



Deposit Takers (Funding Conduits) Exemption Notice 2010

Pursuant to section 157G of the Reserve Bank of New Zealand Act 1989, the Reserve Bank of New Zealand gives the following notice (to which is appended a statement of reasons of the Bank).

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Notice

- 1 **Title**
This notice is the Deposit Takers (Funding Conduits) Exemption Notice 2010.

- 2 **Commencement**
This notice comes into force on the day after the date of its notification in the *Gazette*.

3 Expiry

Except as provided in clause 10(2), this notice expires on the close of 1 September 2014.

4 Interpretation

(1) In this notice, unless the context otherwise requires,—

Act means the Reserve Bank of New Zealand Act 1989

advertisement has the same meaning as in section 2A of the Securities Act 1978

credit rating means a rating of creditworthiness that—

(a) complies with the requirements prescribed by regulations made under section 157K of the Act; and

(b) is given by an approved rating agency

group, in relation to a specified funding conduit, means the group comprising the specified funding conduit's specified parent and the specified parent's subsidiaries

investment statement has the same meaning as in section 38C of the Securities Act 1978

registered prospectus has the same meaning as in section 2(1) of the Securities Act 1978

specified funding conduit means a person whose name appears in the first column of the Schedule

specified parent, in relation to a specified funding conduit, means the person whose name appears in the second column of the Schedule opposite the specified funding conduit's name.

(2) In this notice, a reference to a debt security issued by a specified funding conduit is a reference to a debt security issued by the specified funding conduit following an offer of debt securities to the public.

(3) Any term or expression that is defined in the Act and used, but not defined, in this notice has the same meaning as in the Act.

5 Exemption from requirement to have current credit rating

Every specified funding conduit is exempted from section 157I of the Act.

- 6 Exemption from requirement to have risk management programme**
Every specified funding conduit is exempted from section 157M of the Act.
- 7 Conditions of exemptions in clauses 5 and 6**
The exemptions in clauses 5 and 6 are subject to the conditions that—
- (a) the specified funding conduit must at all times be a wholly owned subsidiary of its specified parent; and
 - (b) the specified funding conduit must at all times use at least 95% of the subscriptions raised from the issue of debt securities to lend funds to, or to subscribe for or purchase securities in, its specified parent or any member of its group; and
 - (c) the specified funding conduit's specified parent must at all times be liable to repay the money owing in respect of every debt security issued by the specified funding conduit, either unconditionally or subject only to the condition that the specified funding conduit or another person has failed to do so.
- 8 Further conditions of exemption in clause 5**
The exemption in clause 5 is subject to the further conditions that—
- (a) the specified funding conduit's specified parent must at all times have a current credit rating; and
 - (b) the specified parent's current credit rating must be disclosed in every registered prospectus, investment statement, and advertisement that relates to offers of debt securities to the public made by the specified funding conduit on or after the date on which this notice comes into force.
- 9 Further condition of exemption in clause 6**
The exemption in clause 6 is subject to the further condition that the specified funding conduit's specified parent or group must at all times have a written programme that sets out the procedures that will be used to effectively identify and manage

group credit risk, liquidity risk, market risk, and operational risk in a way that the specified parent considers appropriate for the operations of the group (including the specified funding conduit).

10 Temporary exemption from requirement to have current credit rating

- (1) Fletcher Building Finance Limited and Works Finance (NZ) Limited are exempted from section 157I of the Act.
- (2) This clause expires on the close of 1 September 2010.

Schedule

cl 4(1)

Specified funding conduits and specified parents

Specified funding conduit	Specified parent
Fletcher Building Finance Limited	Fletcher Building Limited
TCNZ Finance Limited	Telecom Corporation of New Zealand Limited
Transpower Finance Limited	Transpower New Zealand Limited
Works Finance (NZ) Limited	Downer EDI Limited, a company incorporated in Australia

Dated at Wellington this 9th day of March 2010.

Grant Spencer,
Deputy Governor.

Statement of reasons

This notice, which comes into force on the day after its notification in the *Gazette*, exempts the deposit takers listed in the Schedule (**specified funding conduits**) from sections 157I and 157M of the Reserve

Bank of New Zealand Act 1989 (the **Act**). The exemptions are subject to conditions, although *clause 10* exempts 2 specified funding conduits temporarily from section 157I of the Act unconditionally. The notice expires on 1 September 2014, except for *clause 10*, which expires on 1 September 2010.

Section 157I of the Act requires deposit takers to have a current credit rating. Section 157M requires deposit takers to have a risk management programme. Although the specified funding conduits are deposit takers under Part 5D of the Act, they raise funds solely or substantially in order to fund their parent companies and other members of their group.

The Reserve Bank of New Zealand, after taking into account the principles set out in section 157F of the Act and satisfying itself as to the matters set out in section 157G(2), considers it appropriate to grant the exemptions because—

- requiring a specified funding conduit to incur the additional costs of complying with the requirements to have a current credit rating and a risk management programme in isolation from the specified funding conduit's group is unduly onerous in circumstances where—
 - the specified funding conduit's parent unconditionally guarantees debt securities issued by the specified funding conduit:
 - the specified funding conduit uses the funds it receives from depositors solely or substantially to fund its parent or members of its group:
 - the specified funding conduit's risk profile is indistinguishable from that of its parent, and its parent is not a deposit taker:
 - the exemptions are available only to those deposit takers that are listed in the Schedule and that continue to satisfy the strict conditions in *clause 7*. Accordingly, the exemptions are not broader than reasonably necessary to address the matters that gave rise to the need for them and are consistent with the maintenance of a sound and efficient financial system.
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**Deposit Takers (Funding Conduits)
Exemption Notice 2010**

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Issued under the authority of the Acts and Regulations Publication Act 1989.

Date of notification in *Gazette*: 11 March 2010.

This notice is administered by the Reserve Bank of New Zealand.
