

Competitive Tender Procedures

for HNZ Bills

Housing New Zealand Limited

10 November 2020



**COMPETITIVE TENDER PROCEDURES
FOR HNZ BILLS
HOUSING NEW ZEALAND LIMITED (HNZ)**

Introduction and scope

This document sets out the procedures for competitive tender and settlement of commercial paper issuances by HNZ (referred to as *HNZ Bills* in the remainder of these procedures).

Competitive Tenders will be operated through the electronic system provided by Yieldbroker Pty Limited (*Yieldbroker Auction System*) unless otherwise agreed with the Arranger, Registrar and relevant Dealers. The procedures in this document apply only to Tenders operated through the Yieldbroker Auction System.

These procedures have been prepared as at 10 November 2020. These procedures supplement (and, to the extent of any inconsistency, replace) any previously agreed procedures including those set out in the Facility Agreement. These procedures may be further supplemented or amended from time to time.

Only Dealers appointed under the Facility Agreement may provide Offers in Tenders of HNZ Bills.

Agreement to these procedures

These procedures have been agreed by HNZ and the Arranger.

By providing an Offer in a Tender of HNZ Bills in the Yieldbroker Auction System, each Dealer confirms its agreement with HNZ and the Arranger to be bound by these procedures in accordance with clause 4.6 of the Facility Agreement.

Documentation and definitions

In addition to these Procedures, HNZ Bills are issued under:

- a **Deed Poll** dated 17 December 2009 (as amended from time to time) entered into by HNZ (*Deed Poll*), which provides for the creation and terms of the HNZ Bills (defined as "Notes" in that deed);
- a **Facility Agreement Relating to a Note Issuance Facility** dated 20 June 2017 (as amended from time to time) between HNZ and ANZ Bank New Zealand Limited as Arranger, among others (*Facility Agreement*); and
- an **Agency Agreement** dated 21 June 2017 (as amended from time to time), which provides for Link Market Services Limited to act as Registrar for HNZ Bills.

Capitalised terms in these procedures have the meanings given to those terms in the Deed Poll or the Facility Agreement. *HNZ Bills* are Notes (as defined in those documents) that are Tendered through the Yieldbroker Auction System in accordance with these procedures. For the avoidance of doubt, references to *yield* of an HNZ Bill have the same meaning as the "Discount Rate" as defined in the Facility Agreement.

All references in these procedures to a time of day are to New Zealand time.



Competitive Tender procedures through the Yieldbroker Auction System

- 1 The procedures for competitive Tenders through the Yieldbroker Auction System are set out below. A diagrammatic summary is also included as **Appendix 1**.

- 1.1 No later than **10.30am, 1 Business Day prior** to the date of the Tender (the *Tender Date*, which may be any Business Day), HNZ announces a Tender to each Dealer through the Yieldbroker Auction System.

The Tender must specify the aggregate Face Value, Issue Date and Maturity Date of the HNZ Bill or HNZ Bills for which Offers are sought from Dealers, as well as the Tender Date. Tenders will be for at least \$5 million in aggregate Face Value and multiples of \$500,000 thereafter.

- 1.2 On the Tender Date:

- (a) **Tender opens:** After **10.30am** the Dealers may submit their Offers via the Yieldbroker Auction System (unless HNZ otherwise agrees to accept telephone Offers in any case). Each Offer must specify, for the HNZ Bill or HNZ Bills the subject of the Offer:
- the aggregate Face Value (minimum \$1 million in aggregate Face Value and multiples of \$500,000 thereafter unless otherwise specified);
 - the yield for determining the Purchase Price (expressed as a percentage per annum to three decimal places, with the third decimal only to be in half point increments); and
 - the Issue Date and the Maturity Date.
- (b) **BKBM set:** Around **10.45am** BKBM is set.
- (c) **Tender closes:** All Offers must be submitted and final in the Yieldbroker Auction System by **11.00am**. HNZ reserves the right to accept any telephone Offer (in its sole discretion), however it expects to do so only in limited circumstances and any such telephone Offer must also be submitted by **11.00am**.
- (d) **Confirmations and reporting:** As soon as practicable after the close of the Tender, HNZ will confirm the acceptance or otherwise of Offers by Dealers by finalising the Tender through the Yieldbroker Auction System. The Yieldbroker Auction System will then:
- notify each Dealer of accepted Offers. Confirmation will form a binding contract, and HNZ must issue, and the Dealer must subscribe for, such HNZ Bills in accordance with the Facility Agreement and the below procedures; and
 - report key statistics of the Tender to each Dealer that participated in the Tender.



Allocations

- 2 In conducting any Tender, HNZ proposes (without being under any obligation to do so) to adopt the following principles:
- (a) *Ascending yields*: Acceptances of Offers for HNZ Bills will be on the basis of ascending yields.
 - (b) *Pro rata allocation*: If acceptance of Offers made by two or more Dealers at the same yield would result in the acceptance of Offers for HNZ Bills in a greater aggregate Face Value than the maximum aggregate amount specified in the Tender, then HNZ Bills shall be allocated by HNZ between the relevant Dealers pro rata according to the Face Value included in those Offers (subject to rounding and such other adjustments as HNZ determines in the circumstances, including for the purposes of paragraph 2(d) below).
 - (c) *No oversubscription or reallocation*: HNZ does not intend to accept Offers in excess of the maximum aggregate amount Tendered for any HNZ Bill or HNZ Bills (unless otherwise specified in the relevant Tender).
 - (d) *No allocation of less than minimum Offer amount (unless zero)*: When accepting any Offer (in whole or in part), HNZ will not allocate HNZ Bills to a Dealer in an aggregate Face Value of less than \$1 million (or such smaller minimum Offer amount as may be specified in the Tender announcement).

Settlement and Purchase Price

- 3 Following each Tender, settlement and issue of the relevant HNZ Bills will occur on the Tender Date (the *Issue Date*) (T+0).
- 4 Settlement will take place with each relevant Dealer through NZClear on a delivery versus payment basis on the Issue Date.
- 5 The Purchase Price payable for any HNZ Bill in an accepted Offer shall be determined by HNZ using the following formula:

$$PP = \frac{FV}{1 + \left[\frac{(Y \times T)}{36,500} \right]}$$

where:

PP = the Purchase Price of that HNZ Bill.

FV = the Face Value of that HNZ Bill.

Y = the yield for that HNZ Bill expressed as a whole number (so that, for example, if the yield is 0.300%, Y will equal 0.3).

T = the Tenor of that HNZ Bill (in days).



General

- 6 HNZ may at its discretion accept or reject any Offer. HNZ need not accept any Offer or the Offer with the lowest yield. HNZ reserves the right to alter the composition, extend the cut-off time, or to postpone or cancel a Tender at any time. If a Tender is postponed or cancelled, any Offers lodged will be disregarded. HNZ reserves the right to issue less than the maximum aggregate Face Value of any Tender.
- 7 Unless a Dealer expressly specifies otherwise, each Offer received by HNZ in relation to a request for Offers shall be capable of acceptance by HNZ for a portion of the aggregate Face Value of the HNZ Bill or HNZ Bills the Dealer is offering to subscribe for.
- 8 Each Offer is irrevocable and may not be amended or withdrawn without the consent of HNZ. It is the responsibility of each Dealer to ensure that Offers are submitted correctly, prior to Tender close. No Dealer is obliged to provide an Offer in any Tender.
- 9 For the avoidance of doubt, each Dealer should use the NZClear mnemonic(s) advised by the Dealer to HNZ as part of Dealer registration or by subsequent written notice. Bids using alternative mnemonics will not be accepted by the Yieldbroker Auction System.
- 10 HNZ may in its discretion publish Tender notices and results on its website and other information services, as well as providing through the Yieldbroker Auction System.
- 11 Despite clauses 4.2(g) and 4.7 of the Facility Agreement, HNZ is not obliged to separately report details of the Tender to the Arranger and (unless agreed with HNZ) the Arranger is not obliged to notify Dealers of such information. However, in accordance with clause 4.7, HNZ will (a) no less frequently than quarterly, advise the Dealers of the respective percentages of HNZ Bills which have been purchased by each of the Dealers; and (b) upon request by any Dealer, notify the Dealer of the aggregate Face Value of HNZ Bills on issue for the time being (and the range of Tenors).
- 12 HNZ is not responsible, and accepts no liability, for the operation of the Yieldbroker Auction System (including without limitation for the unavailability of, or the timely provision of confirmations and reporting through, the Yieldbroker Auction System).



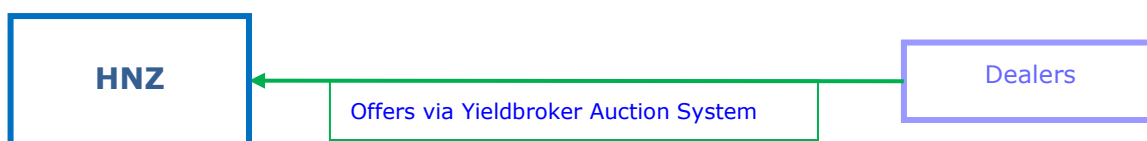
APPENDIX 1 – DIAGRAMMATIC SUMMARY

Notice of Tender (No later than 10:30am, 1 Business Day prior to the Tender Date (T-1))



- Notify Dealers of Tender via Yieldbroker Auction System.

Dealer Offers (From 10.30am to 11.00am on the Tender Date)



- Each Offer must be submitted using the Yieldbroker Auction System unless a telephone bid is accepted in HNZ's sole discretion (expected to be only in limited circumstances).
- Offers cannot be amended or withdrawn. It is the responsibility of each Dealer to ensure that Offers are submitted correctly, prior to Tender close.

Acceptance (As soon as practicable after the Tender closes)



- Dealers informed of acceptances via Yieldbroker Auction System.
- Yieldbroker Auction System reports key statistics of the Tender to each Dealer that participated in the Tender

Settlement of HNZ Bills shall occur DVP in NZClear on the Tender Date (T+0).