



NZX Regulation Decision

Auckland Council (“AKC”)

Application for waiver from NZX Debt Market Listing Rule
5.2.3

9 May 2018



Waiver from Rule 5.2.3

Decision

1. Subject to the conditions in paragraph 2 below, and on the basis that the information provided by AKC is complete and accurate in all material respects, NZXR grants AKC a waiver from Rule 5.2.3 in respect of its AKC110s for a period of 6 months from the Quotation Date, to the extent that this Rule requires the AKC110s be held by at least 100 Members of the Public holding at least 25% of the AKC110s on issue.
2. The waiver in paragraph 1 above is provided on the conditions that:
 - a. AKC clearly and prominently discloses the waiver and its implications in the PDS for the AKC110s and any other Offering Document relating to an offer of AKC110s made during the period of this waiver;
 - b. AKC clearly and prominently discloses this waiver, its conditions, and its implications in its half-year report, and its annual report, for the period the waiver is relied upon;
 - c. AKC discloses liquidity as a risk in the PDS for the AKC110s; and
 - d. AKC notifies NZXR as soon as practicable if there is a material reduction to the total number of Members of the Public holding at least a Minimum Holding of the AKC110s, and/or the percentage of AKC110s held by Members of the Public holding at least a Minimum Holding.
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 that are not 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. AKC has advised that it expects the spread of the AKC110s will increase to meet the spread requirements of Rule 5.2.3 over time. AKC may meet the spread requirements at the time of Quotation. As the AKC110s are being offered through market participants, without a public pool, and AKC will only know how the AKC110s will be allocated following the Bookbuild, AKC has advised that it is not in a position to confirm as at the date of this waiver that the spread requirements will be met at the time of Quotation;
 - b. Debt Securities are not typically subject to the same degree of trading activity as Equity Securities;
 - c. the conditions, contained in paragraph 2(a), 2(b) and 2(c) above, require AKC to provide access to information about this waiver and its implications to prospective investors as part of the Offer, as well as those wishing to trade in the AKC110s for the period of this

waiver. Investors can take this information into account when making their investment decision;

- d. the condition contained in paragraph 2(d) above requires AKC to provide information that will allow NZXR to monitor any material reduction in the spread of the AKC110s over the period of this waiver;
- e. the waiver is granted for six months. This gives NZXR the opportunity to reconsider the spread of the AKC110s in six months' time if AKC considers a waiver is still required; and
- f. there is precedent for this decision.

Confidentiality

- 7. AKC has requested that the application for a waiver from Rule 5.2.3, and NZXR's decision, be kept confidential until the Offer is publicly announced.
- 8. In accordance with Footnote 1 to Rule 1.11.2, NZXR grants AKC's request.



Appendix One

1. Auckland Council (**AKC**) is a Listed Issuer with bonds quoted on the NZX Debt Market (**Debt Market**). These include the AKC100 bonds which mature on 27 July 2026, the AKC090 bonds which mature on 30 March 2020, the AKC080 bonds which mature on 24 September 2020 and the AKC070 bonds which mature on 25 March 2024.
2. AKC intends to make a new offer of fixed rate bonds (**AKC110s**) to be quoted on the Debt Market (**Offer**). AKC's Offer will be in the form of a Simplified Product Disclosure Statement (**PDS**), which will be lodged on or prior to the date the Offer opens.
3. The Offer will open on or about 18 June 2018 and close on or about 21 June 2018. The arranger and co-managers of the Offer will conduct a bookbuild on or about 21 June 2018 in order to determine the AKC110s' margin (**Bookbuild**), which will be used to determine the AKC110s' interest rate. AKC intends to quote the AKC110s on the Debt Market on or about 28 June 2018 (**Quotation Date**).
4. The AKC110s mature on or about 27 June 2023.
5. In accordance with NZX Regulation's (**NZXR**) Ruling on NZDX Listing Rule (**Rule**) 5.2.3 issued on 29 September 2015 (the **Ruling**), the AKC110s are required to be held by at least 100 Members of the Public holding at least 25% of the number of Securities of that Class issued, with each Member of the Public holding at least a Minimum Holding, and those requirements are maintained.
6. The Offer is structured so that all of the AKC110s are reserved for clients of the arranger and co-managers of the Offer, institutional investors and other approved participants. There is no public pool for the Offer. AKC has therefore indicated that it is uncertain whether the AKC110s will satisfy the spread requirements of Rule 5.2.3, when the AKC110s are initially Quoted on the Debt Market.



Appendix Two

Rule 5.2 Quotation of Securities

- 5.2.3 A Class of Securities will generally not be considered for Quotation on the NZSX or NZDX unless those Securities are held by at least 500 Members of the Public holding at least 25% of the number of Securities of that Class issued, with each Member of the Public holding at least a Minimum Holding, and those requirements are maintained, or NZX is otherwise satisfied that the Issuer will maintain a spread of Security holders which is sufficient to ensure that there is a sufficiently liquid market in the Class of Securities.

Ruling on NZX Debt Market Listing Rule 5.2.3 – 29 September 2015

For the purposes of Rule 5.2.3, a Class of Debt Securities will generally not be considered for Quotation on the NZDX unless those Securities are held by at least 100 Members of the Public holding at least 25% of the number of Securities of that Class issued, with each Member of the Public holding at least a Minimum Holding, and those requirements are maintained.

