

24 August 2023

'Ens Rationis'

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Dear 'Ens Rationis'

Official information request relating to legal tender, gold reserve sales, and sovereign debt

I refer to your Official Information Act 1982 (OIA) requests of 27 July 2023 asking various questions about legal tender, gold reserve sales, and sovereign debt. Responses to each of your questions is provided below.

In a previous information request dated 31 August 2022 (FYI request #19881) you provided the following information:

"Sovereign debt may also be referred to as Government debt or public debt. The Government does not use assets or other forms of collateral to "back" its sovereign debt, which is a promise to pay out of future tax revenue. New Zealand has relatively low sovereign debt levels by international standards and has a strong international credit rating. The link below shows New Zealand's credit ratings, as assigned by international credit rating agencies. Credit ratings are a measure of a country's willingness and ability to service its financial obligations."

It is noted in your response that you have stated what is 'not' backing the sovereign debt, but appear not to have given information with respect to what 'is' backing the sovereign debt.

Please advise: What is backing debt currency in New Zealand?

Request: Please be as direct and specific as possible in answering this very simple question.

Your question has already been answered in the previous OIA response you reference. The Government does not use assets or other forms of collateral to "back" its sovereign debt. This debt is serviced through future tax revenue.

You can find more information on New Zealand Debt Management on the Treasury website at the following link: <https://debtmanagement.treasury.govt.nz/about-us/snapshot>

Not including fiat currency (\$5, \$10, \$20, \$50 and \$100 notes and coins), what other exchange mediums, whether issued or treated as issued, are recognised by law as legal tender?

What notes issued, or treated as issued, under enactments administered by RBNZ (other than the Reserve Bank of New Zealand Act 2021) are deemed to be legal tender?

The RBNZ Act recognises banknotes and coins issued by RBNZ as legal tender. RBNZ has the sole right to issue bank notes and coins in New Zealand. The relevant sections of the RBNZ Act are sections 149-153. There are no "exchange mediums" (other than bank notes and coins) that are recognised by legislation administered by RBNZ as legal tender.

You may also find the following linked RBNZ Bulletin on legal tender helpful:

<https://www.rbnz.govt.nz/hub/-/media/project/sites/rbnz/files/publications/bulletins/2015/2015sep78-6.pdf>

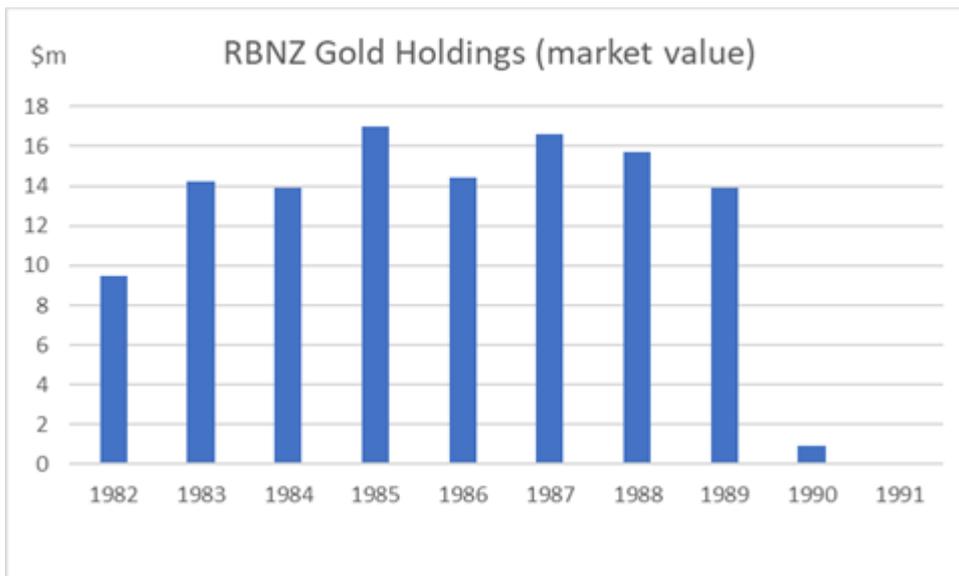
Was there any formal government declaration or publication informing the public of the 'government guarantee' for securing the currency of New Zealand? If so, please provide a copy of it in full.

How is the 'government guarantee' securing the currency of New Zealand?

It is unclear what 'guarantee' you are referring to, however we understand you may be asking about foreign reserves. By holding and using foreign reserves when needed, we can make sure there is global confidence in the NZD and wider New Zealand economy. More information about foreign reserves is available on the RBNZ website at the following link: <https://www.rbnz.govt.nz/financial-markets/foreign-reserves>

When currencies became fiat-based and RBNZ sold the gold reserves, what was the total value of all the sales, and how is said value being managed for the public's benefit?

The below chart shows RBNZ gold holdings by year. You will note that approximately \$14m of gold was sold around 1989/1990. Gold holdings would have been classified as foreign reserves at the time.



Please note that the RBNZ is resourced to meet disclosure obligations for a reasonable level of official information requests for eligible persons as set out at section 12(1) of the OIA. If you intend to make further official information requests, we may require you to provide verification that you are eligible to make such requests under section 12(1) of the OIA.

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

Please note that we intend to publish a copy of this response on the RBNZ website: www.rbnz.govt.nz/research-and-publications/official-information-requests. Responses to requests are published in order to improve public transparency and provide an additional resource for anyone seeking information.

Yours sincerely

Government and Industry Relations

Reserve Bank of New Zealand – Te Pūtea Matua