



17 June 2024

Response to Consultation and Finalised Primary Market Access Framework

1. Purpose

The purpose of this document is to outline responses to the 19 March 2024 Consultation on proposed changes to New Zealand Debt Management's (NZDM) Primary Market Access Framework (Framework). NZDM is a directorate within New Zealand Treasury (the Treasury).

This Framework was initially adopted in 2019 and relates to Primary Market Access to New Zealand Government Bonds (NZGBs), New Zealand Government Inflation-Indexed Bonds (NZIIBs) and New Zealand Treasury Bills (NZTBs); collectively referred to in this document as New Zealand Government Securities (NZGS).

2. Background

The objective of NZDM is to minimise the Crown's borrowing costs over the long-term with due consideration to risk, while ensuring ongoing access to debt funding markets.

To support this objective, debt management activities are underpinned by the core principles of transparency, even-handedness and consistency. Conducting debt management activities in this manner promotes efficient functioning of NZGS secondary markets, supports NZGS market liquidity, improves investor confidence, reduces NZGS risk premia, and ultimately minimises Crown funding costs.

NZDM released a consultation document on 19 March 2024 outlining proposed changes to the Framework to better align with these objectives.

3. Summary of responses

NZDM received a number of responses to the consultation, both formally and informally, primarily from current Registered Tender Counterparties (RTCs).

Feedback was primarily positive and all existing RTCs intend to become Primary Dealers (PDs) under the updated framework. Most changes were viewed as positive or uncontroversial.

There was limited concern about an external credit rating no longer being an essential requirement. The concerns centred on the quality of data provision without an independent evaluation.

The primary area of feedback was around NZDM valuing the support of any potential NZGB linked future. Some responses were positive, while others were concerned about unintended effects on liquidity.

4. NZDM's response

NZDM thanks all respondents to the consultation and the quality of the feedback received.

With respect to the potential for NZGB linked futures, NZDM acknowledges this is a complex topic. We intend to remain engaged with the market and note this is still a developing situation with any potential relisting not expected until 2025 at the earliest.

5. Finalised Primary Market Access Framework

The finalised framework that will go into effect from 1 July has been posted to the NZDM website <https://debtmanagement.treasury.govt.nz/government-securities/primary-market-access-information>.

The changes are broadly as outlined in the consultation document, there has been some change in the wording to clarify between candidate PDs and PDs on probation.

Contact

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