

5 February 2021

Sovereign Sharma

**Email:** fyi-request-14396-6893d157@requests.fyi.org.nz

Dear S Sharma

Thank you for your request of 4 January 2021 under the Official Information Act 1982 (OIA). You requested the following:

1. *“What kind of security is backing the notes?”*
2. *Something of value (gold) was provided to the Bank...what item of value was returned to the public?”*

### **Response**

We have prepared itemised responses to your questions below.

1. What kind of security is backing the notes?

We have interpreted this part of your request to refer to currency (i.e. bank notes and coins). New Zealand's currency is what is known as a *fiat* currency, meaning it is secured by government guarantee rather than being backed by an asset such as gold.

For more information please refer to the Introduction section of the *Issues Paper - The Future of Cash Use - Te Whakamahinga Moni Anamata*, accessible here: <https://www.rbnz.govt.nz/notes-and-coins/future-of-cash/issues-paper-the-future-of-cash>.

2. Something of value (gold) was provided to the Bank...what item of value was returned to the public?

We have interpreted this part of your request to relate to the Reserve Bank's former gold reserve holdings.

For a period prior to 1914, New Zealand currency operated on a gold standard, meaning that bank notes were redeemable in gold at a set rate. This required the government to hold gold reserves to ensure that bank notes could be exchanged for gold on request.

As currencies became fiat-based many central banks, including the Reserve Bank of New Zealand, subsequently sold their gold reserves, with the proceeds of these sales being added to the bank or country's balance sheet, thereby keeping the value for the public's benefit.


You can read more about the brief history of the gold standard in New Zealand here: <https://www.rbnz.govt.nz/-/media/ReserveBank/Files/Publications/Bulletins/2003/2003mar66-1matthews.pdf>.

This response required approximately 2.5 hours to prepare.

The Official Information Act allows charges to be imposed for the preparation of information in response to requests. The Reserve Bank is resourced to meet disclosure obligations for a reasonable level of requests and the cost of providing free responses to Official Information requests is generally borne by taxpayers. However, the Reserve Bank believes that requesters should bear some of the costs, where allowable under the OIA, when requests are made for large amounts of information, where a response is particularly complex, or where individuals or organisations make frequent requests. In this instance, no charge is allowable under the OIA.

Please note that we intend to publish a copy of this response (with personal information removed) on the Reserve Bank's website [www.rbnz.govt.nz/research-and-publications/official-information-requests](http://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



Tobias Vandenberg  
Ministerial and OIA Adviser  
Reserve Bank of New Zealand | Te Pūtea Matua