

19 August 2020

Martin Taylor

Via Email: fyi-request-13367-6202eb74@requests.fyi.org.nz

Dear Martin

Thank you for your request of 22 July 2020 under the Official Information Act 1982 (OIA). You requested the following:

- *“With reference to newly-issued NZ Govt bonds purchased to date on the secondary market under the LSAP programme, can you advise the cost (actual or estimated) of purchasing the bonds from the secondary market compared to purchasing those bonds at face value directly from Treasury?”*

For the purpose of clarifying my request, I am looking for the “margin” accruing to financial intermediaries that is incurred from purchasing bonds on the secondary market rather than directly from the Treasury.”

Our Response

We cannot advise the cost of purchasing bonds from the secondary market compared to purchasing those bonds at face value directly from Treasury because our Large Scale Asset Purchases have not occurred at the same time as New Zealand Debt Management (NZDM) bond tenders. This means we do not have comparable data with which to construct an estimate.

NZDM issue certain bond lines each week on a Thursday, and the Reserve Bank of New Zealand (RBNZ) tends to purchase these bond lines in the secondary market the Monday prior. However, the interest rates at which NZDM issue and the RBNZ purchase are not directly comparable because movements in market interest rates can be substantial between these dates. We typically do not purchase newly syndicated Government Bonds until a period of time after the syndication.

Your request is therefore refused under section 18(g) of the OIA as the requested information is not held by the Reserve Bank, and we have no grounds for believing the information is either:

- (i) held by another department or Minister of the Crown or organisation, or by a local authority; or
- (ii) connected more closely with the functions of another department or Minister of the Crown or organisation or of a local authority.

There is publicly available information relating to Government bond sales and the LSAP programme which may be of interest to you. Information on the RBNZ's asset purchases, purchase dates, and weighted average successful yields are available in the RBNZ D3 table, which you can access here: <https://www.rbnz.govt.nz/statistics/d3>. Information on New Zealand Debt Management's tender offerings, dates, and weighted average accepted yields are available on their website: <https://debtmanagement.treasury.govt.nz/government-securities/nominal-bonds>. Please note that the comparison of these rates cannot be treated as "margins" accruing to financial intermediaries, because the transactions occur on different dates and market interest rates will have moved in the interval.

The Official Information Act allows charges to be imposed for the preparation of information that we send in response to requests. The Reserve Bank is resourced to meet disclosure obligations for a reasonable level of requests and generally will not impose charges for small, simple or infrequent requests. Where the request is for information that requires substantial collation, research and preparation work, and is chargeable. In this case we have not imposed a charge as no new information is being released.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or by Freephone 0800 802 602.

Yours sincerely



Sandeep Parekh
Manager, Balance Sheet Design
Reserve Bank of New Zealand | Te Pūtea Matua