

FINANCIAL MARKETS DEPARTMENT

DOMESTIC MARKETS SECTION

OPERATING RULES AND GUIDELINES

Date Issued 01 April 2014

SECTION 4

APPENDICES

4 Appendices

The index below highlights the contents of these appendices:

4.1 Application for Registration as a Counterparty

Includes:

- (a) Covering Letter
- (b) Checklist
- (c) Application form for Registration as a Counterparty
- (d) Dealing Authorities
- (e) Authorisation of NZClear Mnemonics

- (f) Authorised Signatories for Confirmation of Repurchase Transactions

This form need only be filled in by institutions which are signatories to a 2011 Global Master Repurchase Agreement (2011 GMRA) with the RBNZ. Also required is the list of persons authorised to confirm Repurchase Transactions in terms of paragraph 9 of the 2011 GMRA.

- g) Price and Yield Formulae used by the RBNZ



APPLICATION FOR REGISTRATION AS A COUNTERPARTY

Thank you for your interest in establishing a domestic dealing relationship with the Reserve Bank of New Zealand. Applicants must be financial institutions with a regular presence in the wholesale financial markets either as a market participant or as a Financial Market Infrastructure (FMI) that contributes to the soundness and efficiency of the New Zealand financial system. Generally, institutions should be rated investment grade (BBB-) or better. In the case of FMIs, designation under Part 5C of the Reserve Bank Act will be taken as evidence that the FMI contributes to the soundness and efficiency of the New Zealand financial system. The Reserve Bank will process each application on a case by case basis using all the information provided. The Reserve Bank reserves the right to refuse an application for any reason and is not required to disclose such reasons.

Please find attached the following forms which we require to be fully completed and returned before we can consider your application.

1. Application for Registration as a Counterparty

It is important to note that the application form requires you to designate the positions within the institution which have the authority to authorise dealers and signatories. The Reserve Bank will refer to the application form as the sole determinant of authority for any subsequent changes to dealers or signatories. This authority will remain valid until it has been revoked or amended by your institution.

Please include the following information with the completed application (where applicable):

- Place and date of incorporation
- Nature of business
- Organisational structure, showing company names up to ultimate parent, percentage of ownership, and relationship with entity (i.e. subsidiary or branch operation)
- Nature/degree of parent support/guarantee
- Financial data and credit ratings for the last 3 years (annual reports or prospectuses)
- Designation status (for FMIs)
- Additional information that may be relevant to this application.

2. Dealing Authorities

Note: Should you wish to be a counterparty for repurchase transactions, including sole access to the Overnight Reverse Repo Facility (ORRF), a 2011 Global Master Repurchase Agreement must first be executed by both parties. If you have completed Schedule A of the Dealing Authorities, an agreement will be automatically forwarded to you if your application is approved. If you would like a copy of the agreement in the interim, please advise.

3. Authorisation of NZClear Mnemonics

Please contact the Manager, Risk Unit, at the Reserve Bank if you have any queries regarding the application form. If you have any queries regarding Dealing Authorities or NZClear Mnemonics, please contact the Manager, Domestic Markets section.



CHECKLIST

Please attach and return with completed forms and information

.....
(Name of Institution)

Please find attached the following:

(please indicate as appropriate)

Application for Registration as a Counterparty

Including:

- Place and date of incorporation
- Nature of business
- Organisational structure, showing company names up to ultimate parent, percentage of ownership, and relationship with entity (i.e.; subsidiary or branch operation)
- Nature/degree of parent support/guarantee
- Latest financial data (annual reports or prospectuses)¹
- Credit ratings
- Designation (FMIs)
- Additional information that may be relevant to this application.

Dealing Authorities

Authorisation of NZClear Mnemonics

Any other information as indicated:

.....

¹ In the absence of published financial data, please provide pro-forma balance sheets for the last three years.



APPLICATION FOR REGISTRATION AS A COUNTERPARTY

To: The Manager
Risk Unit
Financial Markets Department
Reserve Bank of New Zealand
PO Box 2498
WELLINGTON 6140

1. I/We.....
(Full Legal Name of Applicant)²

Full Physical Address

.....
.....

Full Postal Address

.....

for Correspondence

.....
.....

wish to apply for registration as a counterparty in the following Reserve Bank of New Zealand operations (*please indicate as appropriate*)³:

- Open Market Operations, including repurchase transactions - Yes / No
- Overnight Reverse Repo Facility
- Bond Switch/Repurchase Operations - via the window
- FX Swap Tenders
- New transactions which may be authorised from time to time and as agreed between both parties⁴.

² For other than individuals acting on their own behalf, to be signed under Power of Attorney

³ Financial Market Infrastructures can only apply for access to the Overnight Reverse Repo Facility.

⁴ **IMPORTANT** For the avoidance of doubt, unless the Applicant advises otherwise in writing to the Reserve Bank five business days prior to such transactions, the Reserve Bank may in relation to such new transactions rely on the positions and authorities (for dealers and signatories) referred to in section 2 of this Application.

2. The following position/s has/have authority to authorise dealers and signatories for transactions and operations, including NZClear Mnemonics, with the Reserve Bank of New Zealand:

Position	Name of person currently in position
.....
.....

3. **IMPORTANT**

- (i) Notwithstanding that the persons currently holding the positions in section 2 have been named, it is acknowledged and agreed that any successor to those positions shall bind the counterparty on all transactions undertaken under this Application.
- (ii) The Applicant confirms that the information given and the statements made by the Applicant in this Application are true and correct and the Reserve Bank shall not be under any obligation, whether at law or in equity, to enquire into the accuracy of such information or statements either now or in the future.
- (iii) Until this Application has been processed, and the approval confirmed by the Reserve Bank in writing, it shall not have any binding effect.
- (iv) Notwithstanding the registration of the Applicant as a counterparty or anything else contained in the Application, all bids, tenders and other transactions shall comply with the Reserve Bank's rules or operating guidelines for those transactions.

4. **AUTHORITY**

(i) Signed by
(Name of Institution)

by its attorney(s): *

.....
.....

in the presence of:

.....
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* (Original Power of Attorney to be sighted upon delivery of this document to the Reserve Bank, Financial Markets Department, Wellington, or a copy of the Power of Attorney certified by a solicitor as being a true copy of the original.)

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

I/We,

of

hereby certify:

1. That I/we have executed the above Authorisation in the name of and as the Attorney of
under and by virtue of the powers and authorities conferred on me/us by a Power of Attorney granted by the said Company/Bank under its common seal on day of 20
2. That I/we have not received any information or notice of the revocation of the said Power of Attorney either through the dissolution or winding up of the said Company/Bank or otherwise.
3. That to the best of my/our knowledge and belief the above Authorisation is not contrary to any instructions or directions of the said Company/Bank or its Board of Directors.

Signed at

.....

by the said Attorney(s):

.....

.....

.....

.....

thisday of 20.....



DEALING AUTHORITIES

To: The Manager
Risk Unit
Reserve Bank of New Zealand
P O Box 2498
WELLINGTON 6140

.....
(Name of Institution)

1. This authority revokes all previous authorities given for this purpose.
2. The employees listed in **Schedule A** are authorised to enter into the following operations with the Reserve Bank of New Zealand⁵:
 - (i) purchase and sale of Treasury bills, negotiable, registered or transferable certificates of deposit, bills of exchange and government bonds with less than 12 months to maturity;
 - (ii) repurchase transactions, pursuant to Clause 3.5 of the Reserve Bank Master Securities Repurchase Agreement executed by both parties;
 - (iii) FX swap tenders

SCHEDULE A

Authorised Person	Position of Authorised Person	Signature
.....
.....
.....
.....
.....
.....
.....
.....

⁵ In the case of Financial Market Infrastructures the authority applies to section 2. (ii) and more specifically the Overnight Reverse Repo Facility.

3. The employees listed in **Schedule B** are authorised to enter into the following types of operations with the Reserve Bank of New Zealand:

- (i) buy or sell Government Bonds and Inflation Indexed Bonds;

SCHEDULE B

Authorised Person	Position of Authorised Person	Signature
.....
.....
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.....

I certify that I am duly authorised to give this authority.

Signed this day of 20....

..... <i>(Position Held)⁶</i> <i>(Name)</i> <i>(Signature)</i>
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Senior contact in case of enquiry:	Telephone:
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⁶ **IMPORTANT.** The position held must correspond to a position stated in Section 2 of the Counterparty Application.



AUTHORISATION OF NZCLEAR MNEMONICS & BIC CODE

To: The Manager
Risk Unit
Reserve Bank of New Zealand
P O Box 2498
WELLINGTON 6140

.....
(Name of Institution)

We hereby confirm the following will be used for the settlement of bids and all other New Zealand Dollar transactions negotiated between the Reserve Bank and the institution named above.

<i>NZClear Mnemonic</i>	<i>NZClear Member Name</i>
.....
.....
.....

We confirm the SWIFT Bank Identifier Code (BIC) is

The Reserve Bank will:

- ◆ acknowledge receipt of this Authority;
- ◆ confirm the effective date of this Authority.
- ◆ verify the NZClear details supplied are in accordance with Reserve Bank of New Zealand counterparty requirements
- ◆ confirm with NZClear administration that the name of applicant is consistent with the above mnemonic.

Any future changes to NZClear must be advised and supplied immediately in writing to the Reserve Bank and the receipt confirmed in writing by the Reserve Bank. For the avoidance of doubt, any changes to the NZClear Mnemonics which have been advised in accordance with this Authority shall be relied upon by the Reserve Bank as authorization for any transaction entered into after two working days from the date of the Reserve Bank's confirmation of receipt.

I certify that I am duly authorized to give this authority.

Signed this day of 20....

.....
*(Position Held)*⁷ *(Name)* *(Signature)*

Senior contact in case of enquiry: Telephone:

⁷ **IMPORTANT.** The position held must correspond to a position stated in Section 2 of the Counterparty Application.



AUTHORISED SIGNATORIES FOR CONFIRMATION OF REPURCHASE TRANSACTIONS

To: The Manager
Risk Unit
Reserve Bank of New Zealand
P O Box 2498
WELLINGTON 6140

.....
(Name of Institution)

- 1. This authority revokes all previous authorities given for this purpose.
- 2. The employees listed in **Schedule E** are authorised to:
 - (i) execute any confirmations or other documentation evidencing the terms of a repurchase transaction, pursuant to Clause 9 of the 2011 Global Master Repurchase Agreement executed by both parties.

SCHEDULE E

Authorised Person	Office Held by Authorised Person	Signature
.....
.....
.....
.....
.....
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.....
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.....

I certify that I am duly authorised, as detailed in the counterparty application, to give this certificate.

Signed this day of 20....

_____ _____ _____
(Position Held) (Name) (Signature)

Senior contact in case of enquiry: _____ Telephone: _____



Price and Yield Formulae Used by RBNZ

Introduction

The following formulae are used by the RBNZ in dealing operations - these include open market operations and bond repurchase operations.

1. Treasury/Bank Bills

The settlement price per N dollars of principal shall be calculated on the basis of the following formula:

$$\text{Settlement price per \$N principal} = \frac{N}{1 + \left(i \times \frac{n}{365} \right)}$$

Where

N	=	the principal of the Treasury bill (\$)
i	=	the yield divided by one hundred
n	=	the number of full days from the settlement date until the maturity date

2. Semi-Annual Bonds (with more than one coupon payment to maturity)

The settlement price per N dollars of principal shall be calculated on the basis of the following formula:

Settlement price per \$N principal=

$$\left[\frac{1}{(1+i)^n} + r \left[c + \frac{1 - \frac{1}{(1+i)^n}}{i} \right] \right] \frac{N}{(1+i)^{\frac{a}{b}}}$$

Where	N	=	the principal of the bond (\$)
	r	=	the annual coupon interest rate divided by two hundred, i.e. the semi-annual coupon interest rate (%)
	i	=	the yield divided by two hundred, i.e. the semi-annual yield (%)
	c	=	where the settlement date is after the record date and up to, but not including, the next coupon interest payment date "c" has a value of 0, otherwise "c" has a value of 1
	n	=	the number of full half years between the next coupon interest payment date and the maturity date
	a	=	the number of days from the settlement date to the next coupon interest payment date
	b	=	the number of days in the half year ending on the next coupon interest payment date

3. Quarter-Annual bonds (with more than one coupon payment to maturity)

The settlement price per N dollars of principal shall be calculated on the basis of the following formula:

Settlement price per \$N principal=

$$\left[\frac{1}{(1+i)^n} + r \left[c + \frac{1 - \frac{1}{(1+i)^n}}{i} \right] \right] \frac{N}{(1+i)^{\frac{a}{b}}}$$

Where	N	=	the principal of the bond (\$)
	r	=	the annual coupon interest rate divided by four hundred, i.e. the quarter-annual coupon interest rate (%)
	i	=	the yield divided by four hundred, i.e. the quarter-annual yield (%)
	c	=	where the settlement date is after the record date and up to, but not including, the next coupon interest payment date "c" has a value of 0, otherwise "c" has a value of 1
	n	=	the number of full quarter years between the next coupon interest payment date and the maturity date
	a	=	the number of days from the settlement date to the next coupon interest payment date
	b	=	the number of days in the quarter year ending on the next coupon interest payment date

4. Short Dated Semi-Annual Bonds

This formulae is to be used for bonds that have only one coupon to run - that is after the ex-coupon date of the second to last coupon.

The settlement price per N dollars of Principal shall be calculated on the basis of the following formula:

$$\text{SETTLEMENT PRICE PER \$N PRINCIPAL} = \frac{N(1+r)}{1 + \left(i \times \frac{n}{365} \right)}$$

Where

N	=	the principal of the bond (\$)
r	=	the annual coupon interest rate divided by two hundred, i.e. the semi-annual coupon interest rate (%)
i	=	the yield divided by one hundred
n	=	the number of full days from the settlement date until the maturity date

5. Short Dated Quarter-Annual Bonds

This formulae is to be used for bonds that have only one coupon to run - that is after the ex-coupon date of the second to last coupon.

The settlement price per N dollars of Principal shall be calculated on the basis of the following formula:

$$\text{SETTLEMENT PRICE PER \$N PRINCIPAL} = \frac{N(1+r)}{1 + \left(i \times \frac{n}{365} \right)}$$

Where

N	=	the principal of the bond (\$)
r	=	the annual coupon interest rate divided by four hundred, i.e. the quarter-annual coupon interest rate (%)
i	=	the yield divided by one hundred
n	=	the number of full days from the settlement date until the maturity date

6. Floating Rate Notes

$$P = \frac{Z(b + IM) \times \frac{d}{365} + \left(\frac{IM - TM}{k}\right) A_n^i + 1}{1 + (r + TM) \times \frac{f}{365}} \times 100$$

Where:

P = price per \$100 per face value,

Z = 1 if there is an annuity payment to the purchaser at the next annuity payment date

Z = 0 if there is no payment to the purchaser at the next annuity payment date

b = the floating benchmark rate from last interest reset date to next interest rate date

d = number of days in current interest period

IM = interest margin (as a percentage) paid in addition or deduction from the floating benchmark

TM = trading margin (as a percentage) paid in addition to the floating benchmark

r = the floating benchmark rate to the next interest rate reset date

f = number of days from pricing/settlement to next interest payment date

$A_n^i = \frac{1 - (1 + i)^{-n}}{i}$

$i = (s + TM)/k$

k = payment frequency of FRN (eg: 2 = semi-annual, 4 = quarterly)

s = yield from settlement to the maturity of the FRN (with frequency k)

n = number of complete interest periods to maturity as at the next interest payment date

7. Inflation-Indexed Bonds

The settlement price per N dollars of principal shall be calculated on the basis of the following formula:

Settlement price per \$N principal =

$$\left\{ \frac{\frac{1}{(1+i)^n} + r \left[c + \frac{1 - \frac{1}{(1+i)^n}}{i} \right]}{(1+i)^{\frac{a}{b}}} \right\} \left\{ \frac{K_t \left[1 + \frac{p}{100} \right]^{\frac{a}{b}}}{100} \right\} N$$

Where

N	=	the principal of the indexed bond (\$)
r	=	the annual coupon interest rate divided by four hundred, i.e. the quarterly coupon interest rate (%)
i	=	the annual yield divided by four hundred, i.e. the quarterly yield (%)
c	=	where the settlement date is after the record date and up to, but not including, the next coupon interest

- payment date "c" has the value 0, otherwise "c" has the value 1
- n** = the number of full quarter years between the next coupon interest payment date and the maturity date
- a** = the number of days from the settlement date to the next coupon interest payment date
- b** = the number of days in the quarter year ending on the next coupon interest payment date
- K_t** = the total value of the principal and the indexed component at the next coupon interest payment date (whether or not there is an interest payment due). On a coupon interest payment date "next" refers to the following coupon interest payment date.

$$K_{t-1} \left[1 + \frac{p}{100} \right] \text{ where}$$

- K_{t-1}** = the total value of the Principal and the indexed component at the previous coupon interest payment date.
K_{t-1} is equal to 100.00 at the coupon interest payment date on or prior to the earliest date on which the bond may be settled at their first issue.
K_t and **K_{t-1}** are rounded to two decimal places.
- p** = the average percentage change in the consumer price index (CPI) over the two quarters ending the quarter which is two quarters prior to that in which the next interest payment falls (for example, if the next interest payment is in February, p is based on the average movement in the CPI over the two quarters ended in the September quarter preceding).

$$= \frac{100}{2} \left[\frac{CPI_t}{CPI_{t-2}} - 1 \right]$$

rounded to two decimal places, where

- CPI_t** is the CPI for the second quarter of the relevant two quarter period, and
- CPI_{t-2}** is the CPI for the quarter immediately prior to the relevant two quarter period.