

The Treasury

Foreign Reserves Framework Information Release

August 2023

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Key to sections of the Act under which information has been withheld:

[29] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand

[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment

[37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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Reference: T2022/2429

Date: 3 November 2022

To: Minister of Finance
(Hon Grant Robertson)

Deadline: None
(if any)

Paper on the Foreign Reserves Framework

Purpose

Attached to this aide memoire is a draft Cabinet paper which sets out your intentions to agree a Foreign Reserves Management and Coordination Framework (the Framework) with the Reserve Bank, as required under the Reserve Bank of New Zealand Act 2021. The Cabinet paper sets out the matters within the Framework you intend to agree.

The Cabinet paper is draft and subject to any feedback from you or your office. Treasury may also make further technical changes to the financial recommendations to ensure the policy can be achieved, which we will provide to your office. This paper can be used for Ministerial consultation. We recommend that the final paper is lodged on 11 November for consideration at Cabinet Economic Development Committee on 16 November and Cabinet on 21 November.

Inclusion of the Reserve Bank views on financial backing

You have received advice from the Treasury and the Reserve Bank on how to provide the necessary financial resources to operationalise the Framework. The Treasury has recommended [29], [37] be provided through an indemnity and the [29], [37] (\$500 million) through capital, whereas the Bank's preference has been for it to be entirely provided through capital. In line with your recent feedback, the Cabinet paper has been drafted to clearly set out the Bank's preference as well as your in-principle decision to use an indemnity.

The financial recommendations seek delegation to you and Minister Woods

The paper also seeks agreement to provide the necessary capital for the Reserve Bank to operationalise the Framework. Because you have yet to make a final decision on the provision of an indemnity (as, amongst other matters, you have yet to receive necessary advice on the public interest test), the paper notes you intend that \$500 million would be provided through capital, but seeks Cabinet agreement to [29], [37] and to delegate decisions on any necessary changes to appropriations to you and to Hon Dr Megan Woods, as Associate Minister of Finance.

Any capital provision before June would need to met through Imprest Supply

Any provision of capital before June would need to be met through Imprest Supply. We think that \$500 million should be manageable within the current Imprest Supply, which has a cap of \$11.5 billion for capital expenditure. However, there have been a number of significant capital expenditure items charged against Imprest Supply already since the last bill was passed. There is a risk that a large capital expenditure item [29], [37] would push the total required over the cap, given other possible future requests. Treasury will have up to date amounts charged against Imprest Supply to date in the next few weeks.

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