



Reform of the Reserve Bank of New Zealand's
Liquidity Management Operations

June 2006

Reform of the Reserve Bank of New Zealand's Liquidity Management Operations

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I Introduction

1. In the 2004–2005 *Annual Report*, the Reserve Bank announced that one of the Governor’s priorities for the 2005–2006 financial year was for the Bank to work to ensure that adequate liquidity was being provided to the banking system, with collateral requirements and risks being balanced appropriately between the Reserve Bank and the New Zealand banking sector.¹
2. In March 2006, the Bank released a consultation document² that described the Reserve Bank’s review of liquidity management. It set out the rationale for the review, the desirable features of a liquidity regime and the key design issues. A range of possible options was discussed and the Bank’s preferred regime was described. The paper sought public comment on a proposed new regime for the Reserve Bank’s domestic money market operations. Those interested in the background, and the motivations behind the proposed changes are encouraged to read the consultation paper.
3. The period for submissions on the consultation paper closed on the 20th of April 2006. Submissions were received from a number of banks and indicated support for the proposed reforms.
4. Submissions were supportive of the broad thrust of the new regime. Some particular concerns of individual banks were raised but these did not present compelling reasons for the Reserve Bank to change substantively the preferred regime.
5. This document provides details of the regime that has been adopted by the Reserve Bank and guidelines to the Bank’s operations during its implementation. The reforms will be implemented gradually over the coming months. Adopting a phased approach will enable system participants and the Reserve Bank to gradually adjust to the new environment. In particular it will enable the Reserve Bank to gauge the demand for cash and determine an appropriate longer-term level for settlement cash.
6. The last section of this document specifically addresses a number of questions that should clarify some of the main issues associated with this reform and answers some common questions which arose in the submissions. There is also an appendix which provides details of the implementation process and operational guidelines.

¹ Available on the RBNZ’s website at <http://www.rbnz.govt.nz/about/whatwedo/0094054.html> - p40.

² Available on the RBNZ’s website at <http://www.rbnz.govt.nz/finmarkets/liquiditymanagement/2468835.pdf>

II The new liquidity management regime

7. The building blocks of the new liquidity management regime are as follows:
- The Reserve Bank will discontinue its intraday automatic reverse repurchase facility (Autorepo). The Bank will also discontinue the acceptance of bank bills and other non-government securities as security as part of the Bank's normal money market operations.
 - As a consequence, the Reserve Bank will supply a significantly higher level of cash than before – a level consistent with the trend demand for cash from the overall system. This higher level of cash is expected to enable participants to efficiently settle day-to-day gross payments obligations. In addition, the total level of cash may well also satisfy some or all of banks' demands to hold liquid assets to meet, for example, extreme events and/or (external) regulatory requirements. The Bank does not know in advance with certainty what the final target level will be, but our analysis suggests a likely range of \$5,000–7,000m. The actual final level of cash will reflect the level of demand from market participants as revealed in the interest rates they are prepared to pay to raise cash in the short term money markets.
 - Consistent with much higher cash balances than at present, the day-to-day variability in system wide settlement cash balances will be much greater. The Bank will aim to maintain the forecast daily cash balance within \pm \$500m of the target level (currently the Bank arranges its operations with the aim of maintaining a fixed cash target with the expectation of forecast errors of \pm \$20m around that fixed target most of the time).
 - Changes to the settlement cash level (SCL) are expected to be made infrequently and will reflect changes in the overall system's trend demand for cash. The Reserve Bank will continually monitor the various measures available to it to ensure that the Bank is aware of the system-wide demands for liquidity. Note that notwithstanding the above, the Bank will continue to reserve the right to make short notice changes to the cash target in the event of exceptional circumstances. Any changes to the target level will be announced through various electronic media.
 - The Bank will now remunerate cash balances at the Official Cash Rate (OCR) compared with OCR -25 basis points (bp) at present.
 - The Bank will continue to offer to approved counterparties a secured cash raising facility (the Overnight Reverse Repurchase Facility – ORRF). The cash raised will be secured over government debt, at a margin of 50bp higher than the rate paid on overnight cash balances. This facility will provide market participants with a secured source of funds, at a penal rate, in the event that cash is not otherwise available in the market.

Liquidity management regime objectives and operation

8. The overall effect of these reforms will be to remove the constraints imposed on the financial system and its participants due to a growing scarcity of New Zealand government securities.
9. The Reserve Bank's objective is to provide liquidity on demand at a price that is consistent with its prevailing monetary policy stance. The Reserve Bank's role is to provide adequate cash to satisfy trend system-wide demand for cash leaving market participants to determine the allocation of cash among banks.

10. Individual banks have the responsibility to determine their own liquidity needs. To the extent that individual participants' demand for cash exceeds the aggregate supply of cash (determined by the Reserve Bank) the Bank would expect to see this reflected in a number of measures as listed in §11 below.

11. The Reserve Bank will determine the appropriate range for the settlement cash level. Indicators of the required level of cash include:

- the level of short term interest rates – as revealed for example in the foreign exchange swap (FX swap), cash and bank bill markets – relative to the market's expectation of the OCR for the equivalent period;
- the behaviour of participants in the payments system with a focus on ensuring that the level of cash is sufficient to allow all payment and settlement obligations to be reasonably met in normal timeframes; and
- the frequency of use of the Bank's ORRF and the reasons for its use.

Of these measures, the Reserve Bank will be using price as the primary indicator. The Bank will continually monitor the various measures to assess the state of liquidity of the financial system.

12. It is likely that from time-to-time there will be friction between participants; possibly reflected in the distribution of cash. Such friction will only be important in determining the cash target if it is reflected in unusual levels of market interest rates or dysfunctional payments systems behaviours indicative of a system-wide lack of liquidity.

13. The new liquidity management regime will not adversely affect the Reserve Bank's ability to conduct monetary policy. Observations of the money markets since the increase of the cash target to \$2,000m support this expectation.

14. Finally, we expect that the structure of banks' liquidity portfolios will change significantly under the new regime. Currently banks hold significant portfolios of government securities for the purpose of meeting liquidity requirements during the day since the Reserve Bank accepts unlimited quantities of such securities in its Autorepo facility. In the future, settlement cash balances are more likely to be the dominant liquid asset.

III Implementing the new regime

15. The implementation timetable and operational guidelines for implementing the new regime are contained in Appendix A. As mentioned in §5 above, the Bank has adopted a phased approach to implementation. The new regime will be gradually introduced in four steps over a twelve week period commencing on the 3rd of July 2006. The four steps are as follows:

- The removal of bank paper as eligible security in the Bank's liquidity operations on the 13th of July 2006. Treasury bills issued after the 13th of July 2006 will not be eligible for use in the Reserve Bank's intraday repurchase facility (Autorepo), they will be eligible for use in the Reserve Bank's ORRF.
- Government bonds and corporate securities removed as eligible securities in the Bank's intraday facility on the 3rd of August 2006. Government bonds will continue to be eligible securities in the ORRF.
- From the 3rd of July until October 2006, the Bank will inject cash consistent with revealed demand as observed by the Bank.
- Autorepo will be discontinued on the 5th of October 2006. Treasury bills will continue to be eligible securities in the ORRF.

16. Table (1) provides an outline of the Bank's implementation calendar. The main features of the calendar are the progressive removal of the existing Autorepo liquidity facilities and an associated decrease in the margin to OCR the Bank pays on settlement account balances. Both of these measures represent a tightening of liquidity conditions. The Reserve Bank will offset this tightening in conditions by progressively injecting cash and raising the settlement cash target. The actual amount injected will be subject to the demand for cash by the payment system participants at the price dictated by the Bank. At each of these dates the Reserve Bank will increase the rate paid/charged on its facilities by 5bp with respect to the OCR. Thus, the deposit rate will gradually rise from OCR -25bp to OCR and the lending rate will similarly rise from OCR +25bp to OCR +50bp in the ORRF. The overnight rate charged for "rolling" Autorepo intraday borrowing will also increase in 5bp increments from OCR +30bp at present until the facility is withdrawn on the 5th of October 2006.

Table 1
Implementation calendar

Date	Deposit rate	ORRF rate	Autorepo "roll" overnight rate	Comment
13 July	OCR - 20bp	OCR + 30bp	OCR + 35bp	Remove bank paper from Autorepo.
3 August	OCR - 15bp	OCR + 35bp	OCR + 40bp	Remove corporate paper and Government bonds from Autorepo.
24 August	OCR - 10bp	OCR + 40bp	OCR + 45bp	
14 September	OCR - 5bp	OCR + 45bp	OCR + 50bp	
5 October	OCR	OCR + 50bp	–	Remove Treasury bills from Autorepo.

17. Injections of cash into the system will be via a number of methods:

- Foreign exchange swap tenders;
- Direct foreign exchange swaps in the market;
- Purchase of Government bonds and Treasury bills; and
- Reverse repurchases (Reverse-repo) against government securities.

18. The actual magnitude of cash injections is impossible to know in advance as their size and timing will reflect revealed market demand. In the first stage of implementation though, the Bank expects to increase the cash target to around \$3,000m by mid-July in an effort to broadly offset the removal of bank and corporate paper from the Autorepo facility. Further injections will occur progressively from there. The expectation is that by early-mid October the steady state will have been reached, with a cash target in the range of \$5,000–7,000m.

19. The demand for settlement cash will be monitored by the Reserve Bank during implementation. Once the Bank is satisfied that a steady state has been reached it will advise system participants of the target level and range by releases through the various electronic media.

20. That a steady state has been reached will be determined by the indicators given in §11.

21. The Reserve Bank reserves the right to alter the programme at any time. Any changes will be advised to the market through electronic media.

IV Questions and answers

22. The Bank has listed below a number of questions with regard to the submissions it received and the implementation of the new regime, along with answers to those questions.

i) Question: How and when will the Reserve Bank know that a steady state level of cash has been reached?

Answer: At present, the total assets held by system participants that could be used for payment system purposes is in the region of \$7,000m. As existing intraday facilities are withdrawn, cash will be injected into the system to match the removal. The ability of the Bank to inject cash into the system at acceptable prices will be the prime determinant of what an appropriate level of cash is.

All the factors as given in §11 will play a role in determining whether or not the level of cash at any given time is sufficient. By early October 2006 all existing intraday facilities will have been removed. The level of cash in the system at that time will be an indication of where settlement cash is likely to sit in the medium term.

ii) Question: What factors may influence this level?

Answer: Changes in the target level of settlement cash balances will be considered by the Bank periodically, but probably infrequently. Changes in this level would be guided by the indicators provided in §11. The Reserve Bank will continually monitor the various measures available to it to ensure that the Bank is aware of the system-wide demands for liquidity. Any change to the settlement cash level would be announced to the markets via the electronic media.

iii) Question: Why has the Reserve Bank adopted a phased approach to implementation?

Answer: The Bank asked those making submissions on the proposed regime to comment on whether a phased or “big bang” approach would be favoured and why. The majority of submissions favoured a phased approach for a number of reasons. They were broadly in line with the Reserve Bank’s view that that a phased approach would facilitate adjustments by the banks and provide the greatest flexibility.

iv) Question: How does the proposed regime impact on the structure of ESAS accountholders’ liquid assets?

Answer: ESAS accountholders choose the structure of their liquid assets. However, it is expected that cash held at the Reserve Bank will meet the criteria to be a liquid asset.

v) Question: What happens to Treasury bills?

Answer: Treasury bills will remain as an acceptable security, along with other government securities, for banks wishing to obtain cash from the Bank through the overnight reverse repurchase facility. The issuance of Treasury bills is the responsibility of the New Zealand Debt Management Office.

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- vi) **Question: How will the Reserve Bank conduct its operations going forward?**
Answer: Open Market Operations (OMOs) will be held less frequently due to the larger settlement cash level and the accepted variance around that level (\pm \$500m). OMOs will be conducted as and when required to return the forecast settlement cash level to its target range. As at present, the market will be advised at 09:30a.m. each day if the Bank will be conducting an open market tender that day. The FX swap market will also be used to maintain settlement cash at the desired level. Standing facilities (e.g., deposit, overnight reverse repurchase and bond lending facility) will continue to operate in a similar manner as now.
- vii) **Question: Will the Reserve Bank continue to generate liquidity forecasts?**
Answer: To assist market participants in determining the likely impact on the system of Crown flows, the Bank will continue to produce fortnight-ahead forecasts of liquidity. As at present these forecasts will be made at the end of each week and published via the various electronic media.
- viii) **Question: Will tenders have a role in the Reserve Bank's foreign exchange swap business?**
Answer: During implementation of the new regime the Reserve Bank will hold tenders to specific dates for some of its FX swap injections. It will also conduct direct FX swap injections in the market (as is the case now). Prior to the 5th of October 2006, the Bank will review whether or not it will continue to hold FX swap tenders; at this stage, it is not anticipated that the Bank will continue with FX swap tenders after the implementation period.
- ix) **Question: Will ESAS accountholders be able to set minimum balances in their accounts?**
Answer: This is still under consideration by the Reserve Bank.
- x) **Question: Will there be any changes in ESAS?**
Answer: The Reserve Bank will be implementing changes to improve the way the ESAS simultaneous bilateral settlement routine, AutoOffset, operates (this includes disabling users' ability to turn off AutoOffset). The Bank is also investigating automation of the ORRF.
- xi) **Question: Where will the Reserve Bank invest the foreign leg of its FX swaps?**
Answer: The Bank typically invests the US dollars arising from FX swaps in a range of investments of high credit quality and liquidity. Details of the Bank's general approach to credit and liquidity risk can be found in the Bank's Risk Management Document available on the RBNZ's internet site.³
- xii) **Question: Who can deal with the Reserve Bank in its OMOs and FX swap tenders?**
Answer: Counterparties who have successfully applied to be tender counterparties can bid in the Bank's tenders. A registration form is contained in the attached "Liquidity Management Section Operating Rules and Guidelines".⁴

³ See <http://www.rbnz.govt.nz/finmarkets/foreignreserves/risk/94398v10.pdf>

⁴ See <http://www.rbnz.govt.nz/finmarkets/liquiditymanagement/0143295.html>

xiii) Question: When will FX swap tenders be held?

Answer: A schedule of proposed tenders is in the attached "Liquidity Management Section Operating Rules and Guidelines". The tenders will be held at 11:00a.m. on the dates indicated although these dates may be subject to change.

xiv) Question: What determines the mix of instruments the Reserve Bank will use?

Answer: The Bank will use the injection instrument that provides the best available return to the Bank subject to meeting its normal credit and operational constraints. It is expected that the bulk of injections will be via FX swaps given current market conditions. However should market conditions change to make reverse repo operations or the repurchase of government securities more advantageous then the Bank will use those instruments as well.

xv) Question: What will the impact be on the Government bond repurchase market of the new regime – will the bond lending facility still be available?

Answer: The Bank expects to significantly reduce the frequency and volumes of Government bonds offered for repurchase (bond repo) in the daily OMO. In general, it is expected that bond repo will be offered in the OMO infrequently after the first week of the implementation period (to early July 2006). The Bond Lending Facility (BLF) will remain in place in the same form as now. Market participants have made significant use of bond repo in the OMO in the last six months or so. Since this source of bonds will not be so readily available on such attractive terms in the future, it is thus reasonable to expect that market participants will compete more aggressively in the bond repo market. This is likely to cause repo rates to fall relative to unsecured money market rates. The continued existence of the BLF should limit the extent that repo rates will fall as bonds will still be available from the Bank – albeit on more expensive terms than has typically been seen in the OMO in the recent past.

xvi) Question: How will the Reserve Bank behave when the actual settlement cash level moves close to or outside the $\pm\$500m$ range around the announced SCL?

Answer: The Bank will typically take action to return the future cash balance within the range in the next week or so. The speed of the Bank's action will depend on its forecasts of future cash balances (expected short term deviations are more likely to be tolerated) along with the behaviour of interest rates (upward pressure on interest rates would likely see a quicker/larger action from the Bank).

xvii) Question: How will the Reserve Bank handle forecast errors in the settlement cash level?

Answer: The Bank expects that the actual SCL will deviate from the target SCL and thus the $\pm\$500m$ range from time-to-time reflecting erroneous forecasts of Crown flows as is the case now.

xviii) Question: What are the monetary policy implications?

Answer: There are no monetary policy implications.

xix) Question: Why is this system superior to the previous regime?

Answer: The new regime overcomes a number of the shortcomings of the previous regime. Specifically the new regime is more scaleable and flexible, and as such should prove less costly to banks. In the future the supply of cash will be potentially more responsive to changes in banks' demands for liquidity – the Bank has control over the supply of cash and will supply more if trend demands for cash increase. The new system also improves the Reserve Bank's credit risk exposure as it will no longer need to routinely accept local bank paper as security.

23. The Reserve Bank would be pleased to discuss, or answer questions, on the implementation of the reform with interested parties. Please contact John Groom, Manager, Liquidity Management, telephone 04 471 3784.



Appendix A

Implementation details and operational guidelines





**RESERVE
BANK**

O F N E W Z E A L A N D

FINANCIAL STABILITY DEPARTMENT

LIQUIDITY MANAGEMENT SECTION

OPERATING RULES AND GUIDELINES

Date 1 July 2006 to October 2006

SUPPLEMENTARY SECTION

**IMPLEMENTATION OF THE NEW LIQUIDITY MANAGEMENT
REGIME**

Supplementary

Implementation of the new Liquidity Management Regime July – October 2006

1. This document should be read in conjunction with the Reserve Bank's announcement of its new Liquidity Management regime (attached) and the Bank's standard Operating Rules and Guidelines which will continue to apply to existing operations. The supplementary section is only applicable to the implementation phase of the new regime and will not apply after October 2006. The Bank will issue a full set of new Operating Rules and Guidelines prior to the end of October 2006 for the steady state operation of the new regime.

Implementation

2. Description

- The Bank will move to a cashed-up system.
- Indications are that the overall level of settlement cash will be in the range of \$5,000–7,000m, however the actual amount is relatively uncertain. The Bank will advise the market when the target Settlement Cash Level (SCL) is reached.
- The Bank will allow the Settlement Cash Level to move in a band around the target level of \pm \$500m.
- The cash injection will be phased over a period from 3 July to October 2006.
- The amount of eligible security in Autorepo will gradually be reduced until the facility is closed on 5 October 2006. No new Treasury bills will be added as eligible security for Autorepo from 13 July 2006.
- The deposit rate for ESAS account holders will be phased in with the volume of cash. The rate will rise from the OCR less 25 basis points (bp), in 5bp steps, until the OCR is achieved (5 October 2006).
- Similarly, the rate applied to the Overnight Reverse Repo Facility (ORRF) will increase in 5bp steps until OCR+50bp is achieved on 5 October 2006.
- At the same time, the Autorepo "roll" overnight rate will increase in 5bp steps from the current OCR+30bp. The Autorepo facility will be removed from 5 October 2006.
- The table below indicates milestones of the implementation phase.

Date	Deposit rate	ORRF rate	Autorepo "roll" overnight rate	Comment
13 July	OCR - 20bp	OCR + 30bp	OCR + 35bp	Remove bank paper from Autorepo
3 August	OCR - 15bp	OCR + 35bp	OCR + 40bp	Remove corporate paper and Government bonds from Autorepo.
24 August	OCR - 10bp	OCR + 40bp	OCR + 45bp	
14 September	OCR - 5bp	OCR + 45bp	OCR + 50bp	
5 October	OCR	OCR + 50bp	–	Remove Treasury bills from Autorepo.

3. Foreign Exchange (FX) swaps

The Bank will predominantly inject this cash via FX swaps with the following details:

- FX swaps will be dealt direct with counterparties, as is current practice, but the Bank will also hold a number of FX swap tenders (see details below);
- FX swaps will be transacted for value date “tomorrow” and “spot”;
- The term of FX swaps will predominately be in the one-day to six-month period, but the Bank may also transact longer dated FX swaps.
- **FX swaps tenders** will be held on the following basis.
 - The Bank will announce its intention to hold a FX swap tender each morning, with details of the open market operation (OMO), at 09:30a.m. each day (see indicative tender programme below);
 - Tenders will be held late morning. Details will be announced at 11:00a.m., via electronic media and the tender will close at 11:15a.m.. Results will be announced around 11:30a.m.;
 - Tenders are open to all FX swap counterparties (**note: FX swap counterparties that have not previously completed the Counterparty Registration and Dealing Authorities forms will need to complete these forms before they participate in the FX swap tenders - the forms are at the end of these guidelines**);
 - Indicative tender size approximately US\$180–250m, but this may vary at times;
 - Tenders have been evenly spaced to avoid Herstatt risk;
 - The Bank will offer either single or multiple maturity dates;
 - The Bank will announce minimum FX swap points for each maturity date;
 - FX swaps transacted via tender will settle on a spot basis; and
 - The Bank will set and announce the exchange rate at the tender open.

Indicative 2006 FX Swap Tender dates

Tender date	Settlement date
4 July	6 July
10 July	12 July
14 July	18 July
20 July	24 July
26 July	28 July
1 August	3 August
8 August	10 August
14 August	16 August
18 August	22 August
24 August	28 August
30 August	1 September
5 September	7 September
11 September	13 September
15 September	19 September
21 September	25 September
27 September	29 September

The Reserve Bank reserves the right to alter these dates.

Liquidity Management Section Operating Rules and Guidelines	Date Issued: 1 July 2006	Supplementary section Page 17
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4. Procedures and conditions for Bidding for FX swaps

(i) General

Following the announcement of the FX swap tender details in the electronic media, registered bidders wishing to place bids must place them by phoning (64 4) 472 0074 or 472 0075, or by dedicated line where applicable.

Bids must be placed by authorised dealers (Schedule A of the Dealing Authorities). They must be read back by a staff member of the Liquidity Management Section (LMS), and agreed, before the Reuters clock changes to the close time. (This time is advised when the details of the FX swap tender are announced.)

Once bids have been placed, read back by a LMS staff member and agreed by both parties, those bids cannot be altered or retracted. In the case of dispute, the bid that was read back and agreed will stand as final.

(iii) Minimum and Standard Parcel Sizes

Bids will only be accepted in US dollars. Each bid must be of a minimum amount of US\$5m (principal) and in multiples of US\$1m (principal) thereafter. Any bids not in multiples of US\$1m will be rejected.

(iv) Bid Format

Each bid must state the forward points for each bid to a maximum of three decimal places (e.g. -0.375 points). Forward points beyond three will be disregarded.

(a) Acceptance/Rejection of Bids

The RBNZ reserves the right to reject any bid, or part thereof, for any reason.

(b) Results and Allocation

The results will be announced as soon as possible after the close time of the FX swap tender.

Where there is more than one bidder at the cut-off forward points, bidders will be allotted principal amounts as far as practicable, on a pro-rata basis in relation to the amount available at those forward points, except that no successful bidder shall be allotted a principal amount that is less than US\$1m. All allocations will be in whole multiples of US\$1m thereafter.

The final allocation to each successful bidder will also be subject to the Reserve Bank's available FX swap limit with each counterparty as per market practice.

Liquidity Management Section Operating Rules and Guidelines	Date Issued: 1 July 2006	Supplementary section Page 18
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Details for successful bids in the tender will be confirmed by the Bank within 45 minutes of the results being released. The following details will be provided:

- Forward points;
- Spot exchange rate (set and announced at the tender open);
- Forward exchange rate;
- Amount (US\$ first leg and second leg);
- Settlement dates; and
- Settlement instructions.

This information will be confirmed by telephone and on Reuters dealer.

(c) Settlements

Transactions will only be settled using standard settlement instructions previously provided to the Reserve Bank.

(d) Postponements

The Reserve Bank reserves the right to extend the bidding cut-off time or postpone the FX swap tender at any time.

5. Reverse Repurchase

The Bank may offer to inject cash via reverse repurchase in its OMO. Although the use of this mechanism should be rare, the Bank will use the procedures recorded in Section 3 of the current Operating Rules and Guidelines.

6. Purchase of New Zealand Government Securities

The Bank may offer to withdraw cash through the purchase of soon-to-mature NZ Government Securities. If used, this facility will operate as prescribed in Section 3 of the current Operating Rules and Guidelines.

APPLICATION FOR REGISTRATION AS A COUNTERPARTY¹

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

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*):

- Government Securities Tenders.
Bidding limit sought
- Open Market Operations, including repurchase transactions - Yes / No
- Overnight Repo Facility
- Bond Switch/Repurchase Operations - via the window
- New transactions which may be authorised from time to time and as agreed between both parties.³

¹ This document is not required from counterparties who are already registered with the Reserve Bank.

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

³ **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 Austraclear 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:

.....
-------	-------

* (Original Power of Attorney to be sighted upon delivery of this document to the Reserve Bank, Financial Stability 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 200.....
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 200....

DEALING AUTHORITIES

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

.....
(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 Zealand:
 - (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 (does not include authority to phone bid in Government Securities Tenders – see Schedule B);
 - (ii) repurchase transactions, pursuant to Clause 3.5 of the Reserve Bank Master Securities Repurchase Agreement executed by both parties;
 - (iii) repurchase transactions, pursuant to Clause 14.5 of the Reserve Bank Master Intraday Securities Repurchase Agreement executed by both parties; and
 - (iv) FX swap transactions.

SCHEDULE A

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

For further information please contact:
John Groom, Manager Liquidity Management
Telephone +64 4 471 3784

Reserve Bank of New Zealand
PO Box 2498, Wellington, New Zealand
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www.rbnz.govt.nz