

City Rail Link Limited - Foreign Currency Accounts and Derivatives Protocol

Coverage

1. This Protocol sets out the joint approval of the Minister of Finance and the Minister Responsible for City Rail Link Limited (“Joint Ministers”) under section 160 of the Crown Entities Act 2004 (“Act”), for City Rail Link Limited (“CRL”) to enter into derivatives (as defined in the Act), as well as the approval of the Minister of Finance under section 158(6) for CRL to use foreign currency accounts.
2. The use of foreign currency accounts and entry into derivatives by CRL must be made in accordance with this Protocol and all relevant law.

Policies and Procedures

3. CRL is responsible for managing its foreign currency accounts and derivatives and must have board/committee approved treasury policies and procedures in place for this purpose, including policies and procedures for derivatives.

Process

4. CRL may hold foreign currency accounts and may also enter into foreign exchange derivatives (derivatives) to hedge foreign currency risk in contracts with international suppliers and to assist the Link Alliance in purchasing equipment from overseas.
5. CRL may hold foreign currency accounts and enter into foreign currency derivatives worth up to a maximum combined value of NZ\$200 million. This limit applies cumulatively to these transactions up until 30 June 2026 after which no foreign currency transactions are approved under this Protocol. All foreign currency exposures must be actively managed.
6. Any derivatives that are not sourced from the Treasury may be sourced from another entity, providing that it has a minimum long-term credit rating of ‘A’ or above from Standard & Poor’s and/or Moody’s Investor Service. In addition, CRL must have a risk management policy that includes following elements:
 - a. identification, measurement, management and reporting of risk exposures,
 - b. segregation of duties and the management of operational risks,
 - c. restrictions around credit risk and approved instruments/counterparties.

Monitoring

7. Foreign currency accounts and derivative transactions in accordance with this Protocol are subject to monthly reporting by CRL to the Sponsors of the City Rail Link project, including (but not limited to):
 - a. The extent to which it is using foreign currency accounts and derivatives facilities.
 - b. A commentary on its exposure to foreign exchange risk associated with these facilities and how it is managing that risk.
8. CRL will also include the treatment of derivatives in its upcoming Annual Reports.

Review

9. This Protocol may be reviewed annually at the same time as the draft Statement of Performance Expectations, or as circumstances require.

Disputes

10. If a dispute arises between CRL and the Treasury or the Ministry of Transport over the operation of this Protocol, either party will notify the other of the dispute. Both parties will attempt to resolve the dispute within 15 working days of notice and must meet within five working days of the notice. If the dispute cannot be resolved within 15 working days of the notice, the parties will prepare a submission to Joint Ministers for a decision.

Amendments

11. This Protocol can be amended at any time by Joint Ministers on written notice to CRL, in accordance with the Act. Joint Ministers will consult with CRL prior to making any changes.

Term

12. This Protocol will take effect from 23 September 2024 replacing the current Protocol and, subject to clause 11, will continue in force until 30 June 2026 or until it is terminated or replaced by written notice by Joint Ministers. Joint Ministers will take CRL’s requirements into account in replacing this Protocol.