

(6) *Method for determining Cut-off Time*—The method adopted by a person for the purpose of determining the Cut-off Time in respect of an Income Year shall be adopted and consistently applied by that person in respect of every Income Year.

(7) *Approved methods*—Where for the purpose of determining the income or expenditure of a person in respect of a financial arrangement and an Income Year, it is necessary to refer to the price or yield for an Identical Financial Arrangement and a Market referred to in this determination, the price or yield shall be determined—

(a) By reference to the price or yield quoted, in relation to the Identical Financial Arrangements and the Market, on a Multicontributor Page;

(b) Where the price or yield cannot be determined pursuant to the preceding paragraph of this sub-clause, by reference to the arithmetic mean of three prices or yields quoted in relation to the Identical Financial Arrangements and the Market on a Contributor Page or by a broker active in the Market;

Provided that—

(i) Where quotes are available on Contributor Pages these shall be used in preference to quotes from persons active in the Market;

(ii) All quotes used shall be from persons acting independently of any other.

(c) Where—

(i) The price or yield cannot be determined pursuant to the preceding paragraphs of this sub-clause; and

(ii) The prices or yields for Shorter Maturing Financial Arrangements and for Longer Maturing Financial Arrangements in relation to the Identical Financial Arrangements and the Market are quoted on a Multicontributor Page;

by Interpolation between the price or yield so quoted for the Shorter Maturing Financial Arrangement that matures closest in time to the maturity of the financial arrangement and the price or yield so quoted for the Longer Maturing Financial Arrangement that matures closest in time to the maturity of the financial arrangement.

(d) Where—

(i) The price or yield cannot be determined pursuant to the preceding paragraphs of this sub-clause; and

(ii) The price or yield for a Shorter Maturing Financial Arrangement and for a Longer Maturing Financial Arrangement in relation to the Identical Financial Arrangements and the Market are quoted on not less than three Contributor Pages;

by Interpolation between the arithmetic mean of the prices or yields quoted on not less than three Contributor Pages for the Shorter Maturing Financial Arrangement that matures closest in time to the maturity of the financial arrangements and the arithmetic mean of the prices or yields quoted on not less than three Contributor Pages for the Longer Maturing Financial Arrangement that matures closest in time to the maturity of the financial arrangement;

(e) Where the price or yield cannot be determined pursuant to the preceding paragraphs of this sub-clause, and the price or yield for any Shorter Maturing Financial Arrangement or any Longer Maturing Financial Arrangement is quoted on a Multicontributor Page, by Extrapolation from the price or yield so quoted for—

(i) The Shorter Maturing Financial Arrangement; or

(ii) The Longer Maturing Financial Arrangement;

as the case may be, that matures closest in time to the maturity of the financial arrangement.

(f) Where the price or yield cannot be determined pursuant

to the preceding paragraphs of this sub-clause, and the price or yield for—

(i) A Shorter Maturing Financial Arrangement; or

(ii) A Longer Maturing Financial Arrangement;

is quoted on not less than three Contributor Pages, by Extrapolation from the arithmetic mean of the prices or yields quoted on not less than three Contributor Pages for the Shorter Maturing Financial Arrangement that matures closest in time to the maturity of the financial arrangement, or the arithmetic mean of the prices or yields quoted on not less than three Contributor Pages for the Longer Maturing Financial Arrangement that matures closest in time to the maturity of the financial arrangement as the case may be.

(8) Where the price or yield cannot be determined pursuant to the preceding sub-clause, no method is approved by this determination for the purposes of subsection 64C (4) of the Act.

*7. Example*—On its balance date of 30 September 1991, a corporate investor held \$2,000,000 face value of New Zealand Government Stock maturing 15 August 1994 bearing a coupon of 14%.

(a) At the Cut-off Time on 30 September 1991 the Reuters Multicontributor Page, NZGS, had quotes of 16.42% (buy) and 16.38% (sell).

A rate of 16.42% would be appropriate for the valuation of this holding as at 30 September 1991 in accordance with clause 6 (3) (a), clause 6 (4) (a), and clause 6 (7) (a) of this determination.

Note: To obtain the value of the Government Stock it is necessary to use this rate in an appropriate valuation formula.

(b) At the Cut-off Time on 30 September 1992 there were no Multicontributor quotations available.

However, for an identical issue of Government Stock the following quotes were obtained from a broker active in the market and from Contributor Pages supplied by brokers active in the market:

	Buy	Sell
Broker's quote	15.90%	15.85%
Contributor page 1	15.85%	15.80%
Contributor page 2	15.89%	15.85%

The appropriate rate, determined in accordance with clause 6 (7) (b) of this determination, is the arithmetic mean of the buy quotes, i.e. 15.88%.

(c) At the Cut-off Time on 30 September 1993 there were no Multicontributor quotations available for this particular stock.

The following quotations were available from the Multicontributor Page, NZGS, for two similar stocks:

	Buy	Sell
14% coupon maturity 15/6/94	15.10%	15.05%
14% coupon maturity 15/9/94	15.06%	15.00%

Clause 6 (7) of this determination applies and a form of Interpolation between these quotations is to be used.

If the corporate investor chooses to use linear interpolation, the required yield is calculated as follows:

The relevant buy quotes and terms are:

	Buy	Term Relative to 15/8/94
14% coupon maturity 15/6/94	15.10%	61 days
14% coupon maturity 15/9/94	15.06%	31 days

From 15/6/94 to 15/9/94: 92 days

The required valuation yield is calculated under straight line interpolation:

$$((31 \times 15.10) + (61 \times 15.06))/92 = 15.07\%$$