

Chapter 3: Capital Liquidity Requirements

OVERVIEW

This chapter sets out the obligations of the Exchange Brokers in relation to capital liquidity.

Capital Liquidity

3.1 An Exchange broker must ensure at all times that the surplus liquid capital in the business of the Exchange broker is not less than:

- (a) \$50,000; or
- (b) 5% of the Exchange broker's adjusted liabilities

whichever is greater.

3.2 An Exchange broker's surplus liquid capital for the purposes of rule 3.3 will be calculated as follows:

$$\text{surplus liquid capital} = A + B + C - D - E$$

Where:

- A means the Exchange broker's current assets
- B means non-current assets of the broker that are capable of being realised within one month and which the Accountant has approved for inclusion in the Exchange broker's surplus liquid capital calculation
- C means subordinated debt owed by the Exchange Broker that the Accountant has approved for inclusion in the Exchange broker's surplus liquid capital calculation
- D means the Exchange broker's total liabilities less any amounts approved by the Exchange Accountant for exclusion from the Exchange Broker's surplus liquid capital calculation
- E means assets of the Exchange Broker that are prescribed as excluded assets by the Exchange.

3.3 An Exchange broker's adjusted liabilities for the purposes of rule 3.1 means its total liabilities less:

- (a) any amount due to or received from clients and held in the Exchange Broker's trust account or accounts; and
- (b) any subordinated debt owed by the Exchange Broker that the Exchange Accountant has approved for inclusion in the Exchange Broker's surplus liquid capital calculation.

Notification to the Exchange

3.4 An Exchange Broker must notify the Exchange immediately if they breach rule 3.1.

Records and Returns

- 3.5 An Exchange broker must prepare and keep available for inspection by the Exchange Accountant a summary return, in the form prescribed by the Exchange from time to time, showing their level of surplus liquid capital, the level of adjusted liabilities and the level of surplus liquid capital as a proportion of adjusted liabilities.
- 3.6 An Exchange broker must forward to the Exchange Accountant a completed return of surplus liquid capital calculations, in the form prescribed by the Exchange from time to time, no later than 5.00p.m. on the fifth business day after the last day of the preceding calendar month.
- 3.7 An Exchange broker must forward to the Exchange Accountant a completed return of aged debtors, in the form prescribed by the Exchange from time to time, by no later than 5.00p.m. on the fifth business day after the last day of the preceding calendar month.

Exemptions

- 3.8 The Exchange may at any time or from time to time in the case of a particular Exchange Broker grant an exemption from all or any of the rules in this Chapter 3 on such terms as the Exchange may determine.