

Reference: 20240874



27 November 2024

B. M. Smith
fyi-request-28917-940bbc1b@requests.fyi.org.nz

Dear B. M. Smith

Thank you for your Official Information Act (OIA) request, transferred from Reserve Bank of New Zealand on 11 November 2024. You requested the following:

In New Zealand is our Treasury department able to,

- (1) directly monetize (instruct the RBNZ to make authorized payments to banks without issuing bonds), and/or,*
- (2) directly "sell" T-bill or Tsy bonds to the RBNZ for purposes of government payments clearing --- without conducting open market operations?*
- (3) Are there statutory limits on monetization of Parliamentary approved government payments (does our Treasury dept. need to have a positive account balance at the RBNZ, or can the RBNZ allow Treasury to run an overdraft --- functionally a "loan" of one branch of government to another)?*

The information you have requested is publicly available in the relevant legislation (available at www.legislation.govt.nz) for public finances and the Reserve Bank.

There is nothing in New Zealand legislation that would prohibit or preclude the government from using monetary financing as a means of funding a fiscal deficit.

The [Reserve Bank of New Zealand Act 2021](http://www.legislation.govt.nz/act/public/2021/001/01/001) details the conditions under which the central bank can provide liquidity facilities. The Treasury has an overdraft facility with the Reserve Bank which is capped at \$5 billion. The overdraft facility is part of the Crown's approach to liquidity management which is explained in the document *Building resilience in the Crown's liquidity management* available at https://debtmanagement.treasury.govt.nz/sites/default/files/media/media_attachment/Building%20resilience%20in%20the%20Crown's%20liquidity%20management.pdf

Accordingly, I have refused your request for this information under section 18(d) of the OIA *the information requested is or will soon be publicly available.*

Please note that this letter (with your personal details removed) may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Paxton McKenzie
Head of Funding, Investments and Markets