



New Zealand Debt Management Office

1 The Terrace PO Box 3724 Wellington New Zealand

Operating Rules and Guidelines Government Securities Tenders

Date issued: 19 September 2009

These Operating Rules and Guidelines replace previous Operating Rules and Guidelines for Government Securities Tenders issued by the NZDMO dated 15 May 2008.

These Operating Rules and Guidelines dated 19 September 2009, should be read in conjunction with the relevant information memoranda for treasury bills and government bonds, which are available from www.nzdmo.govt.nz.

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1. THE SECURITIES ACT 1978

The initial wholesale offer to issue treasury bills or government bonds (“Government Securities”) through the New Zealand Debt Management Office (“NZDMO”) is made to persons whose principal business is the investment of money or, in the course of and for the purposes of their business, habitually invest money. As a consequence, the wholesale offer does not constitute an “offer to the public” as defined under the Securities Act 1978 (“the Securities Act”) and is not subject to the provisions of the Act.

When any Government Securities are offered to the public in New Zealand for the first time, the institution making the offer must do so in strict compliance with the provisions of the Securities Act (or any act passed in substitution for that Act).

For the purposes of the initial offer of Government Securities to the public so described above, both the Crown and the institution making the initial offer to the public, will be deemed to be “issuers” for the purposes of the Securities Act (section 6(7)). In particular (but without limitation to the other requirements of that Act), such offering institutions must make any offers to members of the public in accordance with sections 33(1)(a) and (b) of that Act and must provide members of the public with a copy of the applicable Investment Statement BEFORE the sale of the Government Securities is completed. When making such offers, bidders must also comply with the conditions specified in any Securities Act exemption notice issued in respect of the Government Securities.

Tender Counterparties which take part in each tender for Government Securities undertake:

- (i) to comply with the requirements of the Securities Act (or any act passed in substitution for that Act) and the conditions of any exemption notice issued in respect of such securities when on-selling Government Securities to members of the public, as referred to above;
- (ii) not to use any Investment Statement for the Government Securities other than the current Investment Statements; and
- (iii) that when on-selling Government Securities to another financial institution or investment advisor, to ensure that the purchaser is fully aware of the requirements referred to above.

In addition to the above, Tender Counterparties undertake to comply with any applicable laws and regulations in any other jurisdiction in which they offer or sell any Government Securities purchased at tender.

Copies of the current investment statements for Government Securities are available on request from info@nzdm.govt.nz or enquiry@computershare.co.nz .

The Crown reserves the right to update these documents at any time.

2. REGISTRATION OF INSTITUTIONS

Institutions that wish to participate in Government Securities tenders, must apply for registration with NZDMO.

Once registered, only these institutions (called “Tender Counterparties”), may take part in Government Securities tenders.

To qualify for registration, an institution must be eligible to hold Government Securities under the terms of the relevant information memorandum and have a minimum credit rating of A-/A3, or have their obligations guaranteed by a parent entity with a minimum credit rating of A-/A3, or be a Crown financial institution.

Applications for registration should be made at least 10 business days before the date of a tender if the institution wishes to take part in that tender. Applications received within 10 days of a tender may not be processed in time for the applicant to participate in the tender.

Once registered, a Tender Counterparty remains registered to take part in subsequent Government Securities tenders unless registration is cancelled by the NZDMO.

The NZDMO reserves the right to reject any application for registration for any reason or to cancel any registration at any time.

Application forms for registration can be obtained from the NZDMO at:

The Head of Risk Policy and Technology
New Zealand Debt Management Office
P O Box 3724
Wellington 6140
Ph: +64 4 917 6954
Fax: +64 4 472 2492

or from NZDMO’s website at:

www.nzdmo.govt.nz/securitiestendering;

3. ANNOUNCEMENTS

3.1 Tender Composition

All tenders of Government Securities shall be made in terms of and pursuant to the information memorandum for the Government Securities being offered.

The NZDMO, where possible, will announce the composition of each upcoming tender on the NZDMO’s pages for treasury bills and government bonds, via a combination of electronic media and the NZDMO website (www.nzdmo.govt.nz).

Tender details will include:

- the amount of the Government Securities to be issued or repurchased;
- the maturity dates of the Government Securities;
- the coupon interest rates if applicable;
- the closing time and date of the tender;
- the settlement date for the tender; and
- the time results are intended to be announced.

3.2 Current Tender Announcement Times

Regular, tap and government bond repurchase tenders:

Regular and reverse tap announcements	11.30 am one business day prior to the tender
Tap tender announcement	11:30 am on the day of the tap tender
Tender bids close	2:00 pm
Tender results announced	2:30 pm
Settlement date	Tender date plus three business days

Treasury bill tenders:

Tender announcement	11:30am one business day prior to the tender
Tender bids close	2:00pm
Tender results announced	2:30pm
Settlement date	Tender date plus one business day

3.3 Alteration of an Announced Tender

The NZDMO reserves the right to extend the cut-off time, or to postpone or cancel a tender at any time.

If a tender is postponed or cancelled, any bids (or offers) lodged, will be disregarded.

4. TENDERING PROCEDURES

4.1 Size of Bids (or Offers)

Each bid (to buy Government Securities from NZDMO) or offer (to sell Government Securities to NZDMO) must be of a minimum amount of \$1,000,000 (Principal) and in multiples of \$1,000,000 (Principal) thereafter.

Any bids (or offers) not received in multiples of \$1,000,000 will be rounded down to the nearest multiple of \$1,000,000 (eg. \$1,600,000 will be truncated to \$1,000,000).

4.2 Format of Bids (or offers)

Each bid (or offer) must state the yield as a percentage per annum.

The yield is to be expressed to the second decimal place (eg 5.76%). Decimal places beyond two will be disregarded (eg. 5.768% will be truncated to 5.76%).

4.3 Electronic Tendering

Bids (or offers) must be submitted by the “transmit” and “commit” functions in the Austraclear electronic tendering system, unless a telephone bid (or offer) is accepted by the NZDMO.

For the avoidance of doubt, each Tender Counterparty should use the Austraclear mnemonic(s) advised to the NZDMO by the Tender Counterparty. Bids (or offers) committed via Austraclear using alternative mnemonics may be disallowed by NZDMO.

Bids (or offers) must be transmitted and committed prior to the tender close time as stated in the tender composition announcement for that tender.

Bids (or offers) committed in Austraclear cannot be amended or withdrawn. It is the responsibility of each Tender Counterparty to ensure that bids (or offers) are recorded in Austraclear accurately, using the correct mnemonic and are committed prior to tender closure.

Tender Counterparties may be prompted by Austraclear if bids (or offers) placed fall outside a predetermined range. This is for guidance only and all bids (or offers), once committed, will be accepted into the tendering facility by Austraclear.

4.4 Placing Bids (or Offers) via Telephone

The NZDMO may, at its discretion, accept telephone bids (or offers) before tender closure where the NZDMO has reasonable grounds for believing that a technical fault or circumstances beyond a Tender Counterparty’s control are preventing electronic bids (or offers) from being placed.

If a Tender Counterparty is unable to place bids (or offers) via Austraclear, then a person authorised by the Tender Counterparty should telephone the NZDMO to place the institution’s bids (or offers).

NZDMO Contact Details for Telephone Bids (or Offers):

Colleen McCarthy	Portfolio Manager	+64 4 917 6941
Alex Deans	Assistant Portfolio Manager	+64 4 917 6097
Briar Ferguson	Assistant Portfolio Manager	+64 4 917 6131
Andrew Turner	Head of Portfolio Management	+64 4 917 6071

Institutions tendering via telephone will be required to provide:

- the dealer’s name and confirm the dealer’s authorised dealing status for their institution;
- their institution’s Austraclear mnemonic; and
- the bid (or offer) for each relevant security or securities including the yield and the amount for each security.

Placing bids (or offers) via telephone must be concluded prior to the announced tender close time.¹ Once placed, a telephone bid (or offer) cannot be amended or withdrawn.

¹ The NZDMO calibrates its time to the NTP Server of the Measurement Standards Laboratory (MSL). In the event of failure of this time source, the NZDMO will be the sole arbiter as to the time. A Network Time Protocol (NTP) stratum 1 server is available for connections within New Zealand. NTP is a standard internet protocol for the synchronisation of computer time. NTP is designed mainly for synchronising high end servers but a simpler version (called Simple Network Time Protocol or SNTP) is supported by the MSL server and can be used for standalone computers. The server is referenced to UTC(MSL) by direct connection of a pulse per second signal from the master caesium clock.

In the event that there is a telephone bid (or offer) and a corresponding bid (or offer) in Austraclear from the same institution and both are identical by Austraclear mnemonic, security, yield and amount, the telephone bid (or offer) will be automatically disregarded.

In all other circumstances, the NZDMO reserves the right to accept both telephone bids (or offers) and Austraclear bids (or offers) from the same institution where these bids (or offers) are differentiated by either Austraclear mnemonic, security, yield or amount.

In the event of any disagreement over telephone bids (or offers), the NZDMO electronic voice recording system will be used to confirm the disputed details.

4.5 Rejection of Bids (or Offers)

The NZDMO reserves the right to reject any bid (or offer), or part thereof, for any reason.

4.6 Security Issuance Allocation

For the issuance of Government Securities allocations for each maturity will be made in ascending order of yields bid.

Successful Tender Counterparties will be allocated principal amounts that are whole multiples of \$1,000,000 with the minimum allocation being \$1,000,000.

At the highest yield accepted, Government Securities will, if necessary, be allocated as far as practicable on a pro-rata basis in relation to the principal amount available at that yield.

In the event that the number of bidders at the highest yield multiplied by \$1,000,000 exceeds the principal amount available at that yield, the NZDMO may either:

- increase the principal amount available at that yield so that a minimum allocation can be issued by NZDMO on a pro-rata basis to each successful Tender Counterparty; or
- decrease the principal amount available at that yield so that no allocation of Government Securities is made at that yield.

The NZDMO reserves the right to issue less than the maximum amount of Government Securities for each tender.

4.7 Security Repurchase Allocation

For the repurchase of Government Securities, allocations for each maturity will be made in descending order of yields offered.

Successful Tender Counterparties will be awarded allocations that are whole multiples of \$1,000,000 with the minimum amount being \$1,000,000.

At the lowest yield accepted, security repurchases will, if necessary, be allocated as far as practicable on a pro-rata basis in relation to the principal amount available at that yield.

In the event that the number of sellers at the lowest yield multiplied by \$1,000,000 exceeds the principal amount remaining at that yield, the NZDMO may either:

- increase the principal amount available at that yield so that a minimum amount can be repurchased on a pro-rata basis from each successful seller of Government Securities to NZDMO; or

- decrease the principal amount available at that yield so that no repurchase of Government Securities is made at that yield.

The NZDMO reserves the right to repurchase less than the maximum amount of Government Securities it offers to repurchase in any tender.

4.8 Oversubscription

The Crown reserves the right to accept oversubscriptions in any maturity offered for sale or repurchase, of up to 50 per cent of the amount offered for tender in that maturity. This is subject to the provision that the total amount of bids (or offers) accepted in all maturities does not exceed the total amount offered for tender, notwithstanding the provision made to exceed the total amount available in the allocation of bids (or offers) in Clause 4.6 (or Clause 4.7 as the case may be). Where one class of Government Security is offered for issuance or repurchase in the same tender as another class of Government Security, there is no provision to allow the oversubscription between the two classes of Government Securities.

4.9 Allocation Queries

Tender Counterparties may also check their allocations once tender results have been announced, by contacting the NZDMO.

NZDMO Contacts for questions relating to allocations:

Colleen McCarthy	Portfolio Manager	+64 4 917 6941
Alex Deans	Assistant Portfolio Manager	+64 4 917 6097
Briar Ferguson	Assistant Portfolio Manager	+64 4 917 6131
Andrew Turner	Head of Portfolio Management	+64 4 917 6071

4.10 Settlement of Tenders

Confirmations are sent to successful Tender Counterparties. Physical settlement is by delivery versus payment via Austraclear.

Settlement for government bonds is tender date + 3 business days, by 16:45 local time.

Settlement for treasury bills is tender date + 1 business day, by 16:45 local time.

NZDMO Contacts for questions relating to settlement issues:

Jane Phelan	Transactional Services Manager	+64 4 917 6259
Kate Hainsworth	Senior Transactional Services Officer	+64 4 917 6235
Neil Bain	Head of Accounting & Transactional Services	+64 4 917 6258

5. INFORMATION SHARING

Data relating to Government Securities tenders may be shared with the Reserve Bank of New Zealand.

6. DISCLAIMER

The Crown, including the NZDMO, will not be liable for any loss to any person from any source arising directly or consequentially (including, but not limited to, loss of profits), or damages to persons or property arising out of:

- the breach by any person of any of the terms and conditions of the tender, including the relevant information memorandum; or
- the failure by a member to commit bids (or offers) in Austraclear accurately, prior to tender closure and otherwise in accordance with these Operating Rules and Guidelines, the relevant information memorandum and the tender composition announcement ; or
- any inaccuracy in the details of tenders as announced in the Austraclear system or otherwise; or
- the terms of any bid (or offer); or
- the NZDMO acting on any bid (or offer) received or purportedly received from a member; or
- the inability of the NZDMO to act on any bid (or offer) received; or
- any fraud or forgery on the part of any person bidding (or offering) or purporting to bid (or offer) securities; or
- any breach of the security of the connection between the system and the computers operated by Austraclear; or
- the suspension of Austraclear whether wholly or partly; or
- any variation of the operational timetable; or
- any other issues associated with the operation of the electronic bidding process.