

Guidance Note

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Version: 3

Key concepts:

Definition and limitations of Net Tangible Assets

Related information:

FGL Operating Rules

Part 2

Recommended Audience:

Compliance Managers

Legal counsels

Chief Executives and Managing Directors

Previous Issues:

Nil

GN 4 – Net Tangible Assets

Introduction

The Exchange can determine that the value of certain assets of a Trading Participant or Clearing Entity may be required to be fully discounted during the calculation of an organisation's Net Tangible Assets.

Where the determination applies to assets held by any Trading Participants or Clearing Entities it will be documented within this Guidance Note.

Guidance

Definition

As specified in the FGL Operating Rules the term "Net Tangible Assets" or "NTA" means the difference between the value of assets less liabilities attaching to those assets, calculated in accordance with Accounting Standards, where "assets" excludes:

- 1 Those assets which, under Accounting Standards, are regarded as intangible; and
- 2 Such other assets which, in the opinion of the Exchange, are not, or may not be, realisable.

Liabilities may exclude, if the Exchange approves, subordinated debt.

Exclusions

The value of assets, for the purpose of this definition, shall not include such items as: future tax benefits, goodwill, patents, trademarks, or other such intangible assets. Similarly, tangible assets that cannot practicably be realised within a twelve (12) month period on a going concern basis are to be fully discounted.

Liabilities which accounting standard practices would normally make provisions for cannot be excluded from the determination of NTA.

At this point in time the Exchange has identified Approved Subordinated Debt as a liability that can be excluded from the NTA calculation.

No other liabilities or any assets have been prescribed as exclusions from the NTA calculation by the Exchange.

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