

# Zagga's Secondary Market Rules

Date Updated: 23 June 2022

## 1. Background

- 1.1 Zagga is a licenced peer to peer lending entity (FSP393946) and holds the Secondary Market Licence variation.
- 1.2 As a result, it operates, monitors, and enforces a secondary market in accordance with the rules set out herein, the Financial Markets Conduct Act (2013), and its regulations.
- 1.3 This enables investors to sell all or part of their interest in a loan originated by Zagga that has not yet been repaid, is not in default, and has been approved by Zagga for listing on the secondary market.
- 1.4 These Secondary Market Rules, the Disclosure Agreement, Investor Agreement, Declaration of Trust and our other legally binding documents (are available on our website; <https://www.zagga.co.nz/about/legal>) govern how this secondary market operates.

## 2. Process for offering loans on the Secondary Market

- 2.1 Loans that qualify for the secondary market will be loans (whole or part) originated by Zagga, and funded through its platform, that have not been repaid.
- 2.2 No loan (whole or part) that is within 2 months of the scheduled repay date will qualify for the secondary market.
- 2.3 No loan (whole or part) that is currently in default will qualify for the secondary market.
- 2.4 All loans (whole or part) traded on the secondary market will have the same terms, conditions and security as set out in the existing loan and security documentation.
- 2.5 A link to these secondary market rules will be included within the display of a secondary market loan - to ensure that investors are clear in their understanding of the terms and conditions involved.
- 2.6 Zagga does not guarantee that interests in loans which are listed for sale will be sold via the secondary market.
- 2.7 In order to sell all or part of an investment in a loan through the secondary market, an investor will have to utilise the Zagga platform.
- 2.8 Selling investors elect to sell (all or part) of their investment in a loan through the platform, and stipulate the term they would like to have this on the platform listed as available for funding. The minimum listing period is 3 days and the maximum listing period is 7 days.
- 2.9 While an investor is listing a portion of a loan in the Zagga platform, no other investor in that same loan will be able to list a portion of that loan on the platform. I.e., only one investor at a time can list part of a loan. If while a loan is being listed as a secondary market loan another investor in that loan also attempts to sell a piece of the loan they will be put into the queue. This will be made evident by virtue of the listing dates of the new selling investor choosing 3 days or 7 days from the closing date of the current selling investor. If a third investor then also attempted to sell part of the same loan, they would be provided with dates 3 or 7 days behind the closing date of the second selling investor, and so on.
- 2.10 Once on the platform, Secondary market loans are offered on a 'first come first serve' basis, as is the case with all loans available on the Zagga platform.
- 2.11 Until a secondary market loan is fully subscribed, the selling investor can choose to stop the sale on the secondary market without incurring any fees.
- 2.12 Until a secondary market loan is fully subscribed, the selling investor can choose to stop marketing the loan and take then current amount of commitment already obtained (i.e., reduce the amount they are selling). The Break Administration Fee will be based on the actual amount sold.
- 2.13 Until a secondary market loan is fully subscribed, a purchasing investor can elect to 'gazump' all of the other potential purchasers and take up the entire secondary market loan on their own.
- 2.14 Should a secondary market loan not be fully subscribed to, then the selling investor can elect to close and accept the current level of commitment

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into the loan. They will only pay the fee based on the actual amount successfully sold through the platform.

- 2.15 If the listing period has ended, and there is no other selling investor in the queue then the seller can elect to extend the listing period by at least 3 but not more than 7 more days.
- 2.16 As soon as the secondary market loan is fully subscribed, or the seller has elected to accept and close the current level of subscription, the seller will have made an irrevocable undertaking and they are now bound to sell the loan and will be liable for the appropriate Break Administration Fee.
- 2.17 Once a secondary market loan has been purchased, the purchasing investor(s) will be directed to make their investment transfer to the Magna Trust Company Limited's Commercial Trust Account.
- 2.18 Once the investment has been received by Magna and those funds have been cleared, Magna will distribute the appropriate funds (less break administration fee) to the selling investor. It is at this point the selling investor will be removed from the loan pool.
- 2.19 The Break Administration Fee will be deducted from the principal (break amount) by Zagga in advance of distributing the remaining break amount to the investor.
- 2.20 After settlement, the investor will receive an invoice (by email) showing the paid Break Administration Fee.
- 2.21 On having successfully distributed the funds to the selling investor, the new purchasing investor(s) will be added to the loan pool in the Loan Management System to accurately hold the record of the beneficial interest holding in the loan. This will then also result in the new investor(s) in the loan being able to see their investment in this loan on the Zagga portal dashboard as a live loan.
- 2.22 Zagga's Loan Management System at all times holds a record of the underlying beneficial interest of a loan proportionate to each investor's investment in a loan. When an Investor successfully sells (part or all) of their interest in a loan, the Loan Management System will simultaneously be updated to reduce (or remove) the Seller's portion of beneficial interest and record the Purchaser's. The new investor will then also be captured in the Loan Pool within the Loan Management System, or if the purchasing investor was already an investor in the loan then the system will reflect their total investment.

### 3. Loan Information

- 3.1 Secondary market loans will be clearly displayed on the Zagga website; they will have a different banner colour to original loans and will be marked as a "SECONDARY MARKET".
- 3.2 In addition to the standard loan disclosure provided by Zagga (i.e. loan summary, loan conditions, details of the security held, borrower's credit score, loan to value ratio, etc) potential purchasers of existing loans will also be able to view full details of the loan's performance (i.e. number of repayments, any late payments or other credit events).
- 3.3 Zagga will re-assess the Loan if the performance of the Loan has not been satisfactory or we have reason

to believe that the financial position of the Borrower or of the value of the secured property has materially adversely changed. In this case, we will re-assess the Loan to ensure all information on the Loan is current in light of any other information that may have come to hand. This reassessment may involve obtaining a new credit check, undertaking new servicing checks, retesting the Borrower's Loan exit strategy or any such evaluations that we consider are appropriate in the circumstances.

- 3.4 Where an external credit check (Centrix, Veda, or other) undertaken by Zagga is older than 12 months, Zagga will undertake a new external check and will ensure that this new assessment has no material adverse features and is available to potential investors.
- 3.5 The date of the latest Credit Check will be made apparent on the Secondary Market.
- 3.6 If known, Zagga will disclose a **credit event** to prospective investors via the platform so that when they elect to invest in a loan they do so having had ample opportunity to assess these events and any other features material to the loan which could impact on the risk level associated with the investment.
- 3.7 A **Credit Event** occurs where: (i) the Borrower has previously missed a payment under the Loan (whether or not the default has been remedied); (ii) the Loan is currently in arrears; or (iii) there has been a material adverse change to the Borrower's credit profile from the position of the credit assessment undertaken by us prior to the Loan being advanced to the Borrower.
- 3.8 The new investor(s) will have to confirm that they have sufficient funds to honour their commitments, that they will have to pay loan management fee as shown, that they agree to appoint Magna Trust Company Limited as their trustee in respect of the loan and the securities held, and that they have read and agree with these Secondary Market Rules before they can make a funding commitment.

### 4. Break Administration Fees

- 4.1 Investors whose interest in a loan is sold using the secondary market shall pay a Break Administration fee to Zagga as set out in the table below (but subject to change).

Loan Amount Sold	Break Administration Fee
\$1,000 - \$4,999.99	\$75
\$5,000 - \$19,999.99	\$125
\$20,000 - \$99,999.99	\$200
\$100,000 +	\$300

- 4.3 The Break Administration fee is payable upon sale of the loan on the Zagga site.
- 4.4 The minimum amount of a loan an investor can sell is \$1,000.
- 4.5 Prospective purchasers must enter into the Investor Agreement and the Disclosure Agreement prior to access to the secondary market.
- 4.6 The sale and transfer of a loan on the secondary market will not incur any costs or fees to the borrower.

- 4.7 Zagga will make no disclosure of any change in the beneficial interest of any part of a loan to the borrower.
- 4.8 By agreeing to the Zagga Disclosure Statement and Borrower Agreement, borrowers acknowledge and accept that borrower identity information may be available to registered investors both prior to successfully funding their loan and during the loan term through the secondary market.

## 5. Zagga's Discretion

- 5.1 Despite anything in these secondary market rules, Zagga's other legal documents or public statements that could be interpreted to the contrary, we reserve the right to accept or deny any request by a seller to offer a loan on, or transfer an interest in a loan using the Zagga secondary market.
- 5.2 We reserve the right to determine (in our sole discretion and without the provision of any explanation) if any loan should be made available for sale on the secondary market.
- 5.3 We reserve the right, at our sole discretion and for any reason whatsoever, to remove any loan from the secondary market.
- 5.4 Zagga may suspend or terminate the secondary market at any time for any reason and will not be required to notify investors of its suspension or termination. Any requests to transfer interests which are listed at that time will be cancelled and the transferring investor will be notified by Zagga as soon as reasonably practicable after suspension or termination.
- 5.5 Zagga reserves the right to change or waive Break Administration Fees on any given secondary market transaction.
- 5.6 The Break Administration Fees will be available on the Zagga website (Investment Rates and Fees), and at Zagga's discretion may be changed from time to time.

## 6. Contact Details

If you have feedback, a concern or complaint regarding any of the above, the secondary market, or any part of our service, please contact us at the following:

Name: **Zagga Limited**  
Phone: **0800 286 286**  
Registered address: **Level 1, Zagga House, 85 Albert Street, Auckland**  
Postal address: **PO Box 1290, Auckland 1140**  
Email contact: **info@zagga.co.nz**

Alternatively, you can contact Financial Service Complaints Ltd, an independent external dispute resolution scheme provider. The contact details are:

Name: **Financial Service Complaints Ltd**  
Phone: **0800 347 257**  
Postal address: **PO Box 5967, Wellington 6145**  
Website: **www.fscl.org.nz**

You can quote Zagga's FSCL membership number: 5580.