



**THE TRUSTEE BANKS (HOUSING BONDS, BALLOT BONDS, AND
COMMUNITY BONDS) GUARANTEE NOTICE 1986**

PURSUANT to section 44 (1) (b) of the Trustee Banks Act 1983, the Minister of Finance hereby gives the following notice.

NOTICE

1. Title and commencement—(1) This notice may be cited as the Trustee Banks (Housing Bonds, Ballot Bonds, and Community Bonds) Guarantee Notice 1986.

(2) This notice shall come into force on the 14th day after the date of its notification in the *Gazette*.

2. Interpretation—In this notice, 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:

“Ballot bonds” means—

(a) Ballot bonds issued by a trustee bank in accordance with the Trustee Banks (Bonds and Securities) Regulations 1985:

(b) Ballot bonds issued by a trustee bank in accordance with Part II of the Schedule to this notice:

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

“Community bonds” means—

(a) Community bonds issued by a trustee bank in accordance with the Trustee Banks (Bonds and Securities) Regulations 1985:

(b) Community bonds issued by a trustee bank in accordance with Part III of the Schedule to this notice:

“Community project” means a project for the provision of cultural, recreational, or other facilities beneficial to the community:

“Housing bonds” means—

(a) Housing bonds issued by a trustee bank in accordance with the Trustee Savings Banks (Housing Bonds) Notice 1976:

(b) Housing bonds issued by a trustee bank in accordance with the Trustee Banks (Bonds and Securities) Regulations 1984 or the Trustee Banks (Bonds and Securities) Regulations 1985:

(c) Housing bonds issued by a trustee bank in accordance with Part I of the Schedule to this notice:

“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:

“Trustee bank” means a trustee bank established under the Trustee Banks Act 1983.

3. Government guarantee of housing bonds, ballot bonds, and community bonds—Section 44 (1) (b) of the Trustee Banks Act 1983 shall apply in respect of housing bonds, ballot bonds, and community bonds issued by any trustee bank.

4. Revocations—The Trustee Banks (Housing Bonds Guarantee) Notice 1984* and the Trustee Banks (Ballot Bonds and Community Bonds) Guarantee Notice 1985† are hereby consequentially revoked.

*S.R. 1984/72
†S.R. 1985/189

Cl. 2

SCHEDULE

PART I

HOUSING BONDS

1. Term of housing bonds—Housing bonds shall be for a term of 5 years from the first day of the month next following the date of initial lodgement of the deposits in respect of which the bonds are issued.

2. Interest—(1) Interest shall not exceed 9 percent per annum on the face value of the bond.

(2) Interest shall accrue from the date of initial lodgement, shall be calculated on a daily basis up to the first day of the month next following the date of initial lodgement, 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 lodgement, and the first interest payment shall include interest for the period from the date of initial lodgement up to the first day of the month next following that date.

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

SCHEDULE—*continued*

- (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 clause applies to any insurance company or superannuation fund or the Accident Compensation Corporation.

4. 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 clause, 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 clause 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.

5. 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.

SCHEDULE—*continued*

(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.

6. 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.

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

PART II

BALLOT BONDS

1. 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 clause shall limit the payment of interest to the holders of ballot bonds.

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

3. 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.

4. 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

SCHEDULE—*continued*

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

5. 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.

6. 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 clause, 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—

SCHEDULE—*continued*

- (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.

7. 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.

8. 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 clause shall include a general description of the taxation liability of interest and cash prizes payable in respect of ballot bonds.

9. 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.

PART III

COMMUNITY BONDS

1. Community bonds to be issued in respect of community project—Community bonds shall be issued in respect of such community

SCHEDULE—*continued*

project in the area of operations of the trustee bank as the bank shall determine.

2. Distributions to community project—Subject to clause 3 of this Part of this Schedule, 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.

3. 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 clause, 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.

4. 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.

5. 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 clause 2 of this Part of this Schedule;
- (c) A description of the community project;
- (d) The rights to repayment of the community bonds.

Dated at Wellington this 24th day of November 1986.

ROGER DOUGLAS,
Minister of Finance.

EXPLANATORY NOTE

This note is not part of the notice, but is intended to indicate its general effect.

This notice replaces the Trustee Banks (Housing Bonds Guarantee) Notice 1984 and the Trustee Banks (Ballot Bonds and Community Bonds) Guarantee Notice 1985. With the revocation of the Trustee Banks (Bonds and Securities) Regulations 1985 trustee banks will no longer be restricted as to the classes of bonds and securities which they may issue.

Under those regulations trustee banks were only able to issue housing bonds, ballot bonds and community bonds. The Trustee Banks (Housing Bonds Guarantee) Notice 1984 and the Trustee Banks (Ballot Bonds and Community Bonds) Guarantee Notice 1985 applied section 44 (1) (b) of the Trustee Banks Act 1983 to those classes of bonds with the effect that if a trustee bank was unable to meet claims for payment of money owing to the holders of those bonds, the Crown was required to meet the deficiency.

Under this notice section 44 (1) (b) of that Act continues to apply to such bonds and also applies to bonds issued by trustee banks of the same type. It does not apply to other classes of bonds issued by trustee banks.

Issued under the authority of the Regulations Act 1936.

Date of notification in *Gazette*: 27 November 1986.

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