



# NZX Regulation Decision

Heartland Bank Limited (“HBL”)

Application for waivers from NZX Debt Market Listing  
Rules 3.2.1(a) and 5.2.3

18 August 2017



## Background

1. The information on which these decisions are based is set out in Appendix One to this decision. These waivers will not apply if that information is not, or ceases to be, full and accurate in all material respects.
2. The Rules to which these decisions relate are set out in Appendix Two.
3. Capitalised terms that are not defined in these decisions have the meanings given to them in the Rules.

## Waiver from Rule 3.2.1(a)

### Decision

4. On the basis that the information provided by HBL is complete and accurate in all material respects, NZXR grants HBL a waiver from Rule 3.2.1(a) so that the Deed Poll is not required to provide that the appointment of a new trustee is to be approved by an extraordinary resolution of holders of HBL010s.

### Reasons

5. In coming to the decision to provide the waiver set out in paragraph 4 above, NZXR has considered that:
  - a. registered banks are exempt from the requirement to have supervisors under the Financial Markets Conduct Act 2013 in recognition of their alternative regulatory supervision structure;
  - b. given that the general law recognises alternative regulatory structures for registered banks (including prudential supervision by the RBNZ) NZXR accepts that it is appropriate to grant a waiver from the requirements in Rule 3.2.1(a), which would otherwise add an extra layer of supervision not envisioned by the general law; and
  - c. NZXR has granted similar waivers in respect of debt issues by other registered banks.

## Waiver from Rule 5.2.3

### Decision

6. Subject to the conditions set out in paragraph 7 below, and on the basis that the information provided by HBL is complete and accurate in all material respects, NZXR grants HBL a waiver for a period of six months from Rule 5.2.3, as modified by the Ruling to the extent that this Rule requires the HBL010s be held by at least 100 Members of the Public holding at least 25% of the HBL010s on issue.
7. The waiver in paragraph 6 above is provided on the conditions that:
  - a. HBL clearly and prominently discloses the waiver and its implication in the LDD for the HBL010s and any other Offering Document relating to an offer of HBL010's made during the period of this waiver;
  - b. HBL 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. HBL discloses liquidity as a risk in the LDD for the HBL010s; and
- d. HBL 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 HBL010s, and/or the percentage of HBL010s held by Members of the Public holding at least a Minimum Holding.

## Reasons

- 8. In coming to the decision to provide the waiver set out in paragraph 6 above, NZXR has considered that:
  - a. debt securities are generally not subject to the same degree of trading activity as equity securities. NZX is satisfied that sufficient liquidity can exist in a secondary market for debt securities with a smaller number of security holders;
  - b. HBL has advised that it expects the spread of HBL010s will increase to meet the spread requirements of Rule 5.2.3 over time. HBL may meet the spread requirements at the time of Quotation. The HBL010s are being offered through Intermediaries, without a public pool. HBL has advised it will not be in a position to confirm as at the date of this waiver that the requirements of Rule 5.2.3 will be met at the time of Quotation;
  - c. the conditions contained in paragraphs 7a, 7b and 7c above require HBL to provide access to information about this waiver and its implication to prospective investors as part of the Offer, as well as those wishing to trade in HBL010s for the period of this waiver. Investors can take this information into account when making their investment decision;
  - d. the condition contained in paragraph 7d above requires HBL to provide information that will allow NZXR to monitor any material reduction in the spread of HBL010s 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 HBL010s in six months' time if HBL considers a waiver is still required; and
  - f. there is precedent for this decision.

## Confidentiality

- 9. HBL has requested that this application and any decision be kept confidential until such a time as the Offer of HBL010s is announced to the market.
- 10. In accordance with Footnote 1 to Rule 1.11.2, NZXR grants HBL's request.



## Appendix One

1. Heartland Bank Limited (**HBL**) is a Listed Issuer with ordinary shares quoted on the NZX Main Board (**Main Board**). HBL is a registered bank under the Reserve Bank of New Zealand Act 1989.
2. HBL intends to make an offer of up to \$100 million fixed rate medium term notes (**HBL010s**) with the ability to accept up to \$50 million HBL010s at its discretion (**Offer**).
3. The Offer will open on or about 30 August 2017 and close on or about 18 September 2017. The arranger and joint lead managers for the Offer will conduct a bookbuild which will open on or about 21 August 2017 and close on or about 29 August 2017 in order to determine the HBL010s' margin (**Bookbuild**), which will be used to determine the HBL010s' interest rate. HBL intends to Quote the HBL010s on the NZX Debt Market (**Debt Market**) on or about 22 September 2017 (**Quotation Date**).
4. The HBL010s will mature on or about 21 September 2022.
5. HBL will release a Limited Disclosure Document on or prior to the date the Offer opens, setting out the main terms of the HBL010s (**LDD**).
6. In accordance with NZX Regulation's (**NZXR**) Ruling on Debt Market Listing Rule (**Rule**) 5.2.3 issued on 29 September 2015 (**Ruling**), the HBL010s 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.
7. HBL has engaged with an arranger and joint lead managers in respect of the anticipated bond. The Offer is structured so that all of the HBL010s are reserved for clients of the arranger and joint lead managers of the Offer, primary market participants and other approved financial intermediaries. There is no public pool for the Offer. HBL has sought a waiver from Rule 5.2.3, indicating that it is uncertain whether the HBL010s will satisfy the spread requirements of Rule 5.2.3 when the HBL010s are initially Quoted on the Debt Market.
8. As a registered bank, HBL is subject to the prudential supervision of the Reserve Bank of New Zealand (**RBNZ**). Among other requirements, HBL must publish quarterly disclosure statements which contain financial information about the bank.



## Appendix Two

### **Rule 3.2      Trust Deeds for Debt Securities**

Rule 3.2.1      Every Trust Deed governing Debt Securities shall provide that:

- (a) the appointment of a new trustee is to be approved by an extraordinary resolution of the holders of the Securities to which the Trust Deed relates; and

### **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.

