

Reference: 20200279

26 August 2020

s9(2)(a)

Dear s9(2)(a)

Thank you for your Official Information Act request, received on 10 August 2020. You requested:

Hi there.

I'm taking a look at global interest rate benchmark reform, (primarily LIBOR), from a New Zealand perspective.

I saw this January release from the RBNZ -

<https://www.rbnz.govt.nz/news/2020/01/interest-rate-benchmark-reform>

In the context of the final paragraph from that press release, I was wondering about the positions of several entities including the NZDMO.

I imagine the NZDMO must have exposure to LIBOR.

How big is the exposure?

What is involved in terms of transitioning to alternative benchmark rates?

And how far into this is the NZDMO?

Any additional comments on this issue would be welcome.

Cheers,

s9(2)(a)

New Zealand Debt Management (NZDM) does have exposure to the Inter-bank Offered Rate (IBOR) and often uses derivatives based on the London Inter-bank Offered Rate (LIBOR) to help manage financial risks. Regarding your request for the extent of New Zealand's exposure to LIBOR I have decided to withhold this information under s9(2)(i) of the Official Information Act – to enable a Minister of the Crown or any department or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities.

For added context, NZDM is currently working to transition away from LIBOR. Work on the LIBOR transition commenced approximately 18 months ago (in early 2019) and the Treasury has a dedicated project team overseeing the transition process. Progress on the LIBOR transition has recently increased in focus and priority after clarification of the process from Benchmark administrators. The key steps of the transition process are; developing capability in new products to manage interest rate risk, system

implementation and testing, understanding legal and accounting implications, and dealing with any legacy contracts (e.g. contracts that reference LIBOR beyond 2021). The Treasury continues to work with other financial markets participants, including the Reserve Bank of New Zealand (RBNZ), to ensure NZDM is well prepared for the transition. We encourage other market participants to follow a similar, consultative path.

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

Yours sincerely

Matthew Collin
Head of Portfolio Management