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1. ABOUT NEW ZEALAND GOVERNMENT SECURITIES

1.1 NEW ZEALAND TREASURY RULES AND GUIDELINES

This document is to be used by financial institutions registered by the New Zealand Treasury ("the Treasury") to take part in tenders of New Zealand Government Nominal Bonds, New Zealand Government Inflation-indexed Bonds and New Zealand Government Treasury Bills.

The Operating Rules and Guidelines, together with relevant Information Memoranda, form the basis on which all registered financial institutions who are approved tender counterparties take part in tenders. Participation is on the basis that Tender Counterparties have read and understand these documents.

This document replaces the previous Operating Rules and Guidelines dated 11 July 2019.

1.2 SECURITIES ISSUED


New Zealand Government Nominal Bonds pay a fixed semi-annual coupon in arrears on the face value of the Bonds.

The current information memorandum for New Zealand Government Nominal Bonds can be found here:
https://debtmanagement.treasury.govt.nz/government-securities/nominal-bonds

New Zealand Government Inflation-indexed Bonds pay a fixed quarterly coupon in arrears on the capital value (the face value adjusted for inflation) of the Bonds.

The current information memorandum for New Zealand Government Inflation-indexed Bonds can be found here:

New Zealand Government Treasury Bills may be issued on a discount to par basis, but may also be issued 'at par' or at a premium, depending on the prevailing market interest rates. On maturity, the face value is paid pursuant to the information memorandum.

The current information memorandum for New Zealand Government Treasury Bills can be found here:
https://debtmanagement.treasury.govt.nz/government-securities/treasury-bills

1.3 ISSUER AND POWER TO ISSUE

The issuer of Government Securities is the Crown being Her Majesty the Queen in right of New Zealand. Government Securities are issued pursuant to Part 6 of the Public Finance Act 1989 ("the Act") and by way of authorisation by the Minister of Finance.

Under part 6 of the Act, coupon interest, the face value of bonds or bills and any other money payable on Government Securities are a charge upon, and payable out of, the revenues of the Crown.

Government Securities may be issued on behalf of the Crown by the Treasury from time to time, subject to the applicable terms of the relevant information memoranda, by tender, syndicated issue, private placement or otherwise.

This document covers operational matters related to issuance via the tender process.
1.4 **Registered Tender Counterparties**

Institutions that wish to participate in Government Securities tenders must first become an approved tender counterparty ("Tender Counterparty") with the Treasury. Only registered institutions may take part in Government Securities tenders.

Details relating to eligibility criteria, application forms and other details can be found here:

https://debtmanagement.treasury.govt.nz/government-securities/primary-market-access-information

Tender Counterparties remain registered unless registration is cancelled by the Treasury.

1.5 **Other Parties**

The Registrar is Computershare Investor Services Limited.

Yieldbroker Pty Limited is the system provider for Government Securities tenders.

NZClear is the system provider for the settlement of Government Securities purchased from or sold to the Treasury.

2. **Tender Announcements**

2.1 **Tender Composition**

The Treasury will announce the composition of each upcoming tender via a combination of electronic media and the website (https://debtmanagement.treasury.govt.nz/).

Announced tender details will include:

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

2.2 **Tender Announcement Times**

<table>
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<tr>
<td>Inflation-Indexed Bonds</td>
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</tr>
<tr>
<td>Settlement date – Treasury Bills</td>
<td>Tender date plus one business day</td>
</tr>
</tbody>
</table>
2.3 **Alteration of Announced Tender**

The Treasury reserves the right to extend the tender close 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.

3. **Tendering Rules**

3.1 **Size of Bids (or Offers)**

Each bid to buy Government Securities from the Treasury ("bid") or offer to sell Government Securities to the Treasury ("offer") must be of a minimum amount of $1,000,000 (face value) and in multiples of $1,000,000 thereafter.

Any bids (or offers) not received in multiples of $1,000,000 will not be accepted by the Yieldbroker Auction System.

3.2 **Format of Bids (or Offers)**

Each bid (or offer) must state the yield as a percentage per annum and may be expressed in multiples of 0.25 basis points, e.g., 5.7625%, for tenders of all Government Securities.

3.3 **Electronic Tendering**

Bids (or offers) must be submitted using the Yieldbroker Auction System unless a telephone bid (or offer) is accepted by the Treasury.

Bids (or offers) must be final prior to the tender close time in the Yieldbroker Auction System as has been stated in the tender composition announcement for that tender.

Bids (or offers) cannot be amended or withdrawn after the tender close time in the Yieldbroker Auction System. It is the responsibility of each Tender Counterparty to ensure that bids (or offers) are submitted correctly, using the correct mnemonic and prior to tender closure.

3.4 **Phone Bids (or Offers)**

The Treasury may, at its discretion, take telephone bids (or offers) before tender closure where the Treasury 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 the Yieldbroker Auction System, an authorised person may contact the Treasury to place bids (or offers) on +64 4 917 6073.

Tender Counterparties tendering via telephone will be required to provide:

- the dealer’s name;
- confirmation that the dealer understands the Operating Rules and Guidelines and is an authorised dealer;
- the legal entity they are placing bids (or offers) on behalf of;
- the bid (or offer) for each security, including the yield and dollar amount; and
Once placed, a telephone bid (or offer) cannot be amended or withdrawn, regardless of whether an identical (legal entity, security, yield and amount) bid (or offer) has been committed through the Yieldbroker Auction System. Phone bids (or offers) must be submitted on an absolute basis and not on a relative basis.

In all circumstances, the Treasury reserves the right to rely on both telephone and electronic bids that have been submitted and accepted in good faith and are current as at tender close.

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

### 3.5 Tender Results

Tender results will be announced from 2.05pm on the day of the tender via a combination of electronic media and the Treasury website (https://debtmanagement.treasury.govt.nz/).

### 3.6 Disallowing Bids (or Offers)

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

### 3.7 Allocations – Issuance

For the issuance of all Government Securities by way of tender, 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.

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

### 3.8 Allocations – Repurchase

For the repurchase of all Government Securities by reverse tender, 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.

The Treasury reserves the right to repurchase less than the maximum amount of Government Securities it offers to repurchase in any tender.
3.9 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.

When two Government Securities classes (for example Nominal Bonds and Inflation-Indexed Bonds) are offered for issuance or repurchase in the same tender, there is no provision to allow for oversubscription between the two classes.

3.10 TENDER QUERIES

Tender Counterparties may check their allocations once tender results have been announced, by contacting the Treasury. Phone calls to Tender Counterparties by the Treasury will not be made. Treasury contact details can be found in Section 3.4 of this document.

3.11 SETTLEMENTS

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

Settlement for Nominal Bonds and Inflation-Indexed Bonds issued via tender 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.

For questions relating to settlement issues please contact;

capitalmarketssettlements@treasury.govt.nz

4. LEGAL MATTERS

4.1 OBLIGATIONS OF TENDER COUNTERPARTIES UNDER FINANCIAL MARKETS CONDUCT ACT 2013

Tender Counterparties must strictly comply with the provisions of the Financial Markets Conduct Act 2013 (FMCA) and the restrictions and obligations set out in the relevant Information Memoranda and relevant Product Disclosure Statement.

The initial offer of Government Securities by tender is made by the Crown solely to Wholesale Investors (as defined in the FMCA) in reliance on the exclusion in clause 22(1)(a) of Schedule 1 of the FMCA. Regulation 72A of the Financial Markets Conduct Regulations 2014 (FMCR) applies to the initial offer of Government Securities.

The application of regulation 72A to the initial offer of Government Securities means that an offer of Government Securities for sale by a Wholesale Investor to a Retail Investor (as defined in the FMCA) in New Zealand will not be required to comply with certain disclosure requirements in the FMCA and the FMCR (including clauses 30 and 31 of Schedule 8 of the FMCR) provided that, unless the Government Securities have previously been held by a Retail Investor in New Zealand, the Wholesale Investor has provided the Retail Investor with a Product Disclosure Statement for the relevant Government Securities before the Wholesale Investor accepted an application or transferred the Government Securities to the Retail Investor.
The Product Disclosure Statement provided to the Retail Investor must be the most recent Product Disclosure Statement for the relevant Government Securities lodged by the Crown on the register entry for the Government Securities at www.companiesoffice.govt.nz/disclose which contains a statement that regulation 72A applies to the initial offer of Government Securities.

4.2 RECEIPT OF PRODUCT DISCLOSURE STATEMENTS

In accordance with regulation 72A the Crown must provide a Product Disclosure Statement for the Government Securities being offered in the tender to all Tender Counterparties regardless of whether those participants intend to offer the Government Securities for sale to Retail Investors in New Zealand.

The current Product Disclosure Statements for the Government Securities are available on the website www.debtmanagement.treasury.govt.nz.

The relevant Product Disclosure Statement for a particular Government Security may be updated from time to time. The Crown will email copies of such updated Product Disclosure Statements to all Tender Counterparties as and when they are issued. The updated Product Disclosure Statements will also be lodged on the register entry for the relevant Government Security at www.companiesoffice.govt.nz/disclose.

Participation by a Tender Counterparty in a tender for Government Securities constitutes an acknowledgment by that Tender Counterparty that it has received a Product Disclosure Statement for the Government Securities being offered in the tender.

4.3 USE INFORMATION MEMORANDUM AND OTHER RELATED DOCUMENTS

The terms and conditions of issuance of all Government Securities are contained within the relevant Information Memoranda and relevant Product Disclosure Statement. The relevant Information Memoranda, and other related documents such as this document and the Product Disclosure Statements, are intended for use only in connection with the offer to issue or repurchase Government Securities in New Zealand, under New Zealand law and must not be distributed to any person outside New Zealand except in accordance with all of the legal requirements of the relevant jurisdiction.

4.4 MODIFICATIONS

The Issuer may, from time to time, modify, alter or update any of the terms of any Government Security and the conditions or provisions of any Information Memoranda in accordance with the provisions of the relevant Information Memoranda.

The Issuer may also modify, alter or update other related documents (such as the Product Disclosure Statements or this document) without consent or notification.

4.5 SELLING RESTRICTIONS IN OTHER JURISDICTIONS

Unless otherwise agreed with the Treasury, any person or entity bidding or offering to buy Government Securities, in a tender, syndicated issue or otherwise, represents as a term of the initial wholesale offer that he, she, or it is not in a jurisdiction that does not permit the making of an offer or invitation of the kind contained in this document and is not acting for the account or benefit of a person within such a jurisdiction.
5. **Information Sharing**

Information relating to Government Securities tenders may be shared with the Reserve Bank of New Zealand and other parties relevant to the issuance of Government Securities as disclosed in the relevant Information Memorandum and relevant Product Disclosure Statement.

6. **Disclaimer**

The Crown, including the Treasury, 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 relevant Product Disclosure Statement; or
- the failure by a member to commit bids (or offers) in the Yieldbroker Auction System 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 Yieldbroker Auction System or otherwise; or
- the terms of any bid (or offer); or
- the Treasury acting on any bid (or offer) received or purportedly received from a member; or
- the inability of the Treasury 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 Yieldbroker Auction System and the computers operated by the Treasury; or
- the suspension of the Yieldbroker Auction System, whether wholly or partly; or
- any failure of the NZClear settlement system; or
- any variation of the operational timetable; or
- any other issues associated with the operation of the electronic bidding and / or telephone bidding process.