



Primary Market Access Framework – New Zealand Government Securities

1. Purpose

The purpose of this document is to outline the framework for primary market access to New Zealand Government Securities and sets out the criteria by which an institution can apply to become a Registered Tender Counterparty with the Treasury.

This document covers primary market access to the issuance of nominal New Zealand Government Bonds (**NZGBs**), New Zealand Government Inflation-Indexed Bonds (**NZIIBs**) and New Zealand Treasury Bills (**NZTBs**); collectively referred to in this document as New Zealand Government Securities (**NZGS**).

2. Background

The objective of public debt management is to minimise the long-term cost of Crown debt with due consideration to risk.

In support of this objective, debt management activities are conducted using the principles of transparency, even-handedness and consistency. Conducting debt management activities in this manner promotes efficient functioning of NZGS secondary markets, supports NZGS market liquidity, improves investor confidence, reduces NZGS risk premia, and ultimately minimises Crown funding costs.

The framework outlined in this document is designed to align the conditions of primary market access with the objective of public debt management by supporting liquidity of NZGS markets and assisting Registered Tender Counterparties perform their role of intermediating primary market supply to end investors.

The framework sets out the requirements and expectations the Treasury has on registered tender counterparties in order to support both primary and secondary NZGS markets. The framework also aims to ensure that registered tender counterparties accrue benefits that reflect the value they provide to the NZGS market, the Treasury and the Crown.

Intermediaries play a crucial role in supporting the functioning and liquidity of NZGS secondary markets. The Primary Market Access Framework is intended to incentivise Registered Tender Counterparties to be as active as possible in the provision of liquidity and price transparency, which ultimately benefits all secondary market participants. Through maximising secondary market liquidity, the Crown ensures that the size and diversity of participants in these markets is as great as possible, thereby minimising any liquidity premiums and achieving the lowest possible cost of funds for the Crown over the long-term.

3. Timeframes

This Primary Market Access Framework will come into effect from **30 September 2019**. Following this date, only institutions that have been approved as a Registered Tender Counterparty under the new Primary Market Access Framework will be eligible to participate in NZGS primary market activities.

Treasury will regularly review all aspects of the Primary Market Access Framework to ensure they are still fit for purpose and continue to deliver outcomes that are consistent with the overall objective of public debt management.

4. NZGS Primary Market Access Framework

a. Acceptance Criteria

Registered Tender Counterparties **must** satisfy the following six requirements:

1. *The Registered Tender Counterparty must be a standalone legal entity, and only one application per legal entity will be accepted.*

Registered Tender Counterparties must be standalone and distinct legal entities. This means that only one application per legal entity should be submitted.

For example, parent, subsidiaries, multiple branches or offshore legal entities of the same banking family should have a single Registered Tender Counterparty relationship with the Treasury.

2. *The Registered Tender Counterparty must be eligible to hold NZGS under the relevant Information Memorandum.*

These documents provide further information relating to NZGS including: issuance, taxation, registration, settlement, transfer, payments and any applicable selling restrictions.

3. *The Registered Tender Counterparty must have a minimum long-term credit rating of BBB-/Baa3 or have their obligations guaranteed by a parent entity with a minimum long-term credit rating of BBB-/Baa3.*

A Registered Tender Counterparty must be of sufficient credit quality to deal with the Treasury.

4. *The Registered Tender Counterparty must allow their name and generic contact details to be published on the Treasury's Debt Management website as a Registered Tender Counterparty.*

The list of Registered Tender Counterparties will be published on the Treasury's Debt Management website to create transparency for investors around those entities that can access the NZGS primary market.

5. *The Registered Tender Counterparty must have the ability to participate in NZGS tenders via access to the Yieldbroker DEBTS application.*

All NZGS tenders are conducted over the Yieldbroker Debts application as defined in the 'Operating Rules and Guidelines Government Securities Tenders' (see: https://debtmanagement.treasury.govt.nz/sites/default/files/media/media_attachment/operating-rules-guidelines-dec18.pdf for further details).

6. *The Registered Tender Counterparty must satisfy the Treasury that they play a significant role in the intermediation of NZGS products to investors.*

A key objective of the new Primary Market Access Framework is to support NZGS secondary market liquidity, thereby reducing any liquidity premiums on NZGS and consequently minimising the Crown's funding costs. Accordingly, to be granted primary market access, an institution must be able to demonstrate that they actively support liquidity in NZGS secondary markets. In general, it is the Treasury's expectation that this requirement will limit Registered Tender Counterparties to banks, broker dealers and similar financial institutions providing market-making services to clients and customers.

The Treasury's desire is to have a Registered Tender Counterparty set that is as large and diverse as possible and therefore would welcome applicants from new entrants to NZGS markets. However, the Treasury also needs to be confident that any proposed Registered Tender Counterparty will be able to consistently meet the Maintenance Criteria (outlined below) and meet the Treasury's expectations that they will actively support secondary market liquidity in NZGS products. Any new entrant will need to provide evidence of their commitment to operating a sustainable NZGS distribution business and clearly demonstrate their support for liquidity in secondary markets for NZGS products before being approved as a Registered Tender Counterparty. The Treasury acknowledges that any new entrants will not have the comparative advantage of primary market access and will take this into account when assessing any new applications.

Demonstration of support will include submitting the NZGS Turnover Survey in Appendix Two covering the six months prior to application. Other relevant information provided by the applicant entity may also be considered as part of the application.

b. Maintenance Criteria

As well as continually meeting the Acceptance Criteria above, to remain a registered tender counterparty, the Registered Tender Counterparty **must** meet the following two ongoing requirements:

1. *Participate regularly in NZGS tenders and be successfully allocated a material and consistent amount of NZGBs and/or NZIIBs issued via tender.*

Through continual participation in tendering activities of NZGBs and NZIIBs, Registered Tender Counterparties support the NZGS primary market. Treasury's current view of "material and consistent" is a minimum allocation of around 5% of the total combined amount of NZGBs and NZIIBs issued via tender over the medium term.

2. *Complete and submit, on a monthly basis, the NZGS Turnover Survey outlining all secondary market activity that the entity has undertaken.*¹

Information provided by the introduction of a monthly turnover survey will help to:

- Assess general trends in overall NZGS market liquidity;
- Understand each Registered Tender Counterparty's secondary market performance and relative geographic strengths; and
- Support investor relations activities.

c. Expectations

Registered Tender Counterparties are also expected, but not required, to meet the criteria below. Treasury acknowledges that each Registered Tender Counterparty will differ in their ability to meet these expectations dependent on their business strategy and organisational structure.

All Registered Tender Counterparties are **expected**, where possible to:

1. *Participate regularly in all NZGS primary market activities, beyond the minimum requirements set out in the preceding section;*
2. *Actively promote NZGS markets via engagement with, and the provision of relevant research to, the investor community;*
3. *Support price transparency in NZGS products through the provision of accurate secondary market prices;*
4. *Commit to make, at all reasonable times², in all NZGS products, fair and reasonable prices to investors in NZGS markets;*
5. *Uphold the reputation of NZGS markets and support the overall efficiency and functioning of the secondary market in NZGS products; and*
6. *Facilitate access to NZGS products for New Zealand retail investors.*

By meeting these expectations, Registered Tender Counterparties support NZGS liquidity, as well as contributing to the overall functioning and efficiency of NZGS markets.

¹ The NZGS Turnover Survey should be completed within 10 business days of month end. The survey should cover transactions across all legal entities within the Registered Tender Counterparty's group, where possible and appropriate.

² I.e. during trading hours in the time zones where the Registered Tender Counterparty operates a NZGS distribution business.

d. Requirements of the Treasury

The Treasury will:

- Only provide Registered Tender Counterparties access to primary NZGS tenders, which confers a comparative advantage in the distribution of NZGS to investors;
- List all Registered Tender Counterparties on the Treasury's Debt Management website, thereby supporting a Registered Tender Counterparty's distribution business through visibility to NZGS investors and endorsement by the Crown;
- Only appoint Registered Tender Counterparties to NZGS syndication panels;
- Provide preferential support for other activity conducted by the Registered Tender Counterparty including investor relations events, conference participation, and non-issuance related transactional requirements; and
- Provide receive regular feedback and peer comparison by way of an annual relationship review.

The relative performance of Registered Tender Counterparties in relation to the intermediation of NZGS will inform any appointments to syndicated issuance panels and the allocation of other activity across institutions.

e. Review

Registered Tender Counterparties must continue to meet the conditions set out above in the Acceptance Criteria, Maintenance Criteria and Expectations sections.

Should a Registered Tender Counterparty not be able to meet any of the Acceptance Criteria, then their status as a registered tender counterparty **will** immediately be revoked.

Failure to meet the Maintenance Criteria, or Expectations requirements, **may result** in an entity having their status as a Registered Tender Counterparty revoked. At all times registration will remain at the Treasury's discretion.

The Treasury will provide Registered Tender Counterparties formal feedback, at least annually, on their relative performance with respect to NZGS primary and secondary market activity. In addition, the review will provide an opportunity to discuss any issues pertinent to the operation and functioning of NZGS markets.



Appendix One – Registered Tender Counterparty Application Form

New Zealand Debt Management, The Treasury Application for Registration Tender Counterparty Government Securities Tenders

Introduction

Thank you for your interest in applying to become a Registered Tender Counterparty with the Treasury.

Registered Tender Counterparties are eligible to participate in primary market activities (tenders) for New Zealand Government Bonds (**NZGBs**), New Zealand Government Inflation-Indexed Bonds (**NZIIBs**) and New Zealand Treasury Bills (**NZTBs**); collectively referred to as New Zealand Government Securities (**NZGS**).

1. Acceptance Criteria

To qualify for registration, applicant institutions must at least:

- I. Be a standalone legal entity;
- II. Be eligible to hold NZGS under the terms of the relevant Information Memorandum;
- III. Have a minimum long-term credit rating of BBB-/Baa3, or have their obligations guaranteed by a parent entity with a minimum long-term credit rating of BBB-/Baa3;
- IV. Consent to having their institution's name and generic contact information published on the Treasury's debt management website as a registered tender counterparty;
- V. Have the ability to participate in NZGS tenders via access to the Yieldbroker DEBTS application; and
- VI. Satisfy the Treasury that they play a significant role in the intermediation of NZGS products to investors (demonstrated, for example, by submitting the NZGS Turnover Survey for the previous 6 months).

2. Maintenance Criteria

Once registered, a counterparty must meet the following two requirements in order to retain registration:

- I. The counterparty must participate regularly in NZGS tenders and be successfully allocated a material and consistent amount of NZGBs and/or NZIIBs issued via tender; and

- II. Complete and submit, on a monthly basis, the NZGS Turnover Survey outlining all secondary market activity that the entity has undertaken.³

3. Expectations

All registered tender counterparties are expected, where possible to:

- I. Participate regularly in all NZGS primary market activities, beyond the minimum requirements set out in the preceding section;
- II. Actively promote NZGS markets via engagement with, and the provision of relevant research to, the investor community;
- III. Support price transparency in NZGS products through the provision of accurate secondary market prices;
- IV. Commit to make, at all reasonable times⁴, in all NZGS products, fair and reasonable prices to investors in NZGS markets;
- V. Uphold the reputation of NZGS markets and support the overall efficiency and functioning of the secondary market in NZGS products; and
- VI. Facilitate access to NZGS products for New Zealand retail investors.

4. Conditions

Adherence to the Acceptance Criteria, Maintenance Criteria, and Expectations of registered tender counterparties will be monitored on an ongoing basis.

5. Review

Should a registered tender counterparty no longer be able to meet any of the Acceptance Criteria, then their status as a registered tender counterparty will immediately be revoked.

Failure to meet any of the Maintenance Criteria or Expectations of registered tender counterparties may result in an entity having their tender counterparty registration revoked.

At all times the Treasury will reserve the right to suspend or revoke any counterparty's registration, at any time, in its absolute discretion.

Additional Information

In addition to completing the attached application form, please ensure the following information is provided with your application:

1. Organisational structure, showing company names up to ultimate parent, percentage of ownership, and relationship with entity (ie subsidiary or branch operation);
2. Nature and degree of parent support / guarantee, including a copy of the guarantee (if applicable);
3. Credit rating information, including any recent rating actions or comments; and
4. Any other information you consider to be relevant to this application.

³ The NZGS Turnover Survey should be completed within 10 business days of month end. The survey should cover transactions across all legal entities within the Registered Tender Counterparty's group, where possible and appropriate.

⁴ ie, during trading hours in the time zones where the Registered Tender Counterparty operates a NZGS distribution business.

Application processing

The Treasury expects to be able to process applications within 10 business days from receipt of all applicable documentation from an applicant counterparty. However, some applications may take longer to process.

Following receipt of this application, the Treasury will:

- acknowledge the receipt of this application;
- confirm the approval/rejection of the application within 10 business days;
- confirm the effective date of registration (if approved); and
- verify the settlement instruction details supplied.

Please ensure you are familiar with the following documents before completing your application.

- **Operating Rules and Guidelines – Government Securities Tenders**
- **Information Memorandum – New Zealand Government Bonds**
- **Information Memorandum – New Zealand Government Inflation-Indexed Bonds**
- **Information Memorandum – New Zealand Government Treasury Bills**

These documents are available from <https://debtmanagement.treasury.govt.nz/>.

Further assistance

Any queries regarding the application process, completed applications and supporting information, can be directed to:

New Zealand Debt Management
Portfolio Management Group
The Treasury
PO Box 3724
Wellington 6140

Ph +64 4 917 6073

Email: PortfolioManagement@treasury.govt.nz

To: Portfolio Management, New Zealand Debt Management
The Treasury
PO Box 3724
Wellington 6140

Application for Registration as a Tender Counterparty Government Securities Tenders

Institution:

ATTACHMENTS:

- 1. Applicant Institution
- 2. Applicant Confirmation – Government Securities Tenders
- 3. Standard Settlement Instructions
- 4. Authorised Signatories
- 5. Application Authority
- 6. NZGS Turnover Survey (or similar)

SUPPLEMENTARY INFORMATION:

- 7. Organisational Structure
- 8. Nature and Degree of Parent Support / Guarantee (if applicable)
- 9. Copy of Parental Guarantee (if applicable)
- 10. Credit Rating Information
- 11. Other Information (if applicable)

FOR INTERNAL USE ONLY

Application Approved: _____
Date: _____
Notification sent: _____

1. Applicant Institution

Full legal name	
Physical address	
Postal address	
Contact details (in respect of this application)	
Email address	
Contact phone number	

2. Applicant Confirmation – Government Securities Tenders

The applicant institution confirms that it:

- is seeking approval for registration to participate in primary market tenders of NZGS;
- is eligible to hold NZGS under the terms of the:
 - Information Memorandum – New Zealand Government Bonds;
 - Information Memorandum – New Zealand Government Inflation-Indexed Bonds;
 - Information Memorandum – New Zealand Government Treasury Bills; and
- has a minimum long-term credit rating of BBB-/Baa3, or has its obligations guaranteed by a parent entity with a minimum long-term credit rating of BBB-/Baa3;
- consents to having its name and generic contact details published on the Treasury’s debt management website as a registered tender counterparty;
- has the ability to participate in NZGS tenders via access to the Yieldbroker DEBTS application; and
- agrees to abide by the Operating Rules and Guidelines – Government Securities Tenders.

If approved as a registered tender counterparty, the applicant also agrees to:

1. Participate regularly in all NZGS tenders and be successfully allocated a material consistent amount of NZGBs and/or NZIIBs issued via tender;
2. Complete and submit, on a monthly basis, the NZGS Turnover Survey outlining all secondary market activity that the entity has undertaken;
3. Actively promote NZGS markets via engagement with, and the provision of relevant research to, the investor community;
4. Support price transparency in NZGS products through the provision of accurate secondary market prices;
5. Commit to make, at all times, in all NZGS products, fair and reasonable prices to investors in NZGS markets;
6. Uphold the reputation of NZGS markets and support the overall efficiency and functioning of the secondary market in NZGS products; and
7. Where possible, provide access to NZGS products for New Zealand retail investors.

Name *	
Position:	
Signature	

* must be listed on Power of Attorney

3. Standard Settlement Instructions

Please advise the standard settlement instructions that will be used by your institution for participating in tenders and for settlement purposes.

Important:

In the event of an electronic tendering failure, telephone bids (or offers) may be accepted at the Treasury's discretion. In the event of such telephone bids (or offers) being accepted, the Treasury will validate the bid (or offer) by requiring dealers to advise the Treasury of the Tender Counterparty's name and to confirm the authorisation status of the dealer. Other information may be sought by the Treasury to confirm the authenticity of telephone bids (or offers).

Any changes to settlement instructions must be made in writing by the Tender Counterparty to the Treasury. These changes will be effective from two business days after the date of the Treasury's confirmation of receipt of them.

4. Authorised Signatories

Please advise the person/s who has/have authority to authorise any subsequent changes to the information contained in this application, including the Settlement Instructions which will be used for placing bids (or offers) and for settlement activities.

Name	Position	Signature
_____	_____	_____
_____	_____	_____
_____	_____	_____

5. Application Authority

Signed by _____
Name of institution

by its attorney(s): _____

in the presence of: _____

Please Note

The following documents must be supplied with this application:

- 1. Original Power of Attorney to be sighted upon delivery of this document to the Treasury, or a copy of the Power of Attorney certified by a solicitor as being a true copy of the original.

- 2. A Certificate of Non Revocation of Power of Attorney

Appendix Two – NZGS Turnover Survey Form

New Zealand Government Securities Turnover Survey

Survey Respondent:

Month/Year:

Tenor:	All T-Bills	NZGB 2020	NZGB 2021	NZGB 2023	NZGB 2025	NZIB 2025	NZGB 2027	NZGB 2029	NZIB 2030	NZGB 2033	NZIB 2035	NZGB 2037	NZIB 2040	Bonds Total
Interbank	Purchases (\$m)													0.00
	Purchases (#)													0
	Sales (\$m)													0.00
	Sales (#)													0
Internal Balance Sheet	Purchases (\$m)													0.00
	Purchases (#)													0
	Sales (\$m)													0.00
	Sales (#)													0
NZ Domestic	Purchases (\$m)													0.00
	Purchases (#)													0
	Sales (\$m)													0.00
	Sales (#)													0
Australia	Purchases (\$m)													0.00
	Purchases (#)													0
	Sales (\$m)													0.00
	Sales (#)													0
Japan	Purchases (\$m)													0.00
	Purchases (#)													0
	Sales (\$m)													0.00
	Sales (#)													0
Asia (ex Japan)	Purchases (\$m)													0.00
	Purchases (#)													0
	Sales (\$m)													0.00
	Sales (#)													0
UK	Purchases (\$m)													0.00
	Purchases (#)													0
	Sales (\$m)													0.00
	Sales (#)													0
Europe	Purchases (\$m)													0.00
	Purchases (#)													0
	Sales (\$m)													0.00
	Sales (#)													0
North America	Purchases (\$m)													0.00
	Purchases (#)													0
	Sales (\$m)													0.00
	Sales (#)													0
South America	Purchases (\$m)													0.00
	Purchases (#)													0
	Sales (\$m)													0.00
	Sales (#)													0
Other International	Purchases (\$m)													0.00
	Purchases (#)													0
	Sales (\$m)													0.00
	Sales (#)													0
Tenders - Primary	Purchases (\$m)													0.00
	Purchases (#)													0
	Sales (\$m)													0.00
	Sales (#)													0
Total Outright Transactions	Purchases (\$m)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Purchases (#)	0	0	0	0	0	0	0	0	0	0	0	0	0
	Sales (\$m)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Sales (#)	0	0	0	0	0	0	0	0	0	0	0	0	0
Repo Transactions	Repo (\$m)													0.00
	Repo (#)													0