



Debt Capital Markets (DCM) Committee Guidelines

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**New Zealand Financial
Markets Association**

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GUIDELINES FOR THE DEBT CAPITAL MARKETS COMMITTEE

1. PURPOSE

A core function of NZFMA is to encourage high professional standards in the wholesale financial markets and to facilitate the effective self-management of OTC markets through agreed market conventions and standards.

The purpose of the Debt Capital Markets (DCM) Committee is to facilitate input from issuers, investors, retail intermediaries and other stakeholders, as well as members, to develop best practice guidance to improve the operation of DCM. This guidance will provide for relevant information to flow from all segments of the market, which will result in increased clarity, transparency and consistency of market practice, ensure compliance obligations are met, drive efficiencies and ensure fair treatment of all stakeholders

The Committee will provide input and guidance in respect of the following areas:

- Instrument construct;
- Optimising the new issue process for wholesale and retail issuances; and
- Pricing; and
- Specific issues as requested by the NZFMA Board from time to time.

The list above is not exhaustive and may change over time.

The Committee should agree upon the development of specific outputs in respect of each of these areas within the first three months of establishment.

This Committee will operate with the intention of developing a consensus in the market on technical matters including education, issuance, market standards, trading conventions and market data, which is necessary for the fair and efficient operation of DCM and to promote well-functioning competitive markets. The matters and issues agreed upon by this Committee will be provided to the Rates and Credit Markets Committee to capture a full market perspective which will inform its decisions.

The Committee will meet as required (but at least quarterly) and have the following deliverables:

- Review the existing market conventions, protocols, rules and policies relating to the areas listed above for primary issuance and secondary market trading of DCM products and make recommendations as to any changes required to achieve market best practice and then review and maintain guidelines on an ongoing basis.
- Review and make recommendations on operational aspects of DCM e.g. settlement protocols.
- Represent the Board in relation to giving feedback to regulators on matters relating to DCM.
- Respond to requests from DCM participants and NZFMA to consider market issues as they arise.

The Committee will work in a way that is consistent with competition law at all times and will at all times comply with the NZFMA's Competition Law Compliance Policy.

Working Groups (which can be established by the Committee) are formed to deal with specific issues of significance or to guide an emerging area/market so that more information is available and recommendations can be made.

2. GOVERNANCE

The NZFMA Board has ultimate responsibility for all of the affairs of the NZFMA. The NZFMA Board directs the activities of the Committees and Working Groups.

The objectives of the NZFMA Board can be found in the NZFMA Board Charter:

The NZFMA Board regularly reviews the activities of all Committees and any Working Groups that may have been formed. It has the authority to provide guidance to Committees and Working Groups as it considers necessary.

Committees and Working Groups will promptly report the proceedings of each meeting to the Board and may refer matters to the NZFMA Board for its advice.

3. FORMATION

3.1 DCM Committee

- 3.1.1 DCM Committee membership is restricted to NZFMA Member organisations and, by invitation by the NZFMA Board, representation from organisations that are an integral part of the DCM. Committee members will include Issuers, Institutional Investors, NZ Trading Banks, NZX Participant Firms, the NZX and Law Firms.
- 3.1.2 The DCM Committee will nominate a Chair and a Deputy Chair.
- 3.1.3 The nominated Chair and Deputy Chair will be submitted to the NZFMA Board for approval.
- 3.1.4 The number of DCM Committee members is ultimately determined by the Committee Chair in consultation with the NZFMA CEO.
- 3.1.5 No maximum size applies to the Committee given the broad range of stakeholders, although a restriction of one member per organisation will apply.
- 3.1.6 As a guide:
 - 3.1.6.1 Three representatives from DCM issuers;
 - 3.1.6.2 Three representatives from institutional investors;
 - 3.1.6.3 Four representatives from NZ trading banks;
 - 3.1.6.4 Two representatives from NZX participant firms;
 - 3.1.6.5 One representative from the NZX;
 - 3.1.6.6 One representative from a specialist DCM law firm; and
 - 3.1.6.7 Observer representatives from Treasury, RBNZ, NZFMA members not directly represented on the Committee and the NZFMA.

- 3.1.7 The DCM Committee may invite observers to attend and participate in discussions at meetings where they bring expertise not currently available and which enhances the knowledge base of the Committee. Observers do not have voting rights.
- 3.1.8 Failure of a Committee member to attend three consecutive Committee meetings without an adequate explanation will likely result in that member being removed and may result in the NZFMA Board terminating the organisation's membership of the DCM Committee unless that organisation makes a renewed commitment to the Committee.

3.2 Working Groups

- 3.2.1 Membership of Working Groups relating to DCM is on an individual basis and working group members need not necessarily work for a NZFMA Member organisation.
- 3.2.2 The DCM Committee can establish a Working Group for a one-off purpose, such as preparing an industry submission or looking at a specific area of the market.
- 3.2.3 There is no restriction on Working Group membership numbers.
- 3.2.4 Each Working Group will regularly report to the DCM Committee on its proceedings and its progress towards achieving its purpose.

3.3 Committee Membership

- 3.3.1 Each organisation directly represented on the DCM Committee will nominate an officer or employee with suitable expertise and experience to the DCM Committee.
- 3.3.2 DCM Committee members will each be appointed by the NZFMA Board.
- 3.3.3 Committee membership is reviewed annually at the NZFMA Annual General Meeting:
 - 3.3.3.1 Each organisation directly represented on the DCM Committee will confirm to the NZFMA Board whether it wishes to retain its existing nominated representative or nominate a new representative; and
 - 3.3.3.2 The NZFMA Board will appoint or re-appoint each DCM Committee Member.
- 3.3.4 Notwithstanding 3.3.3, the NZFMA Board may appoint DCM Committee members outside the Annual General Meeting at the request of the Chair or organisation represented on the DCM Committee.
- 3.3.5 If a representative is unable to attend a DCM Committee meeting, he/she should make every effort to nominate an alternate and brief them on the agenda items.

4. RESPONSIBILITIES

- 4.1 Each member of the DCM Committee/Working Group has a responsibility to attend meetings and actively contribute to the affairs of the DCM Committee/Working Group.
- 4.2 Each DCM Committee member should have regard to the broader interests of Financial Markets and their participants in making their contribution to the affairs of the DCM Committee/Working Group.

5. MEETINGS

- 5.1 The DCM Committee and Working Groups will meet as required.
- 5.2 Telephone and videoconference linkages can be used to facilitate meetings.

- 5.3 The Chair, or in his/her absence the Deputy Chair, will preside over each meeting.
- 5.4 A quorum for a meeting is one half (50%) of DCM Committee or Working Group members.
- 5.5 The NZFMA will provide a Secretariat to support the DCM Committee or Working Group.
- 5.6 Costs incurred in preparing for and attending DCM Committee and Working Group meetings are for the account of the organisations being represented unless otherwise approved by the NZFMA Board.
- 5.7 NZFMA members who are not directly represented on the DCM Committee or Working Group can raise issues to be included on the Agenda, or to present in person at a meeting of the DCM Committee or Working Group. Approval or otherwise rests entirely with the Committee Chair.

6. MEETING AGENDA

- 6.1 The Secretariat will prepare a draft agenda for approval by the Chair, aiming to distribute it to committee members a week prior to the meeting.
- 6.2 The agenda for each meeting should include:
- Meeting venue;
 - Video and phone access information;
 - A confirmation of the minutes of the previous meeting;
 - Progress on Action Items from previous meetings;
 - New business items for the meeting;
 - “Other Business”; and
 - Setting (or confirming) the date, time and place for the next meeting.

7. MINUTES

- 7.1 Minutes of meetings will be drafted by the Secretariat and sent to the Chair for approval.
- 7.2 Approved minutes will be sent to Committee members and the NZFMA Board, ideally within ten working days of the meeting.
- 7.3 Minutes will be posted to the NZFMA website for general viewing.

8. VOTING

- 8.1 The DCM Committee and Working Groups should work towards reaching a consensus.
- 8.2 Where matters have to be determined by a ballot, an affirmative vote from at least seventy five percent (75%) of the DCM Committee members present is required for the motion to be carried.
- 8.3 Before finalising its view on a matter it considers significant in a market context, a Committee should consult the broader market, where possible, if this process might capture views not fully represented during its discussions. Any decision of this nature will require the subsequent approval of the NZFMA Board.