



FINANCIAL MARKETS DEPARTMENT

**DOMESTIC MARKETS SECTION
OPERATING RULES AND GUIDELINES**

Date Issued 21 August 2020

**SECTION 3
SETTLEMENT**

3 Settlement

This section of the *Operating Rules and Guidelines* provides counterparties with the settlement procedures for all Domestic Market Operations (OMOs, Overnight Reverse Repo Facility, etc.) conducted by the Financial Markets Department of the RBNZ.

All counterparties must settle transactions in NZClear providing NZClear is operational. If NZClear is unavailable, the RBNZ will contact relevant counterparties to advise the appropriate settlement procedures to be followed.

The RBNZ will input NZClear trades against payment for sales/purchases of Securities that arise from all operations as soon as possible after the release of results. In the interests of efficiency, we expect counterparties to match the NZClear trade on the trade date.

All operations (excluding the Overnight Reverse Repo Facility) should be settled by 16:00 (New Zealand time) on the day of settlement. Timing of the settlement of transactions under the Overnight Reverse Repo Facility is covered in sections 3.1 (b).

The RBNZ will use NZClear mnemonic RBNZ for the settlement of all transactions.

The RBNZ will only use NZClear mnemonic(s) that are consistent with the standard settlement instructions for that counterparty or those that have been authorised by person(s) who have been approved by the counterparty to confirm settlement instructions.

3.1 Domestic market operations

(a) **OMOs, Term Auction Facility, Term Lending Facility and Reserve Bank Bill Tenders**

(ii) **Repo Transactions (Bank as Seller)**

Confirmations are to be in, or substantially in, the form of Annex II of the 2011 Global Master Repurchase Agreement (2011 GMRA) and are to be exchanged on transaction date.

All confirmations must be exchanged by the RBNZ and the successful bidder as soon as possible after notification of results. Suitable methods of exchange will include facsimile, SWIFT, letter or email. Unsigned computer generated confirmations are acceptable.

Please note RBNZ will only authorise trades upon receipt of a correct confirmation. All trades must be completed no later than 16:00 (New Zealand time) on the day of the transaction.

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a) Purchase Date

Acceptable Securities must be traded against cash to the NZClear mnemonic nominated by the RBNZ. Where more than one security is being traded within a repo transaction, cash consideration will be pro-rated.

b) Repurchase Date

Acceptable Securities must be Repurchased by the RBNZ against cash via NZClear. Where more than one security is being traded within a repo transaction, cash considerations will be pro-rated. Pro-rated cash considerations will not be available for NZClear input until after 13:00 (New Zealand time) one business day prior to the repurchase date.

c) Margin Maintenance

Margin Securities must be assigned to the NZClear mnemonic advised by the Financial Services Group, Settlement staff. A new confirmation must be exchanged (see 3.1 (a)(ii).)

(iii) Reverse Repo Transactions (Bank as Buyer)

Acceptable Securities must be in accordance with the criteria defined in section 2.4 (a) of these *Operating Rules and Guidelines*.

Confirmations are to be in, or substantially in, the form of Annex II of the 2011 Global Master Repurchase Agreement (2011 GMRA) and are to be exchanged on transaction date.

Suitable methods of exchange will include facsimile, SWIFT, letter or email. Unsigned computer generated confirmations are acceptable. The RBNZ and the successful bidder must exchange all confirmations as soon as possible after notification of results.

Please note RBNZ will only authorise trades upon receipt of a correct confirmation. All trades must be completed no later than 16:00 (New Zealand time) on the day of the transaction.

(a) Purchase Date

Acceptable Securities must be traded against cash to the NZClear mnemonic nominated by the RBNZ. Where more than one security is being traded within a reverse repo transaction, cash considerations will be prorated.

(b) Repurchase Date

Acceptable Securities will be traded back to the Seller against cash via NZClear. Where more than one security is being traded within a reverse repo transaction, cash

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considerations will be pro-rated. Pro-rated cash considerations will not be available for NZClear input until after 13:00 (New Zealand time) on business day prior to the repurchase date.

(c) Substitution of Purchased Securities

Securities must be traded at nil consideration to the NZClear mnemonic advised by Financial Services Group, Settlements staff.

Upon exchange of a new confirmation (see 3.1(a)(iii)) the RBNZ will buy the new security. Once this trade completes the RBNZ will trade the original security back to the Seller.

(d) Margin Maintenance

Securities required to meet a margin call must be traded to the NZClear mnemonic advised by Financial Services Group, Settlements Staff. A new confirmation must be exchanged (see 3.1(a)(iii))

(iv) Repurchase of Government Securities

Repurchase of New Zealand Government Securities will be settled via RBNZ by an NZClear trade against payment of the settlement amount. These trades must be completed no later than 16:00 (New Zealand time) on the settlement date

(v) Sale of Reserve Bank Bills

Settlement of successful bids will be made by an NZClear trade, via RBNZ, against payment of the settlement amount.

A receipt of confirmation from the counterparty is not required for RBNZ to authorise the trades in NZClear. RBNZ will send a transaction summary to the counterparty.

(b) Overnight Reverse Repo Facility (ORRF)

Acceptable Securities must be in accordance with the criteria defined in section 2.6 (a) of these *Operating Rules and Guidelines*.

RBNZ will send a confirmation to the counterparty for any manual trigger of the ORRF. A receipt of confirmation from the counterparty is not required for RBNZ to authorise the trades in NZClear. No confirmation is required for use of the Automated ORRF.

(i) Manual ORRF

(a) Purchase Date

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Acceptable Securities must be traded against cash to the NZClear mnemonic nominated by the RBNZ. Where more than one security is being traded within a reverse repo transaction, cash considerations will be prorated.

(b) Repurchase Date

Acceptable Securities will be traded back to the Seller against cash via NZClear. Where more than one security is being traded within a reverse repo transaction, cash considerations will be pro-rated.

The completion time for the settlement of the ORRF differs from that used for OMO Inter-day Repurchase Transactions. Completion times for the settlement of the ORRF are as follows:

ORRF dealing window	Settlement (time to be completed)
09:00 – 12:00	By 16:00 on trade date
13:00 – 14:30	By 16:00 on trade date
14:30 – 16:00	By 16:45 on trade date
07:30 – 08:00	By 08:30, end of day

(ii) Automated ORRF

(a) Settlement

Interest payable to the RBNZ for automated ORRF transactions will be incorporated in the repurchase price.

(c) Bond Lending Facilities

Confirmations are to be in or substantially in, the form of Annex II of the 2011 Global Master Repurchase Agreement (2011 GMRA) and are to be exchanged on transaction date. Suitable methods of exchange will include facsimile, SWIFT, letter or email. Unsigned computer generated confirmations are acceptable. The non-receipt of a confirmation from the counterparty will not delay settlement of the trades in NZClear.

All transactions must be completed no later than 16:00 (New Zealand time) on the day of the transaction.

(a) Purchase Date

(i) Security versus cash

Acceptable Securities must be traded against cash to the NZClear mnemonic nominated by the RBNZ. Where more than one security is being traded within a repo transaction, cash considerations will be prorated.

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(ii) Security versus security

The reverse repo leg is expected to settle before the repo leg.

Acceptable Securities must be traded against cash to the NZClear mnemonic nominated by the RBNZ.

Where more than one security is being traded within a reverse repo transaction, cash considerations will be prorated.

Where more than one security is being traded within a repo transaction, cash considerations will be prorated.

(b) Substitution of Purchased Securities

Securities must be traded at nil consideration to the NZClear mnemonic advised by Financial Services Group, Settlements staff.

(c) Margin Maintenance

Securities required to meet a margin call must be traded to the NZClear mnemonic advised by the Financial Services Group, Settlement staff. A new confirmation must be exchanged (see 3.1 (c))

(d) Repurchase Date

(i) Security versus cash

Acceptable Securities must be traded back to the RBNZ against cash via NZClear. Where more than one security is being traded within a repo transaction, cash considerations will be pro-rated. Pro-rated cash considerations will not be available for NZClear input until after 13:00 (New Zealand time) on business day prior to the repurchase date.

(ii) Security versus security

The maturing repo leg is expected to settle before the maturing reverse repo leg.

Acceptable Securities must be traded back to the RBNZ against cash via NZClear. Where more than one security is being traded within a repo transaction, cash considerations will be pro-rated.

Acceptable Securities will be traded back to the Seller against cash via NZClear. Where more than one security is being traded within a reverse repo transaction, cash considerations will be pro-rated.

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Pro-rated cash considerations will not be available for NZClear input until after 13:00 (New Zealand time) on business day prior to the repurchase date.

(d) Repurchase and/or Swap of New Zealand Government Securities

- (i) Repurchase of New Zealand Government Securities - as outlined in section 3.1 (a) (iv).
- (ii) The swap purchase will be settled as in section 3.1 (a) (iv).
- (iii) The swap sale will be settled as in section 3.1 (a) (iv).