from any party or supplier of services involved with NSX, either directly or indirectly, of cash payments (other than reimbursements for reasonable out-of-pocket expenses), services, loans (except from banks or other financial institutions) or discounts (except those offered to all employees of the company).
- Accepting gifts from any business party involved with the NSX unless the declared value is less than \$110.00 including GST. All gifts above this amount should be declared to the General Manager, CEO or Board as appropriate.
- Related parties, for instance those related to a Director or Officer of the NSX, being a signatory on NSX bank accounts or having control over assets of the NSX.
- Shareholder or officer of an applicant participant, adviser or issuer brining undue pressure on NSX employees to progress, recommend or influence an application result.

The above list is not exhaustive of all of the situations that could arise and when in doubt discussion should take place with a manager or the Compliance Officer

6 WAYS TO AVOID OR APPRECIATE CONFLICT OF INTEREST SITUATIONS

Problems arising through these situations can usually be avoided by conducting any business transactions in an ethical and honest manner. The following guidelines may assist in determining what is considered proper; they are not exhaustive:

- Payment for an appropriate lunch or meal in connection with a business meeting, as long as they are kept on a reciprocal basis and maintain relevance to the business at hand.
- Advertising novelties, provided that they do not appreciate in value and are widely distributed to others under essentially the same business relationship with the donating party (eg give-aways such as pens, coasters, watches).
- Company products made available under customer or PR programs (such as product samples).



- Relationships with commercial clients where reciprocal gifts or dealings are exchanged without inference of unethical conduct. In certain countries local custom dictates exchange of gifts as a matter of courtesy (Asia is an example).

7 PROCUREMENT OF GOODS & SERVICES

Employees and directors should ensure fair and ethical dealings in the procurement process and not allow their conduct to warrant any suspicion of conflict between their official duty and their private interest.

An employee's or director's behaviour in an official capacity should not give the impression that he or she has been influenced by a gift or consideration to show favour or disfavour to any person or organisation.

Dealings with suppliers should at all times be honest, fair, even-handed and based on merit. Employees and Directors should ensure, as far as possible, that the confidentiality of commercially-sensitive material is maintained. Where possible, three quotes should be obtained for major expenditure as determined by the Board.

Authorised Officers should not approve purchase orders or petty cash claims that are payable to themselves. They are to seek and obtain approval from the General Manager or supervisor.

8 CONFLICTS OF INTEREST IN EMPLOYMENT OF STAFF

NSX management reserves the right in the selection process of new or existing employees to ask applicants about potential conflicts of interests. Applicants may be advised of the need to abandon or divest an interest to avoid any conflict if their application is successful.

Employment of staff should follow the policies and procedures outlined in the NSX Employee Manual.

9 ADMISSION PROCESS FOR PARTICIPANTS, ADVISERS AND ISSUERS

The admission application process may be an area where it could be asserted that NSX's markets commercial interests could conflict with the fair, orderly and transparent market obligation (s792A obligations).

9.1 Hypothetical examples of potential conflict

1. From a commercial perspective the NSXA and SIMVSE markets receive applications from participants, issuers and advisers for recognition to be part of the market. Except for participants where applicants are required to pay an admission fee. By accepting many applications, without due process, it could be asserted that NSX's commercial considerations are out weighing its regulatory obligations.
2. Further, it could also be asserted that if the direct financial benefit is not high from an application that NSX markets may admit an applicant due to undue bias, pressure or influences on staff as there may be a perceived long term benefit from admitting such an applicant or the officers or associates of the applicant intimate that they would tender further applications for admission in the future if the current application is successful.



In the above examples it could be asserted that NSX markets would admit an applicant that was inappropriate by virtue that, without influence, the applicant would not have met the criteria for admission and that NSX markets would yield a benefit from the fees that would flow. These assertions and examples assume that NSX markets does not have a strong and robust admissions process, that the cost of reviewing an applicant and regulating them post application would be low as NSX markets would not take any action for the applicant not complying with the rules.

NSX is obligated both from both a commercial and regulatory outcome to fully review applicants for admission without undue influence and to fully enforce its operating rules post list. NSX is aware of the long term harm that would be done to its commercial interests if its markets did not appropriately regulate applicants in line with its regulatory responsibilities.

9.2 Listings and Admissions Committee

The Listing and Admissions Committee reviews all applications based on analysis provided by the Companies Manager. The Committee is made of industry professions comprising a majority of independent members. Members typically come from a variety of occupations with relevant experience. Employees, although providing information to the Committee, are not members of the Committee.

The Committee has delegated authority from the Board to approve applications. The separation of the Board from the application process means that there is a wall in place to reduce the potential for undue influence in the application decision.

Further, as the Committee has delegated authority from the Board, this means that potential commercial and regulatory conflicts that may be experienced at a Board level are not present or are minimised at the Committee level.

The Committee does not have the delegated power to waiver listing rules. By not allowing the Committee to waive rules, the Committee does not have the ability to make a non-complying application compliant. The Committee can only approve applicants that are compliant or if a waiver is required because of non-compliance then that waiver is referred to the Compliance Committee. This segregation of approvals further enshrines the commercial view of the Listing and Admissions Committee away from the regulatory view of the Compliance Committee so that commercial considerations don't cloud the application decision.

9.3 Compliance Committee

The Compliance Committee reviews all applications for waivers of the operating rules. The Committee is made of industry professions comprising a majority of independent members. Members typically come from a variety of occupations with relevant experience. Employees, although providing information to the Committee, are not members of the Committee.

The Committee has delegated authority from the Board to approve waivers to rules and attend to compliance and supervisory matters. The separation of the Board from the compliance process means that there is a wall in place to reduce the potential for undue influence in the application decision by granting waivers that were inappropriate.

Again, as the Committee has delegated authority from the Board, this means that potential commercial and regulatory conflicts that may be experienced at a Board level are not present or are minimised at the Committee level.

There is typically no interaction or cross over discussions between members of the Compliance Committee and Listings and Admissions Committee.



9.4 Review of admission decisions

The Compliance Officer in conjunction with the General Manager is required to review all Listing and Admissions Committee decisions to:

1. Ensure that formal policies have been followed; and
2. That decisions of the Committee have not been subject to any bias or undue influence.

The compliance Officer is required to report to the Board on an annual basis.

9.5 Decisions involving “Review Parties”

As per s798DA of the Corporations Act NSX is required to have in place arrangements for entities that pose a possible conflict of interest situation for NSX. As described above these parties have a material connection with, or are in competition to, NSX and in relation to whom NSX might be seen to have a commercial interest in showing them favour or disfavour when making decisions under its operating rules. Any such favour or disfavour by NSX might be seen to conflict with operating fair, orderly and transparent markets.

A listed Issuer, Participant Broker or Adviser or applicant applying for admission is regarded as a review party for these purposes if:

1. NSX Group directors hold the office of director or officer; or
2. A substantial shareholder of NSX and its related parties, or directors of NSX Group have a material shareholding or are a material creditor of the party; or
3. NSX holds a substantial shareholding or is a material creditor of the party; or
4. The party is a direct competitor and NSX markets supervises the party; or
5. NSX classifies it as a review party due to the potential conflict between NSX’s commercial interests and its regulatory obligations.

NSX is required to publish a list of Review Parties on its websites. The compliance Officer is required to review the decisions concerning review parties and include this information in their annual to the Board.

9.6 Effect of these arrangements

The effect of these arrangements is to ensure that the relevant decisions have been made without bias or undue influence and have followed proper process to admit a worthy applicant.

10 MANAGING CONFLICT OF INTERESTS SITUATIONS

10.1 Employees' Responsibility

It is the responsibility of employees to advise their supervisor/manager of an actual or potential conflict of interest. If employees have any queries these should promptly raised at the appropriate level.

10.2 General Managers' Responsibility

It is the responsibility of the General Manager to:

- decide whether there is, or could be, a conflict of interests;



- having determined that there is, or could be, a conflict of interests, make recommendations to senior management to address the situation which, dependant upon the particular circumstances may include that;
- the employee discontinue in his or her duties;
- the employee be directed to divest him or herself from that interest;
- the employee's duties be rearranged;
- the employee be reassigned to an equivalent position with duties involving no such actual or potential conflict of interests; or
- any other recommendation that may be appropriate in the particular circumstances; and
- To liaise with the Compliance Officer on these issues as appropriate..

10.3 Chief Executive Officer’s Responsibility

It is the responsibility of the senior manager to assess the supervisor's/manager's recommendations, ensuring that natural justice has been exercised, and make a decision on its merits.

Refer the matter to the full NSX Board if the situation involves NSX Director’s. The CEO should absent themselves and refer the matter to the full board if the conflict involves the CEO.

10.4 Director’s Responsibility

Director’s have the responsibility to promptly review conflicts of interest reports when received where they involve other Director’s or are of a serious enough nature to as to warrant a review of staff conduct in the situation.

Director’s must declare their interests at each board meeting and review this declaration whenever director services are to be utilised for the benefit of the NSX consistent with the “*NSX Provision of Services by Directors and Related Parties Procedures*”.

11 REPORTING CONFLICTS

If you are in a situation in which you believe that you may have a conflict of interest or have become aware of a conflict of interest involving other parties, you should discuss the matter with your immediate supervisor or, alternatively, the General Manager, Compliance Officer or an officer in charge that you believe is not involved with the situation of concern.

The NSX operates and encourages an open communicative environment. There are substantial benefits in operating in such an environment in a small business but it is recognised that sometimes times staff and director’s may feel uncomfortable in reporting a conflict of interest. In these cases it is recommended that staff seek advice from managers that are not directly involved in the situation as to the best course of action.

Similarly, there can be situations where there are reports that are more a nuisance or of a vexatious nature than factual. The NSX management treats all reports on an equal basis and will promptly investigate all reports. Staff are reminded to be sure of the facts of the situation before making reports that could lead the organisation to spend large amounts of money or time in clarifying the conflict.





Appendix A: This form should be used for registering a conflict of interest situation.

Appendix B: Is a notice to relevant parties to be informed of new applicants to the NSX markets and provide the opportunity for those parties to declare any potential conflicts of interest. The declaration allows the potential conflict to be managed while the applicant is supervised by NSX markets.





12 APPENDIX A: FORM FOR REPORTING CONFLICTS OF INTEREST

TO:	[REPORTING OFFICER]
FROM:	[DIRECTOR OR STAFF MEMBER NAME]
DATE OF REPORT:	
DETAILS OF CONFLICT SITUATION	<p>Include the following:</p> <p>Date of event(s)</p> <p>Description of event(s). Describe, as best you can, what are the facts and circumstances giving rise to the conflict of interest situation.</p> <p>Staff or Director(s) involved in event</p>
Signed: (reporting staff members name and signature)	<p>Signature:</p> <p>Name:</p> <p>Date: ____ / ____ / ____</p>

ACTION	<p>Action taken by NSX to resolve situation:</p> <p>Date of resolution</p> <p>Referral to the Board Yes/No</p> <p>Referral to the Compliance Officer Yes/No</p> <p>Description of Resolution</p>
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13 APPENDIX B: Disclosure of Interests Notice

To: NSX Limited Directors
National Stock Exchange of Australia Limited Directors
SIM Venture Securities Exchange Limited Directors
NSX/SIMVSE Compliance Committee members
NSX/SIMVSE Listing & Admissions Committee members
NSX CEO
SIMVSE CEO

From: Companies Manager
Date [Insert memo date]
Re: Disclosure of Interests

NSXA and/or SIMVSE are currently in receipt of the following applications:

Participant Broker Applicants

[Insert applicant name(s)]

Listing Applicants

[Insert applicant name(s)]

Nominated Adviser Applicants

[Insert applicant name(s)]

Please advise any interests you may have in the applicants or their applications. For the purposes of your response, an interest is any substantial financial interest in the applicant or its application (including but not limited to shares, loans, notes, interests in contracts etc), can be direct or indirect and also includes holding a directorship or executive role within that organisation.

Please also indicate whether any undue influence has been exerted upon you by any party in relation to the outcome of the application.

Your response will be reviewed by the relevant Committee when making supervisory decisions in relation to the application.

Should a response not be received by close of business on *[Insert closing date]*, it will be accepted that you have nothing to disclose. Should your position change, you should advise me immediately.

