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4 November 2005

Mr Damas Potoi
New Zealand Exchange Limited
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Dear Damas

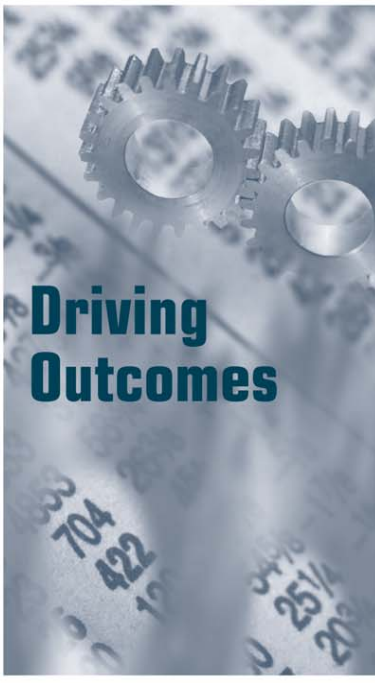
NZX CONSULTATION PAPER

We refer to the above paper on which you have sought submissions.

At the outset we should note that we are very pleased to see that the New Zealand Exchange Limited (NZX) is now adopting a robust and inclusive process for the consideration of listing rule changes.

The comments contained in this letter have been prepared by the Executive of the Listed Companies Association (LCA). Whilst it is impossible for one organisation to represent the individual views of all members, we did proactively seek input from all members and a copy of this submission has been provided to our members.

We have reviewed the entire paper however in some cases have decided not to make a submission if LCA does not have any view on the proposed change or if the views of the Executive are not unanimous. We have indicated those areas. The order of the letter follows the order of the proposed rule changes as set out in the NZX paper and use the listing rule number references.



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Rule 1.1.2 Disqualifying relationship

Pursuant to the current test for determining whether a "disqualifying relationship" exists, a director will be deemed to have a disqualifying relationship if a substantial portion of their annual revenue is derived from the Issuer. For this purpose, 'substantial portion' is defined as 10%. The proposal is that in determining the revenue to be included in the calculation that distributions from the Issuer should not form part of that 'annual revenue' calculation.
LCA considers that the proposed amendment is useful in providing certainty to Issuers in undertaking the assessment of the independence of its directors particularly as the current drafting of this provision is quite unclear. We support the proposed change. It is inappropriate for independence to focus on reference to distributions from the Issuer. Where a director is a substantial security holder then they are not independent and this is appropriate however otherwise being a shareholder of an Issuer that makes distributions should not be a determining factor as regards independence. We acknowledge that thought will need to be given

to the exact nature of distributions that are excluded from the calculation and unintended distributions may arise in relation to one-off events. For example, if an Issuer undertakes a share buyback or capital reduction, or pays a special dividend in a given year, the threshold may be breached. LCA acknowledges that the 10% threshold is only a guideline, in the interests of not creating a harsher objective test for what should ultimately be a subjective analysis by the Issuer, LCA supports the amending clarification. We note also that footnote 2 to this Rule is unclear as the calculation that should be undertaken and we recommend that this is improved also (refer meeting with Damas Potoi/Alice Henry 1 November 2005).

Rule 1.1.2 Equity Security

The LCA supports the proposed amendment.

Rule 1.1.2 Definition of Ex Date

The present rule defines the Ex Date as the first business day after the record date. The proposal is to change the Ex Date definition to mean three business days prior to the record date. The commentary states that this will align NZX with other international markets in this regards and, in particular, the ASX.

Appendix 3 of the ASX Listing Rules states that securities are quoted on an "ex" basis four business days before the record date. The ASX position is that, for say a Friday record date (even though the share register does not close off until close of business on that day for the purposes of determining entitlements), the ASX ex date is the commencement of trading on the previous Monday.

Therefore, the NZX proposal does not align with the ASX practice and the LCA submits the rule should be amended.

Rule 3.1.1(a) Requirements for constitutions

Thank you for agreeing to consider our recommendation that NZX adopt the ASX approach as opposed to the current incorporation of listing rules approach (whether by replication or incorporation by reference). You have indicated in an email to Linda Cox on 30 September 2005 that you are broadly in agreement with this recommendation and consider that the optimal outcome is to remove the need for rule 3.1.1(a) and Appendix 6. However you also consider that there are provisions that are desirable to be retained within Appendix 6 for the reasons you have outlined in your email to us and referred to in the consultation paper.

In relation to your concerns about binding directors, we note that under rule 2.2.2, every director acknowledges on their appointment that they are aware of the Issuer's obligations to observe the listing rules and will use their best endeavours to procure compliance. Potentially NZX could consider enhancing this undertaking if it is concerned about binding directors.

We agree with NZX that the current approach of including the listing rules by reference is an entirely legitimate approach. Many issuers have obtained independent legal advice to this affect. Some issuers have decided not to follow this approach for a variety of reasons not related to the legitimacy of the approach.

In addition, we understand from NZSA that the latest proposal does not alleviate altogether their concerns about the legality of incorporation by reference. We do acknowledge however that with a fewer number of provisions in Appendix 6 that amendments would be less frequent and consequently constitutional changes would also be less frequent. The fact however still remains that, whilst the likely frequency will reduce, the basis of NZSA's original argument will still stand under the proposal.

Conversely under the ASX approach it is a condition of listing that an entity's constitution be consistent with the listing rules *or* otherwise contains the provisions set out in Appendix 15A or 15B of the ASX listing rules. The effect of the Appendix 15A and 15B is that in the event of any inconsistencies between the listing rules and the constitution then the listing rules prevail but the listing rules are never incorporated into the constitution by way of any 'auto-pilot' provision. Therefore in the event of changes in the listing rules, changes to the constitution do not occur. This alleviates NZSA's concerns without creating any practical difference to the Issuer in terms of its requirement to comply with the listing rules.

However, whilst there may not be any practical difference, we recognise that detailed analysis of the implications of the adoption of the ASX style approach is required to ensure that technical issues such as the impact on securities holders' rights and relationships with constitutional deeming provisions in the Companies Act are addressed.

We note that we are keen to see the current differences of view on these matters resolved with a cost effective and pragmatic solution. We are happy to help wherever required to this end.

Rule 3.2(b) and (c)

No comment

Rule 3.3.1 Board composition – debt issuers

LCA consider the proposed change to require that a debt issuer have at least one New Zealand resident director is unnecessary. The reason cited for the change is that it will assist NZX in the enforcement of the listing rules against debt only Issuers. We are not aware of NZX having experienced difficulties in the enforcement of the listing rules against debt only Issuers due to the lack of a New Zealand based director. We are however surprised that given the myriad of modern communication options available, that the lack of New Zealand based directors is really an issue. If this requirement is imposed then this may discourage the listing of debt only Issuers which we do not believe is positive overall for the market. There may also be adverse tax consequences arising from for Debt only Issuers in having a New Zealand based director. Further we understand that ASX does not impose any requirement on either Issuers or debt only Issuers in respect of the residency of directors and can't understand why it would be necessary here.

Rule 3.3.2 Director Nominations

It is proposed that the time frame for the announcement and/or the time frame for the opening and closing dates for director nominations should be reconsidered in light of the difficulties being experienced by Issuers. One proposal is to align the NZX rules with the ASX rules. LCA strongly supports alignment with the ASX rules in this area which was amended effective 24 October 2005 to provide:

"An entity must accept nominations for the election of directors up to 35 business days (…) before the date of a general meeting at which directors may be elected, unless the entity's constitution provides otherwise."

Alignment with ASX will avoid confusion for dual listed Issuers. We do understand however that for some issuers the 35 business days can be too short a period for those wishing to send out the notice of meeting at the same time as the annual report. There may be an advantage in retaining a two month closing date of nominations although we note in practice that most companies wait until the period for shareholder proposals at the Issuers expense to close before printing the notice of meeting. We also strongly recommend the reworking of the language used in the current Rule which is unnecessarily complex. We understand also that the present regime is causing considerable practical difficulties for some Issuers. It is debatable whether an announcement to the market is required of the opening and closing dates for nominations and note that no notification requirement exists in Australia. It is arguable that the more appropriate place to include notification requirements is in the constitution or Companies Act.

Rule 3.3.3 and Rule 3.3.9 Directors retiring following appointment

Under the current rule any person who is appointed as a director is required to retire from office at the next annual meeting of the Issuer and stand for re-election at that meeting. This rule includes all executive directors. In addition, Rule 3.3.9 provides an exemption from the requirement for executive directors to retire by rotation. We note the proposal that Rule 3.3.3 be reviewed to eliminate the requirement for executive directors to stand for re-election and that the current rule 3.3.9 be reconsidered.

LCA supports the status quo being maintained with respect to rule 3.3.3 and rule 3.3.9.

Rule 4.5.11 Compliance with disclosure obligations

We note this change is unlikely to apply to LCA members however we support the proposed change in principle.

Rule 5.2.3 Spread requirements

The LCA agrees with the general thrust of the NZXs consultation paper with respect to Spread (minimum). Namely that multiple measures should be applied
with some discretion applied rather than a single standard.

The minimum number of shareholder tests being 500 for the NZX and 50 for the
AX should remain unchanged. The additional requirement that the Public hold at least 25% of the number of securities in a class should be extended to allow an alternative test (additional to the 500 shareholder test) based on the Public holding shares with a minimum market capitalisation of $xx million.

The LCA does not favour a simplistic test based on volume traded through the
NZX over a given period. The reason for this is that low volume (relatively) is not necessarily bad for shareholders. It may signal that shareholders are well and uniformly appraised as to the company's prospects and in agreement as to the value, so do not wish to trade.

A better measure of ill-liquidity generally would be to monitor bid/offer spreads as volumes change. Illiquidity exists if increasing volumes create significantly wider bid/offer spreads and price volatility increases significantly. If such a measure were to be introduced the NZX could then monitor the "worst" 5% of the market and exercise its discretion. Requiring a market maker in this instance would help trading liquidity as long as there is a real commitment by that market maker.

Rule 6.1.3 Independent solicitor's opinion

The LCA seeks to ensure that compliance costs imposed on its members are minimised, whilst ensuring also that the integrity of the market is maintained. In this regard, the LCA supports the proposal that the opinions required by Rule 6.1.3 may be provided by the Issuer's solicitor following an appropriate approval process. LCA submits that there is no reason to require independence, but it is simply a case of ensuring that the solicitor who confirms compliance is competent to do so. The practical reality at present is that Issuers own solicitors assist to prepare constitutions, and the independent review adds nothing to the process (other than cost).

Rule 6.2.6 Proxy Forms

The LCA supports an amendment to the listing rules that clarifies the ability to provide for tick boxes on proxy forms beyond simply “for” and “against”. However, we note that the inclusion of additional tick boxes such as “proxy discretion” and “abstain” do not in fact create “three” or “four” way voting, and therefore the addition of these options is not inconsistent with the listing rules. The voting is still two-way (for and against); it is simply that additional options are included to provide clear options on the mechanism for the two way voting. Neither the selection of the proxy discretion nor providing an option to abstain are forms of “voting”. Having said that, for the sake of clarity the listing rules should be amended to provide assurance that the use of these mechanisms is not prohibited. LCA submit that, in making the appropriate amendments, NZX should not remove the flexibility for Issuers to retain a two tick box system.

The LCA encourages its members to require their shareholders to take positive action (through ticking an appropriate box) to appoint a discretionary proxy or to direct the proxy holder to abstain. The LCA believes that the deemed grant of a discretionary proxy by signing the proxy form in blank is an inferior system to requiring a positive direction from the shareholder. However, the LCA invites NZX to ensure that in allowing for such a mechanism, Issuers make it abundantly clear on the proxy form that signing a form in blank is no longer an option. Some recent experience of Issuers requiring positive action to select the proxy discretion option has led to a number of proxy forms being incorrectly completed, as shareholders continue to adopt the former policy of signing the proxy form in blank. This is simply a case

of shareholder education and we are hopeful that this will improve over time as more companies take up the option

Rule 7.1.1 Profile

LCA considers that if an Issuer has an exemption under the Securities Act from the obligation to prepare a prospectus but is required to prepare an investment statement then the investment statement should be all that is required. It is unnecessary to then impose a requirement to prepare a profile. Otherwise the effect of rule 7.1 is that an Issuer which has an exemption under the Securities Act form the requirement to prepare a prospectus is nevertheless effectively required by rule 7.1.3(a) to prepare a prospectus.

Rule 7.1.7 Statement relating to NZX

The LCA supports the proposal to ensure that the wording of Rule 7.1.7 is consistent with pre-prospectus advertising.

Rule 7.3.4(ba) $5000 offers

LCA supports the proposed change.

Rule 7.6 Buy-backs and redemptions

The LCA is unaware of any difficulty in the application of the Rules in this regard, but agrees in principle to the utility of providing certainty in respect of the definition of acquisitions and redemptions. The listing rules should however be consistent with the Companies Act 1993 and the definitions adopted should follow the regimes contained in that Act. The LCA will be happy to review and provide comments on the definitions once they are drafted.

Rule 7.6.5 Limit on financial assistance

The LCA agrees with the Proposal to align the limit on permitted financial assistance with the other Rules by basing the limit on the Average Market Capitalisation of the Issuer.

Rule 7.6.6 Time limit in which financial assistance, redemptions and acquisition of Equity Security with the approval of Holders must be completed

The LCA endorses the extension of the time limit for the provision of shareholder-approved financial assistance to 12 months after the date of approval, and agrees with the NZX's analysis of the matter.

Rule 7.11.1 Time for allotment

The LCA agrees with the removal of the circularity in Rule 7.11.1 and that the interests of the subscribers and the practical administrative pressures on the registries need to be balanced.

The LCA agrees that more than five Business Days may be required if Issuers are required to ensure that recipients of issues of securities have the securities limited to existing CSNs or new CSNs created [and we comment on this matter below].

Rule 8.1.3 Issue price for Equity Securities

The LCA supports the status quo. The existing Rule is clear in its application.

Rule 9.1.1 *Major Transactions*

LCA members have divided views on the merits of such a change, and therefore the LCA does not submit on this issue, but has encouraged its members to make submissions on behalf of their companies. LCA understands that the NZ Shareholders Assn. has promoted this proposal, and we understand that the underlying rationale for the amendment is to enable minority shareholders to access the minority buy out regime. LCA does not believe that the minority buyout regime in the Companies Act can be accessed through an amendment to the listing rules unless a specific regime is introduced into the listing rules

themselves. LCA suggests that if there is a "wrong" in the Companies Act that needs to be corrected, the preferable approach is for this to be achieved through an amendment to the Companies Act, rather than the Listing Rules.

In the event that an amendment to the Listing Rules or the Companies Act is promoted, LCA submits that consideration will need to be given to the effect on financing transactions that are channeled through a special purpose subsidiary. In the event that the listing rules are amended to require those special purpose subsidiaries to seek parent company shareholder approval to Material Transactions, it will have the unintended consequence of, for example, requiring such a shareholder approval for the refinancing of those existing facilities.

Rule 9.2.1(d) Related Party Transactions

LCA considers that the current interpretation is unduly narrow. For example, whilst a transaction over four years with an annual value of $63,000 would not fall within the exception, it would be considered to be a very low value transaction, even for a modest sized listed company.

However, the LCA does accept the view that a long-term transaction in excess of $250,000 per annum could allow significantly sized transactions to fall within the exceptions.

Therefore, the LCA supports a compromise position whereby the $250,000 limit per annum is allowed, provided that the transaction is not longer than three years.

Rule 9.2.3 Definition of Related Party

Proposal One - Definition of Officer

The LCA submits that, at a minimum, the term "officer" requires some definition or guidance. The status quo, which has the potential to capture a wide and unintended group of persons, places an unreasonable burden on Issuers to determine where to draw the line, and inevitably results in Issuer having to seek an unnecessary NZX ruling or waiver. LCA submits that a prescriptive (but narrow) approach is more efficient, and it is more appropriate to require the Issuer to seek a waiver to deal with a person unintentionally caught by the definition.

LCA submits that the definition in the SMA 1988 is too broad and goes further than simply capturing those persons who might have the ability to have undue influence over a Material Transaction.

LCA submits that there is likely to be only a very small group of senior executives who may have the ability to influence a Material Transaction. Such a person must have the capacity to influence other senior management and the Board of directors to transfer value to them or their associated persons. Because this person must not be a substantial shareholder (as 9.2.3(b) would apply in that case) it is difficult to envisage many persons falling into this group.

LCA submits that a guidance note would at least go some way to clarify the situation. This could provide examples of the types of roles that might be caught.

Proposal Two – Increasing Related Party Voting Securities Threshold to 10%

LCA submits that the 5 percent threshold is too low and does not reflect the reality that in most companies a holding of 5 percent is unlikely to create any influence on the Issuer's decision making. It is difficult to conceive of a situation where a shareholder with only 5 percent of the voting securities could exert sufficient influence, yet not have any representation on the Board (as that would then catch the shareholder in any event).

LCA supports an increase to 10 percent. LCA understands that overseas research suggests that a shareholding below 15 percent is unlikely to create a level of influence intended to be captured by the LR, and 20 to 30 percent is a more likely scenario where influence might be bought to bear. LCA can see no correlation to the Substantial Security Holders regime, and the 5 percent threshold appears to be nothing more than a convenient measurement unrelated to any assessment of the point at which influence might be bought to bear.

Proposal three – Common Director Exception

LCA supports the introduction of the exception. There is no reason to suggest that the mere existence of a cross directorship should make the two companies related parties. It is highly unlikely that the Issuer would be influenced to transfer value to another otherwise unrelated entity simply on the basis of a cross directorship – what would motivate the majority of the directors of the Issuer to do such a thing? And what would motivate the director of the other entity to want to exert such influence when that director has no economic interest in that entity other than the receipt of directors fees?

LCA does not believe the 'material direct economic interest' test is required. If the director has such an interest in the other party to the transaction they will be covered by the wider associated persons test in any event, and therefore be deemed to be a related party regardless.

Proposal Four – Subsidiary Exception

LCA supports the widening of the wholly owned subsidiary exception to include all subsidiaries. Provided that no related party of the Issuer has an economic interest in the subsidiary, it is difficult to conceive of a situation whereby the Issuer would be motivated to transfer value to the subsidiary, as part of that value will be shared with an unrelated party.

Rule 9.2.4 Exceptions to Related Party Transactions

LCA agrees that it is sensible and pragmatic to extend the exception to include every-day transactions such as where the Bank is on the lending side of the transaction.

Rule 9.3.1 Voting Restrictions

LCA agrees that the current voting restriction is unintentionally too wide, and supports the proposal whereby the prohibition on voting is restricted to directors of the Issuer and Associated Persons of directors of the issuer

10.1.1 Sharing of financial information

It is proposed that listing rule 10.1.1 specifically address the sharing of financial information with a parent to clarify the circumstances under which providing such information would continue to be covered by the exceptions in listing rule 10.1.1(a)(iii) and specifically (iii)(D), "the information is generated for the internal management purposes of the Issuer".

This issue has been clarified to a limited extent by a guidance note in March 2005 and rulings relating to Vector and PowerCo. However, LCA notes that this guidance note relates to the very limited situation whereby the parent company of the Issuer provides information for internal management purposes. This is most likely to arise where the Issuer is wholly owned (i.e. more likely a debt Issuer) and therefore for efficiency purposes is most likely to be partly or wholly managed by the parent entity.

LCA supports the proposed changes to clarify that if a subsidiary provides information (to extend to more than just financial information) to its parent and that it is for internal management purposes that it still falls within the "for internal management purposes" safe harbour. If considered necessary this could be supported by formalised confidentiality and trading undertakings from the parent.

However, the more likely scenario (and common problem) is where a equity Issuer subsidiary is required to provide Material Information to the parent company for the purposes of compliance with financial reporting and other requirements (such as complying with corporate governance principles/requirement in New Zealand and/or overseas jurisdictions). For example, a parent company is required to prepare consolidated group financial statements, and may not be able to do that in a timely manner without accessing the Issuer's Material Information (and not just financial Material Information) for which there is no requirement for the Issuer to immediately disclose (because it otherwise falls into the exceptions). In these circumstances there will be a reasonable between provision to the parent and disclosure, as the parent company is required to have financial information consolidated by its finance team, considered by its Board Audit Committee, and audited by the parent's external auditor.

In order to resolve this issue, LCA submits that a further exception to 10.1.1(a)(iii) be adopted which allows subsidiary Issuers to provide undisclosed Material Information to the parent company, provided the parent company has bound itself to appropriate confidentiality and trading restrictions, and only uses the information for the purposes of complying with its reporting and other governance requirements.

Rule 10.7.4 Disclosure of acquisitions and dispositions

Rule 10.7.4 has been somewhat overtaken by the application of Rule 10.1.1. It is likely that any acquisition or disposition that is caught by Rule 10.7.4 will be material information under Rule 10.1.1. Confusion can exist with the two rules having different thresholds and with exceptions applying to one and not the other.

LCA supports the proposal to correct the inconsistency between Rule 10.7.4 and Rule 10.1.1 and recommends that LR 10.7.4 be deleted.

Rule 10.8.2 Requirement to provide electronic communication

LCA supports the proposal that notices and communications provided pursuant to Rule 10.8.2 are provided to NZX in electronic format. However if NZX wishes to receive hard copies of any communications such as annual and interim reports, then this should be made clear within the applicable Rules.

LCA notes that the ASX has reintroduced Rule 15.4.1 which requires that two hard copies of the Issuer's annual report, stating that "it acknowledged that electronic lodgement is essential to efficient lodgement and dissemination of reports and information, it is also useful to be provided with hard copy version for the purposes of review, audit and back-up record keeping."

Appendix 1 Preliminary full/half year announcements

Appendix 1 specifies the content and format of preliminary full and half year announcements. The consultation paper notes that NZX is working with NZICA to develop changes that may be necessary to comply with the adoption of IFRS.

Apart from one discussion point concerning the calculation of earnings per share, the Paper has little detail on which it is possible to comment. Accordingly, the LCA submits that when the NZX and NZICA discussions progress to a point where a revised Appendix 1 is available, comment on the format and content should be sought from interested parties at that time.

Appendix 2 Minimum Holdings

The LCA endorses the increase of the Minimum Holding for Debt Securities from $1,000, but would recommend increasing it to $10,000 rather than the proposed $5,000.

Appendix 7 Notice of event affecting securities

The LCA does not consider that franking credits requires specific reference on an already detailed form.

Appendix 16 Corporate Governance Best Practice Code

It is proposed that NZX should adopt a rule that states that company secretaries must be a chartered secretary, a chartered accountant or a barrister and solicitor. We assume that this means that a provision would be inserted in the NZX Corporate Governance Best Practice Code (Best Practice Code) that where an Issuer has appointed a company secretary, that the person be suitably qualified. The current Best Practice Code does not mandate any requirement regarding the position of company secretary or even that a company have such a person. LCA does not have any reason to believe that there are problems occurring at the moment that need to be resolved. The role of company secretary varies considerably from company to company and regulation or recommendations in this area are not considered necessary. A compromise position may be to include a recommendation in the Best Practice Code that where an Issuer has a company secretary that the name and qualifications of that person are set out in the annual report. We note that the ASX listing rules require that the name of the company secretary be disclosed in the annual report but there are no requirements in either the listing rules or the ASX Principles of Good Corporate Governance and Best Practice Recommendations.

Other proposals (1) Payment of dividends and interest

It is proposed that all dividend and interest payments made by Issuers should, by default, be made by direct credit to a bank account with an option to 'opt out'. We understand that Computershare has concerns about the practicality of a mandating the direct credit arrangements. We do not want wish to see additional costs arising for Issuers if there are practical issues with this proposal. We understand that more than 90% of shareholders of are now receiving dividends and interest by direct credit and that that Registry's are continuing to encourage this practice. We query whether the change is really required and what additional benefits it brings.

Other proposals (3) Creation of CSNs

It is proposed that where Issuers issue any of their securities that CSNs be created for new security holders and holding are linked to CSNs. We understand that there are some practical issues with the proposal and suggest that these issues may need to be resolved between the Registries, brokers and NZX.

Additional issues

Rule 3.3.8 Rotation

LCA notes there is an anomaly in rule 3.3.8 regarding the rotation of directors which we consider should be resolved. The rule requires that one-third of the directors retire by rotation at each annual meeting. Due to the mathematical calculation required under the rule, some directors are being required to stand for re-election every 2 years, rather than every 3 years as intended. This depends entirely on the number of directors on a board. We recommend that the ASX drafting be adopted for this rule, being ASX listing rule 14.4 which states:

"A director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is longer…"

Distribution of annual report

It is interesting to note that NYSE has recently announced that companies will no longer be required to distribute annual reports in hard copy format and allows companies to satisfy the annual distribution requirement by making the company's annual report available on or by a link through its corporate website with a prominent undertaking that it will deliver in hard copy, free of charge, any shareholder who requests it. Currently the law does not go as far as allowing this because it still requires 'delivery' in some form even if it is just the emailing of a URL link to the annual report. There are obviously clear benefits in offering this alternative to shareholders but it would need to be affected by a change in the Companies Act. LCA would like to see this matter raised with MED to be considered as part of any review of the Companies Act.

Disclosure of waivers in the annual report

Rule 10.5.3 requires the disclosure in the annual report of all waivers granted by NZX and applicable as at balance date. We recommend that an alternative be provided to allow Issuers to disclose these waivers on the Issuer's website with a cross reference to the website from the annual report. Given that NZX now publishes all waivers and given the majority of people now have internet access, we consider that website disclosure of waivers should be more adequate.

Minimum spreads on NZAX

We refer to our letter of 30 August 2005 to Geoff Brown in which we raised our concerns about the existing trading and price spread rules and the inefficiency for market participants. Mr Brown indicated in his letter of 13 September 2005 that this issue would be considered as part of an "overall review of the

trading microstructure of the AX market". We assume that this review is part of a separate exercise to the current review of the listing rules.

We appreciate the ongoing opportunity to be a part of the consultation process on all these matters.

Please do not hesitate to contact me if you have any questions or matters you wish to discuss.

Yours sincerely

Linda Cox
Chair