

Collateral

Pre-auction

A participant's maximum bid value is equal to their eligible collateral amount multiplied by four. Turn over to see an example of how collateral is calculated.

Collateral is required to bid in the auction. It must be received at least **5 business days** before the auction.

Acceptable collateral:

- **Cash**
- **Negotiable instruments**
You can use a Letter of Credit that meets the Ministry's requirements.

Collateral is held by the **Ministry for the Environment**

Cash: Cash collateral needs to be received in the ETS Auction Collateral bank account below at least **5 business days** before an auction.

Cash collateral can be used towards an invoice if the Auction Operator is advised in writing 5 business days before the auction.

Bank Account Name: ETS Auction Collateral Account

Bank Account Number: 03-0049-0003202-021

Reference: your EPA registry account number

Note: interbank transfers may take a few days, please

Frozen period

Collateral transactions are not allowed from **five business days before** the auction to **four days after**.

Collateral cannot be added, changed or withdrawn during the frozen period. Any collateral received will not be eligible to contribute to the bidding amount during the freeze.



Post auction

Collateral return

All collateral held for an auction will be returned to the Participant.

Cash collateral will be returned to the nominated bank account after the auction has settled (T+5).

Important! Defaulting on a payment for NZU

Defaulting on a payment for NZU means that there has been a failure to fully pay and settle your invoice within **4 business days** after the auction.

In a default situation, you will not receive any NZUs (these will be treated as unsold units), and 25% of your invoice amount will be forfeited to the Crown.

Contact us for more information

email: auctions@nzx.com or phone: (+64) 4 470 9768



Collateral Example

New Collateral Methodology:

In a multi-bid scenario, bids are ordered from highest to lowest bid price and bid quantity is summed cumulatively. The bid value is calculated by multiplying the cumulative bid quantity at each price point, and the collateral required is 25% of the maximum potential bid value.

Participant	A: Bid Price	B: Quantity of NZU's	C: Cumulative Quantity of NZU's	Bid Value: $\sum A \times C$	New Collateral Required: $\text{MAX}(A \times C) \times 25\%$
Example Ltd	\$ 108	12,500	12,500	\$ 1,350,000	\$ 337,500
Example Ltd	\$ 80	20,000	32,500	\$ 2,600,000	\$ 650,000
Example Ltd	\$ 60	17,500	50,000	\$ 3,000,000	\$ 750,000
Total for Collective Bids	-	50,000	50,000	\$ 3,000,000	\$ 750,000

Previous Collateral Methodology:

In a multi-bid scenario, collateral is calculated on a per-bid basis at the value of that individual bid. This collateral methodology can still be applied under the new methodology:

Participant	A: Bid Price	B: Quantity of NZU's	Bid Value: $\sum A \times B$	Previous Collateral Required: $\sum A \times B \times 25\%$
Example Ltd	\$ 108	12,500	\$ 1,350,000	\$ 337,500
Example Ltd	\$ 80	20,000	\$ 1,600,000	\$ 400,000
Example Ltd	\$ 60	17,500	\$ 1,050,000	\$ 262,500
Total for Collective Bids	-	50,000	\$ 4,000,000	\$ 1,000,000

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