

18 February 2008

GOVERNMENT SECURITIES TENDERING

IMPORTANT CHANGES IN TENDERING OPERATIONS

The New Zealand Debt Management Office (NZDMO) will be assuming responsibility for the tendering of New Zealand Government Bonds and Treasury Bills from the Reserve Bank of New Zealand (RBNZ). The transfer will be a staged process that will take place over the next two months. This follows many years of the RBNZ acting as an agent for the NZDMO.

From the market's perspective, little will change on handover from the RBNZ:

- Austraclear will continue to be used to place bids and settle successful bids.
- NZDMO will continue to make all decisions on offerings for each tender and on the allotment of bids.

Some changes have been made to simplify the Operating Rules and Guidelines and registration criteria:

- Bid limits and bid deposits have been eliminated.
- The process for placing telephone bids has been simplified.
- The registration process has been simplified.

To qualify for registration as a bidding counterparty, applicant institutions must have a minimum credit rating of A-/A3 or be a Crown Financial Institution. Please see Application for Registration as a Bidding Counterparty for further details.

The handover will be done in two stages:

- In the first stage, effective from **Monday 3 March 2008**, NZDMO will take over the settlement of successful bids for tenders conducted after this date; and
- In the second stage, effective from **Monday 7 April 2008**, NZDMO will take over the remaining tender functions (i.e. making tender announcements to the market¹, administering tenders on Austraclear, and processing bids).

IMPORTANT: The following key dates and actions are important to ensure your continued participation in Government securities tenders:

- By **29 February** we require settlement instructions for government securities from existing registered bidders. Please provide on letterhead and fax to us on +64 4 472 3792.
- From **3 March**, all settlement of the issue of Government securities will be processed through the NZDMO Austraclear mnemonic CSAW40. This mnemonic replaces the current RBNZ mnemonic RBNZ40.

¹ Refer Reuters page NZDMOINDEX and Bloomberg NZDM

In addition, from this date, NZDMO will send confirmations by fax to all successful bidders. These are for information purposes and do not require a response.

- **By 20 March** we require completed applications for those bidding counterparties intending to continue bidding in government securities tenders after 7 April. This includes providing an original Power of Attorney and a certificate of non revocation. Please see the attached Application pack for full details.

We have included new versions of the following documents with this note for your information:

- Operating Rules and Guidelines – Government Securities Tenders.
- Application for Registration - Bidding Counterparty - Government Securities Tenders.

We are in the process of finalising changes to the Information Memorandum for Government Bonds and Information Memorandum for Treasury Bills. Updated versions of these should be available on our website www.nzdmo.govt.nz soon.

Key dates over the migration phase are set out below.

<i>Process</i>	<i>Period / deadline</i>
NZDMO informs existing bidding counterparties of changes in tendering arrangements and sets out requirements for re-registration.	18 – 22 February
NZDMO obtains settlement instructions and back office contact details from bidding institutions.	By Friday, 29 February
NZDMO undertakes settlement of all government securities issued after this date.	From Monday, 3 March
NZDMO receives applications for re-registration of existing bidding counterparties and registration of new bidding counterparties	By Thursday, 20 March
NZDMO makes all tender announcements on electronic media. See Reuters page NZDMOINDEX and Bloomberg NZDM.	From Monday, 7 April
NZDMO undertakes all tender processing.	From Monday, 7 April

If you have any questions regarding this process, please contact Bronwyn Bayne on 917-6131 in the first instance.

Phil Combes
Treasurer
New Zealand Debt Management Office