

Changes to debt securities statistics

16 December 2016

The Reserve Bank has developed a new securities database that aims to provide a more comprehensive picture of the size and nature of New Zealand's capital markets and the important role they play in the financial sector. The database draws on securities data collected from registries, nominee companies and registered banks.

Data from the securities database was first published in August 2016 covering:

- D30 Holdings of central government debt securities by sector
- D31 Non-resident holdings of individual government bonds
- D35 Holdings of Kauri bonds by sector

In December 2016 we incorporated two improvements to our debt securities statistics:

1. Economic ownership of debt securities
2. Data backdated to July 2015

This note outlines the two changes and the impact on previously published data.

Economic ownership of debt securities

Two types of ownership can be distinguished in securities statistics: legal ownership and economic ownership. The legal owner is the entity who is recognised in law to own the security whereas the economic owner is the entity who ultimately benefits from the use of the security. In most cases the legal and economic owner of the security are the same, except when securities are purchased under agreement to resell or sold under agreement to repurchase.

Securities repurchase agreements (repos) are an arrangement involving the sale of securities for cash, with a commitment to repurchase the same or similar securities in the future. A key characteristic of repos is that although legal ownership of the security is transferred to the purchaser, which entitles them to sell the security to a third party, all the risks and benefits of ownership remain with the original (or economic) owner as there is a commitment to reverse the change in legal ownership in the future.

The securities database records the *legal* ownership of securities and the first publication of data in August 2016 reported the *legal* holding of debt securities for each sector (e.g. non-residents). The *legal* holding for a sector (e.g. non-residents) includes securities purchased under agreement to resell and excludes securities sold under agreement to repurchase.

However, as repos in New Zealand are short-term in nature (typically overnight or less than a week) the *economic* holding of debt securities for each sector (e.g. non-residents) more accurately reflects the ownership of securities. The economic holding for a sector (e.g. non-residents) includes securities sold under agreement to repurchase and excludes securities purchased under agreement to resell.

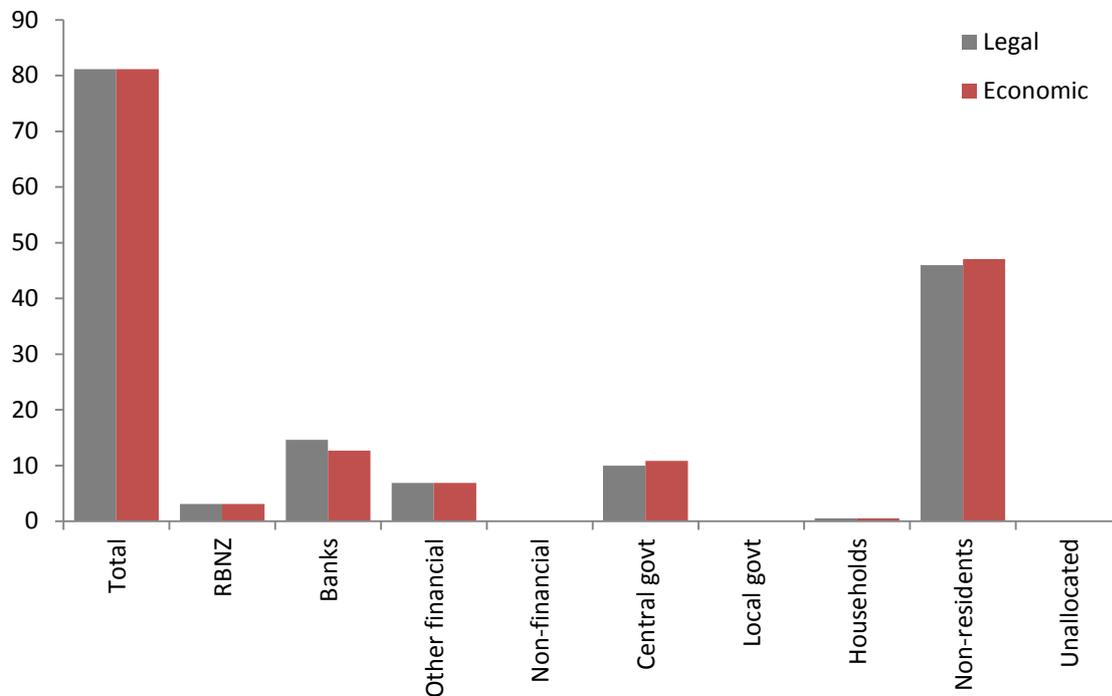
From December 2016 the debt securities data published in D30, D31 and D35 is based on the *economic* ownership of securities. We believe that this provides a more complete picture of the ownership of securities in New Zealand and is consistent with international standards for the publication of securities statistics¹. Previously published data from March to October 2016 has been revised and reflects the *economic* holding of each sector.

The main impact on the holdings of central government debt securities (D30 and D31) is a small:

- Increase in non-resident holdings
- Increase in central government holdings
- Decrease in registered banks holdings

Note that there is no change to the total amount of central government debt securities on issue (figure 1).

Figure 1: Legal vs economic ownership of central government debt securities (\$b), October 2016



There is no material impact on the holdings of Kauri bonds (D35) by sector.

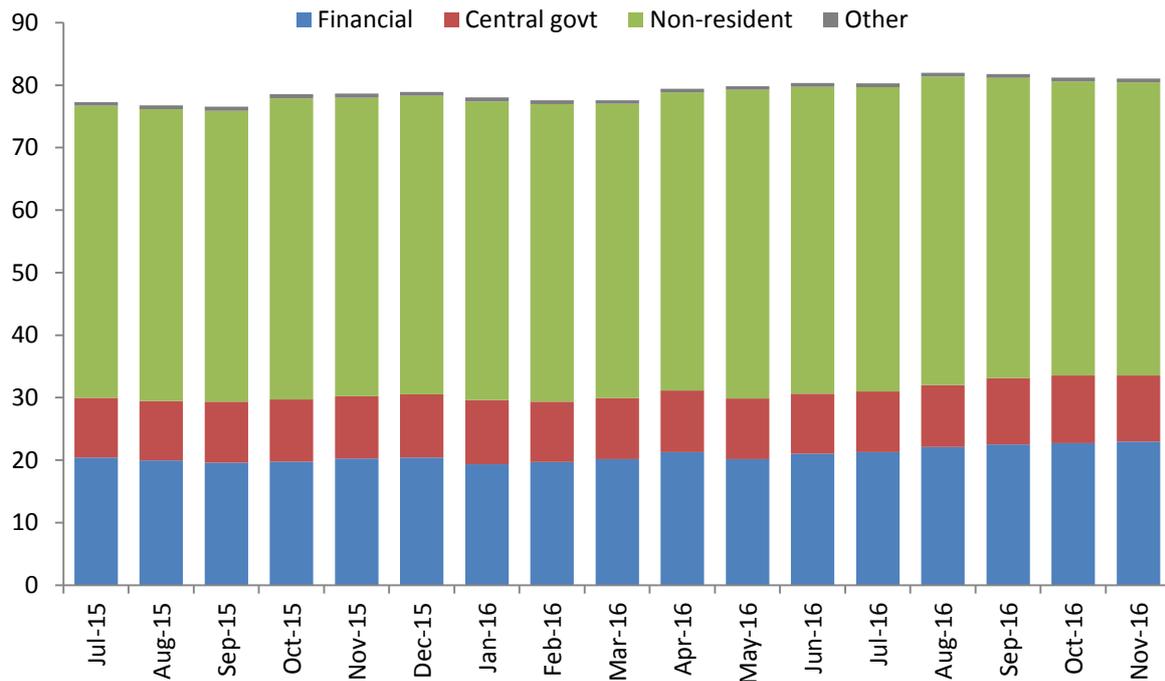
¹ Handbook on Securities Statistics (IMF, 2015)
<http://www.imf.org/external/np/sta/wgsd/pdf/hss.pdf>

Data backdated July 2015

Comprehensive data for the securities database has been collected from registries, nominee companies and registered banks since July 2015. The first publication of data in August 2016 contained data from March 2016 onwards.

We have now quality assured data for central government debt securities and Kauri bonds from July 2015 to February 2016 and the data in D30, D31 and D35 now contains data back to July 2015 (figure 2).

Figure 2: Holdings of central government debt securities by sector (\$b)



Note that backdated data from July 2015 to February 2016 may differ from data previously published in D20, D21 and D22 due to the improved classification of entities to the resident or non-resident sector.

In the future we plan to backdate selected data further e.g. non-resident holdings of central government securities.