

**Reprint  
as at 1 April 2015**



**Deposit Takers (Funding Conduits) Exemption  
Amendment Notice (No 3) 2010  
(SR 2010/435)**

Deposit Takers (Funding Conduits) Exemption Amendment Notice (No 3) 2010: expired, on 1 April 2015, pursuant to clause 3 of the Deposit Takers (Funding Conduits) Exemption Notice 2010 (SR 2010/53).

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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**Note**

Changes authorised by subpart 2 of Part 2 of the Legislation Act 2012 have been made in this official reprint.  
Note 4 at the end of this reprint provides a list of the amendments incorporated.

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

## Notice

### 1 Title

This notice is the Deposit Takers (Funding Conduits) Exemption Amendment Notice (No 3) 2010.

### 2 Commencement

This notice comes into force on 1 December 2010.

### 3 Principal notice amended

This notice amends the Deposit Takers (Funding Conduits) Exemption Notice 2010.

### 4 Interpretation

- (1) Clause 4(1) is amended by inserting the following definitions in their appropriate alphabetical order:

**allot** has the same meaning as in section 2(1) of the Securities Act 1978

**subscriber** has the same meaning as in section 2(1) of the Securities Act 1978

- (2) Clause 4(2) is amended by omitting “issued by a specified funding conduit is a reference to a debt security issued” and substituting “is a reference to a debt security allotted”.

### 5 Exemption from requirement to have current credit rating

Clause 5 is amended by omitting “Every” and substituting “A”.

### 6 New clause 5A inserted

The following clause is inserted after clause 5:

#### 5A Exemption from governance requirements

A specified funding conduit is exempted from section 157L of the Act.

### 7 Exemption from requirement to have risk management programme

Clause 6 is amended by omitting “Every” and substituting “A”.

### 8 New clauses 6A to 6C inserted

The following clauses are inserted after clause 6:

#### 6A Exemption from capital ratio requirements

- (1) A specified funding conduit is exempted from sections 157T and 157U of the Act.
- (2) The trustee in respect of the debt securities of a specified funding conduit is exempted from section 157T of the Act in respect of those securities.

**6B Exemption from related party exposures requirements**

- (1) A specified funding conduit is exempted from sections 157X and 157Y of the Act.
- (2) The trustee in respect of the debt securities of a specified funding conduit is exempted from section 157X of the Act in respect of those securities.

**6C Exemption from liquidity requirements**

- (1) A specified funding conduit is exempted from sections 157ZA and 157ZB of the Act.
- (2) The trustee in respect of the debt securities of a specified funding conduit is exempted from section 157ZA of the Act in respect of those securities.

**9 New clause 7 substituted**

Clause 7 is revoked and the following clause substituted:

**7 Conditions of exemptions in clauses 5 to 6C**

The exemptions in clauses 5 to 6C 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 allotted 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; and
- (d) the specified funding conduit must not allot any debt security on or after 1 February 2011 unless the subscriber has, before subscription, received written notification that the specified funding conduit is exempted, until 1 September 2014, from—
  - (i) the requirement in section 157I of the Act to have a credit rating; and
  - (ii) the governance requirements in section 157L of the Act; and
  - (iii) the risk management programme requirements in section 157M of the Act; and
  - (iv) the capital ratio requirements in sections 157T and 157U of the Act; and
  - (v) the related party exposures requirements in sections 157X and 157Y of the Act; and

(vi) the liquidity requirements in sections 157ZA and 157ZB of the Act.

## 10 Schedule amended

The Schedule is amended by revoking the item relating to Fletcher Building Finance Limited.

Dated at Wellington this 18th day of November 2010.

Grant Spencer,  
Deputy Governor.

## Statement of reasons

This notice, which comes into force on 1 December 2010, amends the Deposit Takers (Funding Conduits) Exemption Notice 2010 (the **principal notice**). The effect of the amendments is to grant further exemptions to specified funding conduits from certain sections of the Reserve Bank of New Zealand Act 1989 (the **Act**), namely sections 157L (governance requirements), 157T and 157U (capital ratio requirements), 157X and 157Y (related party exposures requirements), and 157ZA and 157ZB (liquidity requirements). The principal notice already exempts specified funding conduits from sections 157I (requirement to have a credit rating) and 157M (risk management programme requirements) of the Act.

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) of the Act, considers it appropriate to grant the exemptions because—

- the additional direct and indirect costs of complying with all the requirements for the specified funding conduit in isolation from the group of the specified funding conduit makes compliance unduly onerous or burdensome in the circumstances. The relevant circumstances are—
  - that it is difficult to separate out the objectives of the specified funding conduits from that of the wider group from a governance perspective:
  - if specified funding conduits are made to comply with the related party exposures limit of 15% of capital, the business model would no longer be viable. Furthermore, as the parent has unconditionally guaranteed the obligations of the specified funding conduit, it is already taking on the obligations and therefore does not need a related party exposures limit:
  - the requirement to hold capital at a certain level is put in place in order to provide a buffer against unplanned events. However, in the case of specified funding conduits, the parental guarantee means that the capital

position of the parent is more relevant than the capital position of the specified funding conduit:

- that treasury activity (including liquidity) is structured at the group level and managed on the basis of the group's overall requirements. Hence, there is no credible basis to form a view as to the adequacy of the liquidity management of the specified funding conduit separate from the group; and
- the generic conditions are narrowly drafted to ensure that the exemptions only apply to funding conduits and therefore are not broader than necessary to address the matters that gave rise to the exemptions and are consistent with the maintenance of a sound and efficient financial system.

Fletcher Building Finance Limited is being removed from the Schedule because, following a change to the business it undertakes, it is no longer a deposit taker as defined in section 157C of the Act.

Issued under the authority of the Legislation Act 2012.  
Date of notification in *Gazette*: 25 November 2010.

**Reprints notes****1    *General***

This is a reprint of the Deposit Takers (Funding Conduits) Exemption Amendment Notice (No 3) 2010 that incorporates all the amendments to that notice as at the date of the last amendment to it.

**2    *Legal status***

Reprints are presumed to correctly state, as at the date of the reprint, the law enacted by the principal enactment and by any amendments to that enactment. Section 18 of the Legislation Act 2012 provides that this reprint, published in electronic form, has the status of an official version under section 17 of that Act. A printed version of the reprint produced directly from this official electronic version also has official status.

**3    *Editorial and format changes***

Editorial and format changes to reprints are made using the powers under sections 24 to 26 of the Legislation Act 2012. See also <http://www.pco.parliament.govt.nz/editorial-conventions/>.

**4    *Amendments incorporated in this reprint***

Deposit Takers (Funding Conduits) Exemption Notice 2010 (SR 2010/53): clause 3