

# Competitive Tender Procedures

for HNZ Bonds

Housing New Zealand Limited

10 November 2020



**COMPETITIVE TENDER PROCEDURES  
FOR HNZ BONDS**

**HOUSING NEW ZEALAND LIMITED (HNZ)**

## **Introduction and scope**

This document sets out the procedures for competitive tender and settlement of medium term note issuances by HNZ (referred to as *HNZ Bonds* 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 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 any set out in the Dealer Agreement. These procedures may be further supplemented or amended from time to time.

Only Dealers appointed under the Dealer Agreement may provide Offers in Tenders of HNZ Bonds.

## **Agreement to these procedures**

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

## **Documentation and definitions**

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

- a **Note Deed Poll** dated 17 January 2018 (as amended from time to time) entered into by HNZ (*Note Deed Poll*), which provides for the creation and terms of the HNZ Bonds (defined as "Notes" in that deed);
- a **Dealer Agreement** dated 17 January 2018 (as amended from time to time) between HNZ and ANZ Bank New Zealand Limited and Westpac Banking Corporation ABN 33 007 457 141 (acting through its New Zealand branch) as Programme Arrangers, among others (*Dealer Agreement*);
- 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 Bonds; and
- Kāinga Ora's **Sustainability Financing Framework** (as updated from time to time).

Capitalised terms in these procedures have the meanings given to those terms in the Note Deed Poll or the Dealer Agreement. A *Tender* is an invitation by HNZ to the Dealers to submit offers (each an *Offer*) to purchase Notes tendered through the Yieldbroker Auction System (such Notes referred to as *HNZ Bonds*), in each case in accordance with the Dealer Agreement and these procedures.

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 **2.00pm, 2 Business Days 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 Principal Amount, coupon Interest Rate, Issue Date and Maturity Date of the relevant Series of HNZ Bonds for which Offers are sought from Dealers, as well as the Tender Date. A Tender may relate to one or more Series of HNZ Bonds. Tenders will be for at least \$50 million in aggregate Principal Amount and multiples of \$500,000 thereafter in relation to any Series.

- 1.2 On the Tender Date:

- (a) **Tender opens:** After **1:30pm** 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 each Series of HNZ Bonds the subject of the Offer:
- the aggregate Principal Amount (minimum \$1 million in aggregate Principal Amount and multiples of \$500,000 thereafter unless otherwise specified);
  - the yield for determining the Issue 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) **Tender closes:** All Offers must be submitted and final in the Yieldbroker Auction System by **2.00pm**. 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 **2.00pm**.
- (c) **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 Bonds in accordance with the Dealer 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 Bonds 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 Bonds in a greater aggregate Principal Amount than the maximum aggregate amount specified in the Tender for any Series, then HNZ Bonds shall be allocated by HNZ between the relevant Dealers pro rata according to the Principal Amount included in those Offers (subject to rounding and such other adjustments as HNZ determines in the circumstances, including for the purposes of paragraph (d) below).
  - (c) *No oversubscription or reallocation*: HNZ does not intend to accept Offers in excess of the maximum aggregate amount Tendered for any Series of HNZ Bonds (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 Bonds to a Dealer in an aggregate Principal Amount of less than \$1 million (or such smaller minimum Offer amount as may be specified in the Tender announcement).

### Settlement and Issue Price

- 3 Following each Tender, settlement and issue of the relevant HNZ Bonds will occur 3 Business Days after the Tender Date (the *Issue Date*) (T+3).
- 4 Settlement will take place with each relevant Dealer through NZClear on a delivery versus payment basis on the Issue Date.
- 5 Unless the formula in paragraph 6 below applies, the Issue Price payable by a Dealer to subscribe for any HNZ Bonds in an accepted Offer shall be determined by HNZ using the following formula:

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

where:

IP = the Issue Price of the relevant HNZ Bonds (\$)



$N$  = the Principal Amount of the relevant HNZ Bonds (\$)

$r$  = the annual Interest Rate divided by two hundred, i.e. the semi-annual Interest Rate (%)

$i$  = the yield divided by two hundred, i.e. the semi-annual yield (%)

$c$  = where the Issue Date is after the Record Date and up to, but not including, the next Interest Payment Date "c" has the value of 0, otherwise "c" has the value of 1

$n$  = the number of full half years between the next Interest Payment Date and the Maturity Date

$a$  = the number of days from the Issue Date to the next Interest Payment Date

$b$  = the number of days in the half year ending on the next Interest Payment Date

- 6 If the yield is 0% per annum, the following formula applies:

$$IP = (1 + r(c + n))N$$

where:

IP = the Issue Price of the relevant HNZ Bonds.

$N$  = the Principal Amount of the relevant HNZ Bond (\$)

$r$  = the annual Interest Rate divided by two hundred, i.e. the semi-annual Interest Rate (%)

$c$  = where the Issue Date is after the Record Date and up to, but not including, the next Interest Payment Date "c" has the value of 0, otherwise "c" has the value of 1

$n$  = the number of full half years between the next Interest Payment Date and the Maturity Date

### **General**

- 7 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 Principal Amount of any Tender.
- 8 Unless a Dealer expressly specifies otherwise, each Offer received by HNZ shall be capable of acceptance by HNZ for a portion of the aggregate Principal Amount of the HNZ Bonds the Dealer is offering to subscribe for.



- 9 Each Offer may not be amended or withdrawn after the time announced for the closure in the Tender (2.00pm) has elapsed according to the clock in the Yieldbroker Auction System. 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.
- 10 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.
- 11 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.
- 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).

#### **Selling restrictions**

- 13 Unless otherwise agreed with HNZ, any person or entity bidding or offering to buy HNZ Bonds in a Tender represents as at term of the 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 the Final Terms for the Tender and is not acting for the account or benefit of a person within such jurisdiction.
- 14 In addition, as a term of the Offer, any person or entity bidding or offering to buy HNZ Bonds in a Tender agrees that it will not offer, sell or deliver any HNZ Bonds or distribute any documents to any person outside New Zealand except in accordance with all of the legal requirements of the relevant jurisdiction.
- 15 In particular, no action has been taken to permit the HNZ Bonds to be offered or sold to any retail investor, or otherwise under any regulated offer, in terms of the Financial Markets Conduct Act 2013 (the "**FMCA**"). No prospectus has been registered in New Zealand and no investment statement or product disclosure statement has been prepared in relation to the HNZ Bonds.
- 16 No person may offer or sell HNZ Bonds, or distribute or publish any offering material or advertisement in relation to any offer of HNZ Bonds, to any person in New Zealand other than to wholesale investors within the meaning of clause 3(2)(a), (c) or (d) of Schedule 1 to the FMCA, which includes a person who is: (i) an "investment business"; (ii) "large"; or (iii) a "government agency", in each case as defined in Schedule 1 to the FMCA, provided (for the avoidance of doubt) that HNZ Bonds may not be offered or sold to any "eligible investor" (as defined in clause 41 of Schedule 1 to the FMCA) or to any person who, under clause 3(2)(b) of Schedule 1 to the FMCA, meets the investment activity criteria specified in clause 38 of that Schedule. For this purpose an "investment business" includes, without limitation, a DIMS licensee deciding whether to acquire HNZ Bonds on behalf of a person in the course of supplying a discretionary investment management service to that person, in accordance with clause 7 of Schedule 1 to the FMCA.



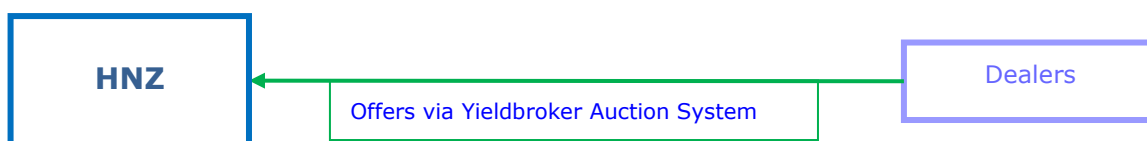
## APPENDIX 1 – DIAGRAMMATIC SUMMARY

### Notice of Tender (No later than 2.00pm, 2 Business Days prior to the Tender Date (T-2))



- Notify Dealers of Tender via Yieldbroker Auction System.

### Dealer Offers (1.30pm to 2.00pm 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 after 2.00pm. 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 Bonds shall occur DVP in NZClear 3 Business Days after the Tender Date (T+3).