

Circular no. 9/31 December 1996

Previous issue regulation revoked - New regulation on issue prices and notification requirement in connection with the issuance of bearer bonds, etc.

In a regulation of 20 December 1996 the Ministry of Finance has revoked the issue regulation of 27 February 1989, presented in Norges Bank's circular no. 15 of 1 November 1990 with subsequent changes presented in Norges Bank's circular no. 3 of 8 April 1992. The Ministry of Finance has also issued a new regulation on issue prices and a notification requirement for the issuance of bearer bonds, etc. pursuant to section 15 of Act no. 2 of 25 June 1965 relating to Monetary and Credit Policy. The regulation came into force on 20 December 1996.

The changes to the issue rules entail that the provisions in the previous issue regulation will in general no longer apply, whereas rules on discounts and the obligation to notify Norges Bank will be maintained (with some changes). Furthermore, the new regulation contains a provision which is a more precise formulation of the issues covered by the regulation.

The changes entail that the issuance of bonds and certificates (ie short-term paper) will no longer require advance authorisation by Norges Bank.

The Ministry of Finance states in its information circular: "The revocation of the issue regulation entails that a number of constraints on bond issues will be eliminated. For example, the issuance of bonds at a discount will now be permitted for issues with a maturity up to two years. Moreover, the provisions on repayments, minimum amounts for certificates, the requirement concerning an application for stock exchange listing and the requirement that an underwriting group be formed to ensure full subscription will no longer apply. Furthermore, borrowers other than financial institutions will be permitted to place issues with specific investors.

The issue regulation was originally an important credit policy instrument, but its significance has been reduced in recent years. The Ministry is of the view that issue activities can now be regulated more expediently through the Securities Trading Act and the Stock Exchange Act with accompanying regulations."

The new regulation, presented below, includes a requirement to notify Norges Bank. The issuer shall notify the Financial Statistics Section (FINSTAS) of Norges Bank at the latest seven days after the expiration of the month in which the loan amount is paid up. Norges Bank intends to prepare forms for reporting, which may be obtained from the Financial Statistics Section. The existing reporting routines (pursuant to section 5 of the new regulation) will be maintained until the forms are available. This entails that, for the time being, notification of bonds and certificates issued by financial institutions shall be sent to Norges Bank in accordance with sections 16 and 12 of the previous issue regulation. If a prospectus for the issue has been prepared, this should be enclosed. Certificates issued by non-financial institutions shall continue to be reported in accordance with section 16 of the previous issue regulation. The obligation to notify Norges Bank also comprises issues in foreign currency. Currency denomination must therefore also be specified.

Norges Bank would point out that any exemptions granted from the previous issue regulation of 27 February 1989 no longer apply. The new regulation also applies to increases of issues in tranches even if the first issue was made before the regulation came into force.

For statistical reasons, Norges Bank will request non-residents who issue bonds and certificates in Norwegian kroner outside Norway to provide information in accordance with the notification requirement set out in section 4.

The Ministry of Finance has also revoked regulation no. 3778 of 25 June 1965 and regulation no. 140 of 10 February 1983 for the bond market. Norges Bank's circulars no. 19 of 30 September 1987, no. 15 of 1 November 1990 and no. 3 of 8 April 1992 no longer apply.

The new regulation has the following wording:

Regulation of 20 December 1996 Concerning Issue Prices and Notification Requirement for Issues of Bearer Bonds, etc.

I

Issued by the Ministry of Finance on 20 December 1996 pursuant to section 15 of Act no. 2 of 25 June 1965 relating to Monetary and Credit Policy.

§ 1

This regulation applies to loans in Norwegian kroner or foreign currency that are raised against the issuance of bearer debt certificates of which a number are issued consecutively and with the same text, and provide the same registered rights. The regulation does not apply to loans that provide the right to anything other than money or shares. The regulation only applies when the security is either issued for sale in Norway or the issuer is a resident.

Borrowing by the Norwegian state is not regulated by the regulation. Other EEA states may only undertake such borrowing as mentioned in the first paragraph based on an agreement with the Ministry of Finance. The Ministry may grant exemptions from the regulation for such borrowing.

§ 2

Securities cannot be issued at a price which is below par by more than an amount corresponding to a yield of 0.1 per cent per annum to maturity or up to the first interest-rate adjustment if such interest-rate adjustments have been agreed. The provision does not apply to issues with a maturity shorter than two years or to issues where the repayment obligation is linked to payments other than Norwegian kroner, including issues in foreign currency and convertible bonds.

§ 3

In those cases a security is issued in tranches, section 2 does not apply to additional tranches in the series if the residual maturity of the issue is shorter than two years. Nor does section 2 apply to increases in the series as long as less than 50 per cent of the issued loan documents in the series has been issued at a price below par which exceeds the level permitted under section 2.

§ 4

In connection with issues mentioned in section 1, the lead manager shall notify Norges Bank of the issue, at the latest seven days after the expiration of the month in which the loan amount has been paid up.

The notification shall contain the following minimum information:

- a) the issuer's name, address and personal identity number or organisation number.
- b) the name and telephone number of the issuer's contact person.
- c) the securities number of the issue (in the Norwegian Registry of Securities/ISIN).
- d) the size of the issue and dates of payment, maturity and interest/instalments.
- e) issue price, repayment terms, effective and nominal interest rate.
- f) commission.
- g) any guarantee for full subscription.
- h) currency denomination and country of issue.

Domestic financial institutions that issue securities which mature within 12 months after payment shall, for these issue, also provide information about gross issues in the course of the month and loan amounts outstanding specified by maturities.

§ 5

Norges Bank may issue further rules concerning the notification obligation set out in section 4.

§ 6

The regulation applies to increases of securities issued in tranches even if the first issue in the series is made before the regulation comes into force. The regulation also applies even if exemption has been granted pursuant to the previous regulation of 27 February 1989.

II

This regulation comes into force immediately. Regulation no. 3778 of 25 June 1965, regulation no. 140 of 10 February 1983 for the bond market and issue regulation no. 135 of 27 February 1989 are herewith revoked.

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