



**THE TRUSTEE BANKS (BONDS AND SECURITIES)
REGULATIONS 1985**

DAVID BEATTIE, Governor-General

ORDER IN COUNCIL

At the Government House at Wellington this 22nd day of July 1985

Present:

HIS EXCELLENCY THE GOVERNOR-GENERAL IN COUNCIL

PURSUANT to section 49 (1) of the Trustee Banks Act 1983, His Excellency the Governor-General, acting by and with the advice and consent of the Executive Council, hereby makes the following regulations.

ANALYSIS

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REGULATIONS

1. Title and commencement—(1) These regulations may be cited as the Trustee banks (Bonds and Securities) Regulations 1985.

(2) These regulations shall come into force on the 14th day after the date of their notification in the *Gazette*.

Housing Bonds

2. Interpretation—For the purposes of regulations 3 to 10 of these regulations, unless the context otherwise requires,—

“Accident Compensation Corporation” has the same meaning as in the Accident Compensation Act 1982; and includes any fund established pursuant to that Act:

“Board” has the same meaning as in the Trustee Banks Act 1983:

“Insurance company” means a company within the meaning of the Life Insurance Act 1908; and includes any department, division, or office of any such company:

“Superannuation fund” means any superannuation fund or scheme that is a financial institution for the purposes of the Reserve Bank of New Zealand Act 1964.

3. Trustee banks may issue housing bonds—Every trustee bank established pursuant to the Trustee Banks Act 1983 may receive deposits and issue bonds, to be known as housing bonds, in respect thereof, subject to the provisions of regulations 4 to 10 of these regulations.

4. Term of investment—The term of investment for deposits received shall be 5 years from the first day of the month next following the date of initial lodgment.

5. Interest—(1) The trustee bank may pay interest of not more than 9 percent per annum on the face value of the bond.

(2) Interest shall accrue from the date of initial lodgment, shall be calculated on a daily basis up to the first day of the month next following the date of initial lodgment, and shall then be calculated 6-monthly thereafter.

(3) Interest shall be paid to the registered holder of the bond at 6-monthly intervals calculated from the first day of the month next following the date of initial lodgment, and the first interest payment shall include interest for the period from the date of initial lodgment up to the first day of the month next following that date.

6. Subscription—(1) Housing bonds shall be issued at par and may be purchased by—

(a) Any individual of the age of 7 years and upwards who is not subject to any legal disability other than that resulting from the individual being a minor:

(b) Two or more such individuals in their own names either jointly or severally:

(c) Any corporation sole or body of persons whether corporate or unincorporate.

(2) Each investment in housing bonds shall be an amount of not less than \$200 and shall be in multiples of \$10.

(3) The maximum amount which may be invested by a depositor with any one trustee bank in any one year calculated from the date of the initial deposit shall be \$25,000.

(4) Nothing in subclause (3) of this regulation applies to any insurance company or superannuation fund or the Accident Compensation Corporation.

7. Repayment—(1) Housing bonds shall on maturity be repaid at par to the registered holder.

(2) Where the sole original holder of any housing bonds dies, the personal representatives of that holder may redeem the housing bonds at par before maturity by giving not less than 30 days' notice that they wish to redeem the bonds.

(3) Subject to subclause (2) of this regulation, housing bonds may be redeemed before maturity by any holder, other than an insurance company or superannuation fund, subject to the following conditions:

(a) A bond shall not be redeemed within 30 days after the date of its issue:

(b) The Board may require up to 30 days' notice before redemption:

(c) A bond may be redeemed only by the original holder.

(4) Where a housing bond is redeemed before maturity pursuant to subclause (3) of this regulation the minimum penalty shall be an amount calculated at the rate of 2 percent per annum of the face value of the bond for each complete month from the date of redemption to the date of maturity:

Provided that the yield to redemption shall be not less than 3 percent per annum.

(5) On redemption of any bond, whether on or before maturity, the registered holder shall surrender to the Registrar any certificate of title issued in respect of that bond.

8. Registration—(1) Each housing bond issued to an insurance company or superannuation fund or the Accident Compensation Corporation shall be registered and shall be transferable.

(2) Housing bonds issued to any purchaser other than an insurance company or superannuation fund or the Accident Compensation Corporation shall be registered but shall be transferable only if the purchaser so requests.

(3) Registration of the bonds shall, at the option of the trustee bank, be carried out either by the issuing bank or the Reserve Bank of New Zealand.

(4) The register of transferable bonds shall be held at the Reserve Bank of New Zealand pursuant to an agreement between the issuing bank and the Reserve Bank of New Zealand.

(5) A trustee bank may appoint the Reserve Bank of New Zealand as the agent of the issuing bank to make payments of interest on the bonds and payments on redemption or repayment of the bonds on terms to be agreed between the bank and the Reserve Bank of New Zealand.

(6) The provisions of section 9 of the Reserve Bank of New Zealand Act 1964 shall, so far as they are applicable and with the necessary modifications, apply in respect of any register of housing bonds held at the Reserve Bank of New Zealand and in respect of any payments of interest on the bonds and any payments in redemption or repayment of the bonds made by the Reserve Bank of New Zealand as the agent of the issuing bank.

(7) Part I of the Trustee Banks Regulations 1984 shall, so far as it is applicable and with the necessary modifications, apply in respect of any register held at a trustee bank.

9. Transfer of bonds—Every housing bond that is transferable may be transferred by lodging a memorandum of transfer at the Reserve Bank of New Zealand and by complying with such conditions as may be specified by the Reserve Bank of New Zealand.

10. Commission—The issuing bank may pay a commission, procurement fee, or brokerage, to any person obtaining subscriptions for the issuing of housing bonds.

Ballot Bonds

11. Trustee banks may issue ballot bonds—Every trustee bank established pursuant to the Trustee Banks Act 1983 may issue bonds to be known as ballot bonds subject to the provisions of regulations 12 to 21 of these regulations.

12. Distribution of cash prizes—(1) Cash prizes shall from time to time and in accordance with the terms of issue of ballot bonds be distributed by ballot to the holders of ballot bonds issued by a trustee bank.

(2) Nothing in subclause (1) of this regulation shall limit the payment of interest to the holders of ballot bonds.

13. Amount secured by ballot bonds—Every ballot bond issued by a trustee bank shall be issued as security for 1 dollar.

14. Ballot bond accounts—(1) Ballot bonds issued by a trustee bank shall be accounted for and identified in a ballot bond account in the name of the person to whom the bonds are issued.

(2) Each ballot bond account shall be identified by a unique number.

(3) A person may, with the approval of the trustee bank, hold more than 1 ballot bond account each having a unique number.

15. Joint ballots—Ballots in respect of ballot bonds may be conducted by either—

(a) An individual trustee bank in respect of the holders of ballot bonds issued by that trustee bank; or

(b) Any 2 or more trustee banks in respect of the holders of ballot bonds issued by those trustee banks.

16. Ordinary and special ballots—(1) Ballots in respect of ballot bonds shall be either ordinary ballots or special ballots.

(2) For the purposes of conducting ordinary ballots ballot bond account numbers shall be drawn to ascertain the prize winners.

(3) No ballot bond account number shall participate in an ordinary ballot unless the ballot bond account identified by that number has a credit balance.

(4) For the purposes of conducting special ballots every ballot bond shall be given a number or a number in a series of numbers.

(5) Ballot bond numbers shall be drawn to ascertain the prize winners of special ballots.

(6) Not less than 90 percent of the amount available by way of prizes in respect of ballot bonds shall be distributed pursuant to ordinary ballots.

17. Maximum amounts that may be distributed by way of cash prizes—(1) The maximum amount that may be distributed by way of ordinary ballot and special ballot in any financial year shall not exceed—

- (a) In the case of ballots conducted by an individual trustee bank, an amount equal to 1 percent of the total amount standing in that financial year to the credit of the holders of ballot bonds issued by that trustee bank;
- (b) In the case of ballots conducted by any 2 or more trustee banks, an amount equal to 1 percent of the total amount standing in that financial year to the credit of the holders of ballot bonds issued by those trustee banks.

(2) For the purposes of subclause (1) of this regulation, the amount standing to the credit of the holders of ballot bonds in any financial year shall be the average of the amounts standing to the credit of the holders of ballot bonds on the last day of each month of that financial year.

(3) The maximum amount that may be distributed as a cash prize in an ordinary ballot shall not exceed—

- (a) In the case of ballots conducted by an individual trustee bank—
 - (i) The amount standing at the time the ballot is held to the credit of the ballot bond account the number of which was successful in the ballot; or
 - (ii) \$10,000,—
 whichever is the lesser:

- (b) In the case of ballots conducted by any 2 or more trustee banks—
 - (i) The amount standing at the time the ballot is held to the credit of the ballot bond account the number of which was successful in the ballot; or
 - (ii) An amount equal to the amount obtained by multiplying \$10,000 by the number of participating trustee banks—
 whichever is the lesser:

(4) The maximum amount that may be distributed as a cash prize in a special ballot shall not exceed—

- (a) In the case of ballots conducted by an individual trustee bank, \$10,000;
- (b) In the case of ballots conducted by any 2 or more trustee banks, an amount equal to the amount obtained by multiplying \$10,000 by the number of participating trustee banks.

18. Trustee banks conducting ballots jointly to establish a fund for payment of prizes—(1) Where any 2 or more trustee banks conduct ballots jointly in respect of the holders of ballot bonds issued by those trustee banks, the participating trustee banks shall establish and maintain a fund for the payment of cash prizes by each trustee bank.

(2) Each participating trustee bank shall contribute to the fund a proportion of the amount to be distributed from time to time by way of cash prizes equal to the proportion which the amount standing to the credit of the holders of ballot bonds issued by that trustee bank bears to the aggregate amount standing to the credit of the holders of ballot bonds issued by all participating trustee banks.

(3) There shall from time to time be paid out of the fund to each participating trustee bank the amount of any cash prize which that trustee bank is liable to pay to the holder of any ballot bonds issued by that trustee bank.

19. Rights of holders of ballot bonds—(1) Every trustee bank shall, at the time of opening a ballot bond account give the holder of the ballot bonds a written statement of the terms and conditions of the bonds including—

- (a) The rate or rates of interest payable;
- (b) The terms and conditions relating to the holding and conducting of ballots;
- (c) The proportion of funds standing to the credit of the holders of ballot bonds able to be distributed as cash prizes by ballot;
- (d) The maximum amounts that may be distributed as cash prizes by way of ordinary ballots and special ballots;
- (e) The rights to repayment of the ballot bonds.

(2) Every statement referred to in subclause (1) of this regulation shall include a general description of the taxation liability of interest and cash prizes payable in respect of ballot bonds.

20. Ballot bonds not to be issued for trade or business purposes—No person shall hold for trade or business purposes any ballot bonds issued by a trustee bank.

21. Conduct of ballots—(1) All ordinary ballots shall be conducted in such a manner as to ensure that all ballot bond accounts have an equal chance of winning a cash prize.

(2) All special ballots shall be conducted in such a manner as to ensure that all bonds have an equal chance of winning a cash prize.

Community Bonds

22. Trustee banks may issue community bonds—Every trustee bank established pursuant to the Trustee Banks Act 1983 may issue bonds to be known as community bonds subject to regulations 23 to 28 of these regulations.

23. Community bonds to be issued in respect of community project—(1) Community bonds shall be issued in respect of such community project in the area of operations of the trustee bank as the bank shall determine.

(2) For the purposes of this regulation and regulations 24, 25, and 28 of these regulations, “community project” means a project for the provision of cultural, recreational, or other facilities beneficial to the community.

24. Distributions to community project—Subject to regulation 25 of these regulations, a proportion of the total amount standing to the credit of the holders of community bonds issued in respect of a community project shall, in each financial year, be paid by way of grant for that community project.

25. Maximum amount that may be distributed to community project—(1) The maximum amount that may be distributed by a trustee bank to a community project in any financial year shall not exceed an amount equal to 2 percent of the total amount standing in that financial year to the credit of the holders of community bonds issued by that trustee bank in respect of that community project.

(2) For the purposes of subclause (1) of this regulation, the amount standing to the credit of the holders of community bonds in any financial year shall be the average of the amounts standing to the credit of the holders of community bonds on the last day of each month of that financial year.

26. Interest—(1) Subject to any regulations or Order in Council, a trustee bank may pay interest on the face value of community bonds at such rate as the trustee bank determines.

(2) No cash prizes or distributions other than interest shall be paid to the holders of community bonds.

27. Community bonds not to be issued for trade or business purposes—No person shall hold for trade or business purposes any community bonds issued by a trustee bank.

28. Rights of holders of community bonds—Every trustee bank shall, at the time of first issuing any community bonds to any person, give to that person a written statement of the terms and conditions of the bonds including—

- (a) The rate or rates of interest payable;
- (b) The proportion of funds standing to the credit of the holders of community bonds proposed to be distributed pursuant to regulation 24 of these regulations;
- (c) A description of the community project;
- (d) The rights to repayment of the community bonds.

29. Trustee banks restricted from issuing other classes of bonds and securities—No trustee bank shall issue any bonds or securities pursuant to the Trustee Banks Act 1983 other than housing bonds, ballot bonds, and community bonds issued in accordance with these regulations.

30. Revocation—The Trustee Banks (Bonds and Securities) Regulations 1984* are hereby revoked.

P. G. MILLEN,
Clerk of the Executive Council.

*S.R. 1984/55

EXPLANATORY NOTE

This note is not part of the regulations, but is intended to indicate their general effect.

These regulations authorise trustee banks to issue 2 new classes of bonds, ballot bonds and community bonds, in addition to housing bonds.

Regulations 2 to 10 relate to the issue of housing bonds and are the same as the regulations contained in the Trustee Banks (Bonds and Securities) Regulations 1984.

Regulations 11 to 21 relate to the issue of ballot bonds. A proportion of the amount of funds invested in the bonds may be distributed by way of cash prizes by ballot. Ballots are of 2

kinds, ordinary ballot and special ballot. The regulations specify the maximum amount that may be distributed by way of cash prizes and the maximum amount of each prize. Each investor is required to be given a written statement containing the material terms and conditions of the bonds. The bonds may not be issued for trade or business purposes.

Regulations 22 to 28 relate to the issue of community bonds. Community bonds are to be issued in respect of a community project determined by the bank. A proportion of the funds invested is required to be distributed by way of grant to the community project in respect of which the bonds are issued. The amount that may be so distributed is subject to a maximum amount specified in the regulations. Interest only may be paid to the holders of community bonds. Investors are required to be given a written statement of the material terms and conditions of the bonds. The bonds may not be issued for trade or business purposes.

Issued under the authority of the Regulations Act 1936.

Date of notification in *Gazette*: 25 July 1985.

These regulations are administered in the Reserve Bank of New Zealand.