



Fact sheet

CLOSED OR RESTRICTED MARKETS

Definition

A closed or restricted market on the NSX is one where holders of securities in a single class of securities are either:

1. The only ones that can trade that class of security; or
2. There are ownership restrictions on that class of security.

Characteristics

- Security holder group with a common interest, any one can buy but there are restrictions in voting (e.g. community banks, franchisor)
- Originally established by government as an industry entity that was subsequently privatised, only members fitting a certain criteria can trade (infrastructure e.g. Sugar Terminals)
- Common interest group set up to jointly market common products or services (e.g. agricultural cooperatives)
- Company established solely for the benefits of its members (eg credit unions, building societies)
- Previously listed on an exempt market and may have some special requirements or restrictions in place already.

How to trade

Sellers only have the right to sell if they have an SRN number with a valid holding balance. This is usual practice in an open market and is no different in a closed market.

In an open market any one who wishes to buy securities can, by placing an order with a broker without the need for first establishing that they have an authority to buy.

In a closed market, those wishing to buy must seek an authority to buy. The authority to buy is managed by the issuer of the securities and its share registry. The broker must fax an application to trade to the share registry. The registry maintains a table of authorised buyers issued by the company. If authorised, the registry issues an SRN number with usually a zero balance. The authority is faxed back to the broker and the order to buy can then be placed.

Example – Sugar Terminals Limited

Sugar Terminals Limited was created by the Queensland government to control the bulk terminal infrastructure for the loading and delivery of sugar to customers. Subsequently the Queensland Government privatized the company by issuing shares to 10,000 sugar growers “G” Class shares and to 12 Miller companies “M” class shares. Only G class shares are listed on NSX.

Only registered and active sugar growers may buy shares. Brokers fax a growers’ declaration to ASX Perpetual in Brisbane who liaise with Sugar Terminals Limited. If authorised, a completed declaration and authority is faxed back to the broker.

As a fail safe, NSX allowed Sugar Terminals to maintain in their constitution the right to sell down any holdings, on market, for any holder who is not authorised to buy and but has managed to buy.

Any who hold shares are able to sell those shares as long as they have a valid holding balance and SRN.

NSX Practice Note #8 details the requirements for trading in these securities.