



NZX Regulation Decision

New Zealand Local Government Funding Agency Limited
("LGF")

Application for a waiver from NZX Debt Market Listing
Rule 7.12.1

9 September 2016



Waiver from NZX Debt Market Listing Rule 7.12.1

Decision

1. Subject to the conditions set out in paragraph 2 below, and on the basis that the information provided by LGF is complete and accurate in all material respects, NZX Regulation (**NZXR**) grants LGF a waiver from Rule 7.12.1 to the extent that this Rule would require LGF to release to the market details of any acquisition of the LGF Bonds as a part of each Repo Transaction, forthwith after the acquisition.
2. The waiver in paragraph 1, above, is provided on the conditions that:
 - (a) LGF must give to NZX for release to the market, details of:
 - (i) any outstanding Repo Transaction of each Series, including as a percentage of the outstanding principal amount of LGF Bonds in that Series; and
 - (ii) treasury stock held by LGF of each Series, including as a percentage of the outstanding principal amount of LGF Bonds in that Series,in a Monthly Disclosure Notice, in the form and including the information as set out in Appendix Three;
 - (b) Monthly Disclosure Notices required under paragraph (2)(a) above, must be provided to NZX no later than on the first Business Day of the calendar month following the calendar month to which the notice relates; and
 - (c) a summary of the terms of this waiver, and its effect, are set out in each LGF's Annual Report, if LGF relied on this waiver at any stage during the financial year to which the relevant Annual Report relates.
3. The information on which this decision is based is set out in Appendix One to this decision. This waiver will not apply if that information is not or ceases to be full and accurate in all material respects.
4. The Rules to which this decision relates are set out in Appendix Two to this decision.
5. Capitalised terms which have not been defined in this decision have the meanings given to them in the Rules.

Reasons

6. In coming to the decision to provide the waiver set out in paragraph 1 above, NZXR has considered that:
 - (a) the policy of Rule 7.12.1 is to ensure that the correct number of an Issuer's Quoted Securities on issue is known to the market;
 - (b) this policy is particularly important in the context of Equity Securities, as the number of Equity Securities on issue, directly impacts the market price of those securities and dilutes existing shareholders' interests. The number of Debt Securities on issue, however, is less relevant to the market price of Debt Securities;
 - (c) this policy also serves an important operational function, as NZX's systems record and publish the data contained the 7.12.1 Notices to update the number of Securities

outstanding, for all Quoted Debt Securities. In these circumstances, the Repo Transactions are only meant to assist with meeting demand for the LGF Bonds, and do not change the overall number of LGF Bonds outstanding;

- (d) the nature of the Bond Lending Facility may require LGF to reacquire LGF Bonds from Repo Counterparties multiple times in each calendar month. Requiring LGF to release a 7.12.1 Notice each time LGF reacquires bonds would impose a disproportionate compliance burden on LGF, with little corresponding benefit to the market; and
- (e) the underlying economic substance of the Repo Transactions are essentially loans of LGF Bonds to the Repo Counterparties. The nature of these loans is not what is typically contemplated by the 7.12.1 Notice, and as such, a number of the particulars required by this Rule are not relevant to the reacquisitions of bonds under a Repo Transaction. The form of the Monthly Disclosure Notice, required by paragraph 2(a) above, ensures that the market is being provided with more meaningful and relevant information.



Appendix One

1. New Zealand Local Government Funding Agency Limited (**LGF**) is a Listed Issuer with bonds Quoted on the NZX Debt Market (**LGF Bonds**).
2. LGF currently has seven series of LGF Bonds (**Series**) Quoted on the NZX Debt Market and will issue new Series of bonds from time to time.
3. LGF intends to establish a bond lending facility (**Bond Lending Facility**).
4. To facilitate the proposed Bond Lending Facility, LGF proposes to:
 - (a) issue LGF Bonds in each Series to itself (**Treasury Bonds**) as part of its usual tender process. LGF will hold Treasury Bonds in each Series and will acquire these bonds at the weighted average issue price, as part of a tender of the relevant Series; and
 - (b) enter into transactions with certain banks and financial institutions (**Repo Counterparties**) under which LGF will:
 - (i) sell LGF Bonds to a Repo Counterparty; and
 - (ii) enter into a back-to-back repurchase transaction with that Repo Counterparty, (together, a **Repo Transaction**).
5. Rule 7.12.1 requires LGF to release a notice including the information required by Rule 7.12.1 (**7.12.1 Notice**) each time LGF re-acquires the LGF Bonds from a Repo Counterparty, as part of a Repo Transaction.
6. LGF has sought a waiver from the requirement in 7.12.1, to instead allow LGF to issue an aggregate monthly disclosure notice in the form contemplated in Appendix Three to the waiver (**Monthly Disclosure Notice**).



Appendix Two

Rule 7.12.1

If an Issuer issues, acquires or redeems Quoted Securities, or an Issuer with Equity Securities Quoted issues, acquires or redeems Equity Securities or Securities Convertible into Equity Securities, then the Issuer shall give to NZX for release to the market details of the issue, acquisition or redemption, including:

- (a) Class of Security and ISIN; and
- (b) the number issued, acquired or redeemed; and
- (c) the nominal value (if any) and issue price, acquisition price or redemption price; and
- (d) whether payment was in cash; and
- (e) any amount paid up (if not in full); and
- (f) the principal terms of the Securities (other than for Quoted Securities), for example, the exercise price and exercise date in respect of an Option, or the conversion price and conversion date in respect of Convertible Securities or the ranking of the Securities in relation to other Classes of Securities; and
- (g) the percentage of the total Class of Securities issued, acquired or redeemed; and
- (h) the reason for the issue, acquisition or redemption; and
- (i) the specific authority for the issue, acquisition or redemption (if any); and
- (j) any terms or details of the issue, acquisition or redemption (such as an escrow provision); and
- (k) the total number of Securities of the Class in existence after the issue, acquisition or redemption; and
- (l) in the case of an acquisition of shares by an Issuer which is a company registered under the Companies Act 1993, whether those shares are to be held as Treasury Stock; and
- (m) the dates of issue, acquisition or redemption.

Notices required by this Rule must be given to NZX for public release forthwith after the issue, acquisition or redemption, and in respect of an acquisition effected by an Issuer through NZX's order matching market or through the order matching market of a Recognised Stock Exchange, no later than the end of the Business Day on which the acquisition took place. For the purposes of Rule 7.12.1 the sale or transfer of Treasury Stock by an Issuer shall be deemed to be an issue of Securities.



Appendix Three

LGFA BONDS - NOTICE OF REPURCHASE TRANSACTIONS FOR LGFA BONDS

This is a notice for the purposes of Listing Rule 7.12.1 (as varied by a waiver granted on [*insert date*] 2016) and provides summary information regarding repurchase transactions ("**repo transactions**") entered into by New Zealand Local Government Funding Agency Limited ("**LGFA**") in respect of LGFA Bonds.

LGFA Bonds (by Maturity Date)		As at [<i>insert date, month and year</i>]	
		\$NZ million (by aggregate principal amount)	% of LGFA Bonds in Series
15 Mar 2019 NZX ticker code: LGF020 ISIN: NZLGFDT003C3	Total number of LGFA Bonds on issue for Series		N/A
	Outstanding repo transactions by LGFA		
	Treasury stock held by LGFA		
	Total number of LGFA Bonds on issue for Series (excluding repo transactions and treasury stock)		
15 Apr 2020	Total number of LGFA Bonds on issue for Series		N/A



LGFA Bonds (by Maturity Date)		As at [<i>insert date, month and year</i>]	
		\$NZ million (by aggregate principal amount)	% of LGFA Bonds in Series
NZX ticker code: LGF030 ISIN: NZLGFDT006C6	Outstanding repo transactions by LGFA		
	Treasury stock held by LGFA		
	Total number of LGFA Bonds on issue for Series (excluding repo transactions and treasury stock)		
15 May 2021 NZX ticker code: LGF040 ISIN: NZLGFDT004C1	Total number of LGFA Bonds on issue for Series		N/A
	Outstanding repo transactions by LGFA		
	Treasury stock held by LGFA		
	Total number of LGFA Bonds on issue for Series (excluding repo transactions and treasury stock)		
15 Apr 2023	Total number of LGFA Bonds on issue for Series		N/A



LGFA Bonds (by Maturity Date)		As at [<i>insert date, month and year</i>]	
		\$NZ million (by aggregate principal amount)	% of LGFA Bonds in Series
NZX ticker code: LGF050 ISIN: NZLGFDT005C8	Outstanding repo transactions by LGFA		
	Treasury stock held by LGFA		
	Total number of LGFA Bonds on issue for Series (excluding repo transactions and treasury stock)		
15 Apr 2025 NZX ticker code: LGF070 ISIN: NZLGFDT008C2	Total number of LGFA Bonds on issue for Series		N/A
	Outstanding repo transactions by LGFA		
	Treasury stock held by LGFA		
	Total number of LGFA Bonds on issue for Series (excluding repo transactions and treasury stock)		
15 Apr 2027	Total number of LGFA Bonds on issue for Series		N/A



LGFA Bonds (by Maturity Date)		As at [<i>insert date, month and year</i>]	
		\$NZ million (by aggregate principal amount)	% of LGFA Bonds in Series
NZX ticker code: LGF060 ISIN: NZLGFDT007C4	Outstanding repo transactions by LGFA		
	Treasury stock held by LGFA		
	Total number of LGFA Bonds on issue for Series (excluding repo transactions and treasury stock)		

Repo Transactions

In [*insert month*] 2016 LGFA established a bond lending facility under which it may agree to sell/lend LGFA Bonds held by LGFA as treasury stock to approved counterparties under repo transactions. This notice summarises, in respect of each Series of LGFA Bonds for which repo transactions can be undertaken, the outstanding repo transactions and the amount of treasury stock held by LGFA on [*insert date, month and year*].

NZX Waiver

LGFA has received a waiver from NZX in relation to Listing Rule 7.12.1. The waiver decision is available on LGFA's website at [*insert website*]. The effect of the waiver is that LGFA is not required to provide a notice under Listing Rule 7.12.1 immediately after re-acquiring LGFA Bonds sold/lent pursuant to repo transactions. Instead, LGFA is required to provide monthly disclosure of amounts outstanding under repo transactions by way of this notice.

This notice is not required to include information on the price at which LGFA reacquired the relevant LGFA Bonds under the repo transactions ("**reacquisition price**"). This is because the reacquisition price is set at the outset of the relevant repo transaction and does not reflect the market price of the relevant LGFA Bonds. Instead, the reacquisition price is based on security arrangements put in place as part of the relevant repo transaction.

