

LIQUIDITY MANAGEMENT REVIEW CONSULTATION

KangaNews 2025 New Zealand Debt Capital Markets Summit

10 September 2025

Disclaimer

The content of this presentation and any associated commentary have no implications for the stance of monetary policy.

The content of this presentation and any associated commentary should not be considered financial advice.

Types of Liquidity



Funding Liquidity

Deposit takers' holdings of liquid assets to meet near-term financial obligations



System Liquidity

Amount of settlement cash in the banking system

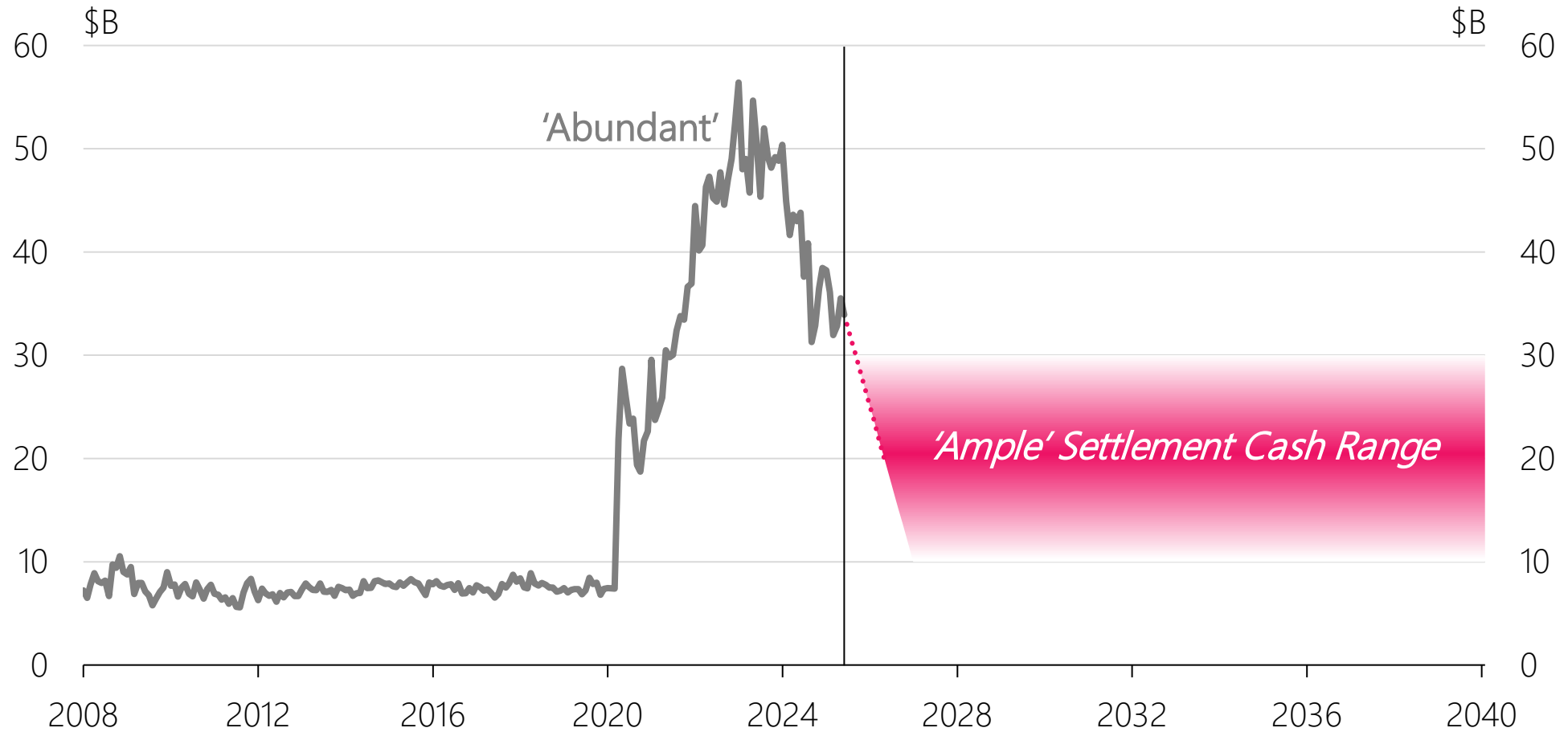


Market Liquidity

Ease of transacting in markets without moving prices



The Settlement Cash Level (SCL)

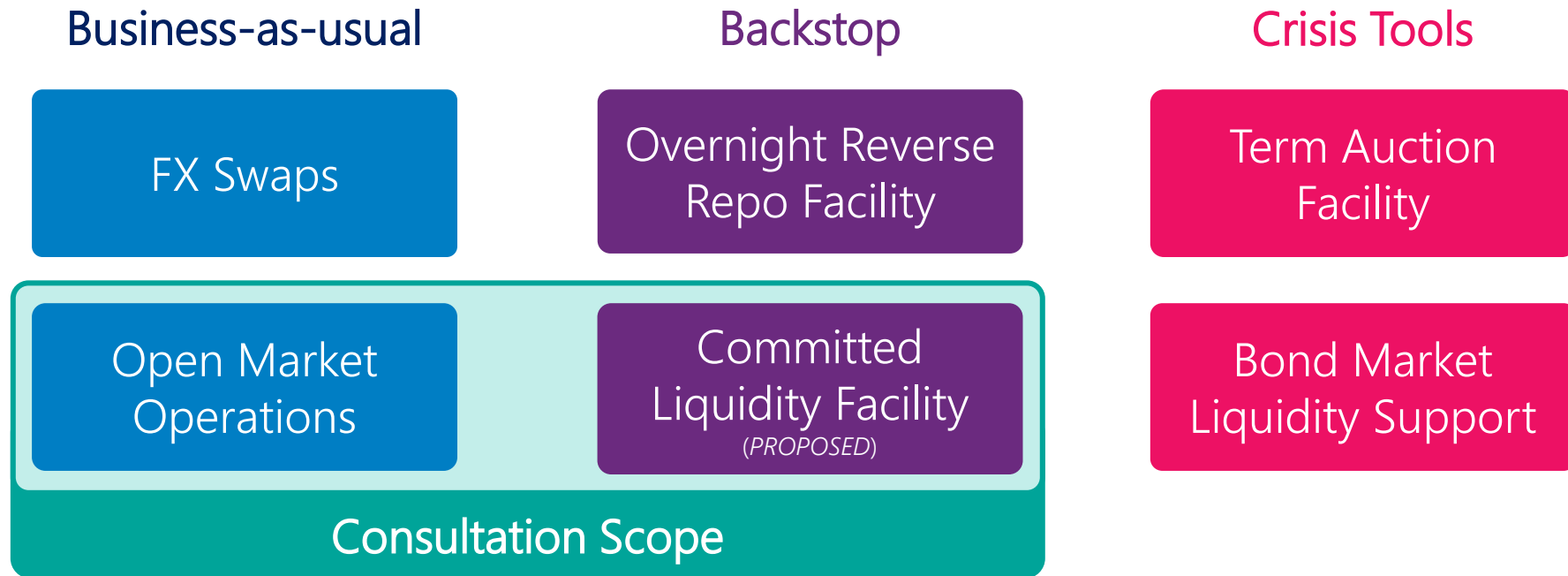


Source: RBNZ.



Consultation Scope

Selected RBNZ Liquidity Facilities and Operations



Respondents can choose to respond to parts or the whole consultation





Reserve Bank
of New Zealand
Te Pūtea Matua

OPEN MARKET OPERATIONS (OMO)

Liquidity Management Objectives



Effective monetary policy implementation



Support for financial stability



Support for market liquidity



Regulatory consistency



Operational simplicity



Aim of the Consultation



We are seeking feedback on best way to conduct OMOs in order to achieve our Liquidity Management Objectives

Key parameters for consultation include:

- Allocation method
- Pricing
- Eligible collateral
- Frequency
- Timing
- Tenors



OMO Design Parameters

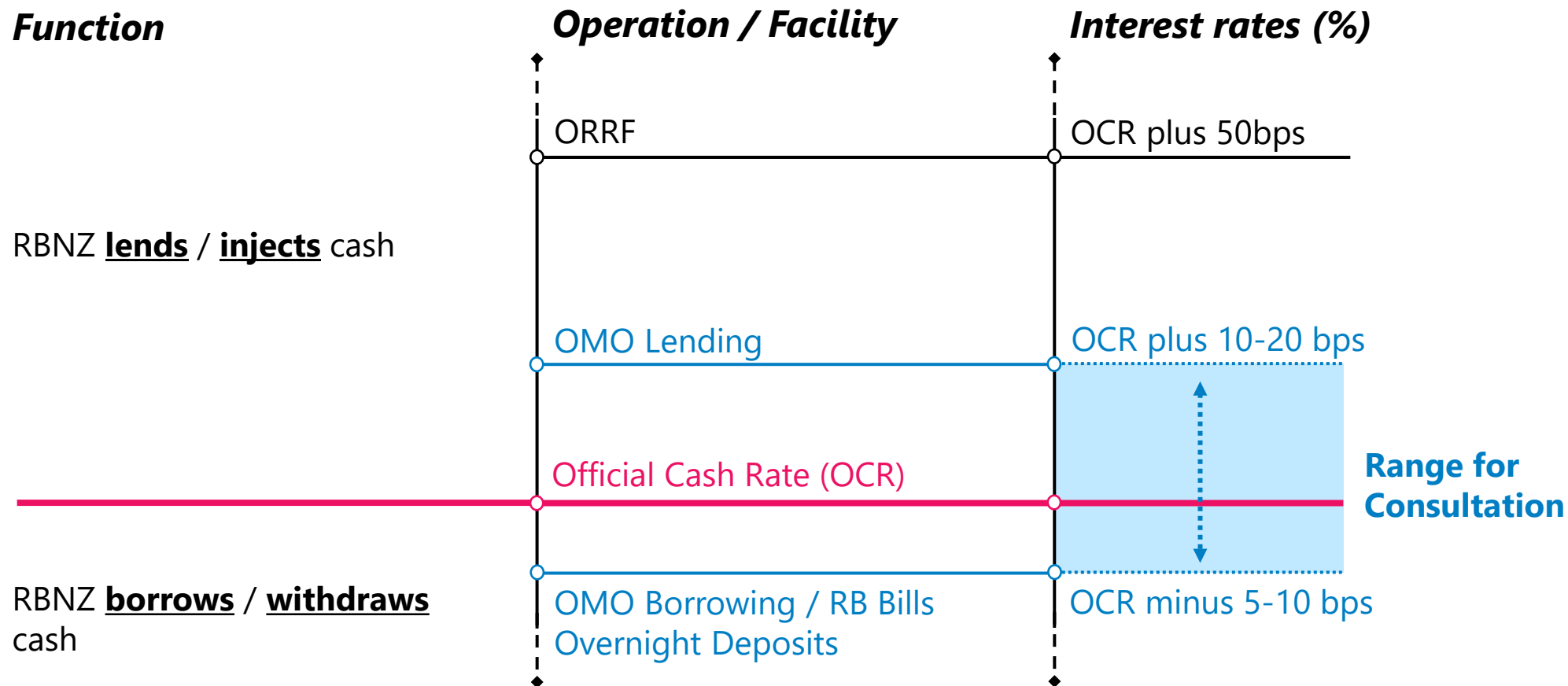
Parameter	Status Quo	Possible Alternative*
Method	Competitive Auction	Fixed-Rate Full-Allotment
Pricing	Min bid rate OCR+1bps (Tier 1) Overnight deposit rate at OCR	OCR/OIS+10bps Overnight deposit rate at OCR-5bps
Eligible collateral	Tier 1, Tier 2	Tier 1 (+LGFA)
Frequency	RBNZ discretion	Weekly
Timing	9.30am	11.30am
Tenors	RBNZ discretion	7, 28 days



**Indicative only – we are consulting on all parameters and other combinations of these parameters are possible. This example is not necessarily an RBNZ preference.*



Pricing

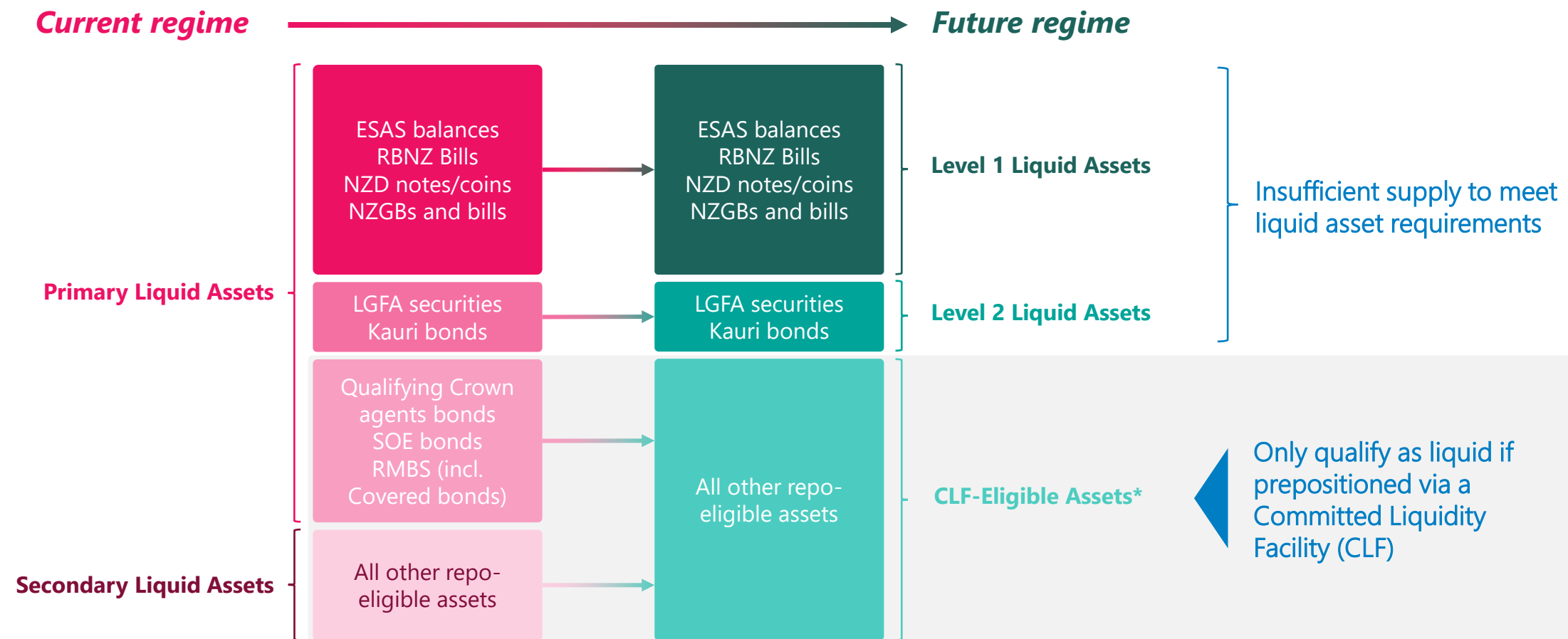




Reserve Bank
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COMMITTED LIQUIDITY FACILITY (CLF)

Prudential Liquidity Policy is changing



Note: For simplicity, the figure excludes foreign currency assets (no longer eligible as liquid assets). NZGBs include nominal and inflation-indexed New Zealand Government bonds. LGFA is Local Government Funding Agency securities. SOE bonds are bonds issued by New Zealand State Owned Enterprises. RMBS is Residential Mortgage Backed-Securities (single-name and two name). All other repo-eligible assets are any other securities the RBNZ designates as repo-eligible (such as registered bank securities and non-bank corporate securities). *Technically, Level 1 and Level 2 Liquid assets are also repo-eligible collateral to drawdown on the CLF.



What is a CLF?



Committed repurchase facility with RBNZ



Collateralised by repo-eligible assets, subject to haircuts



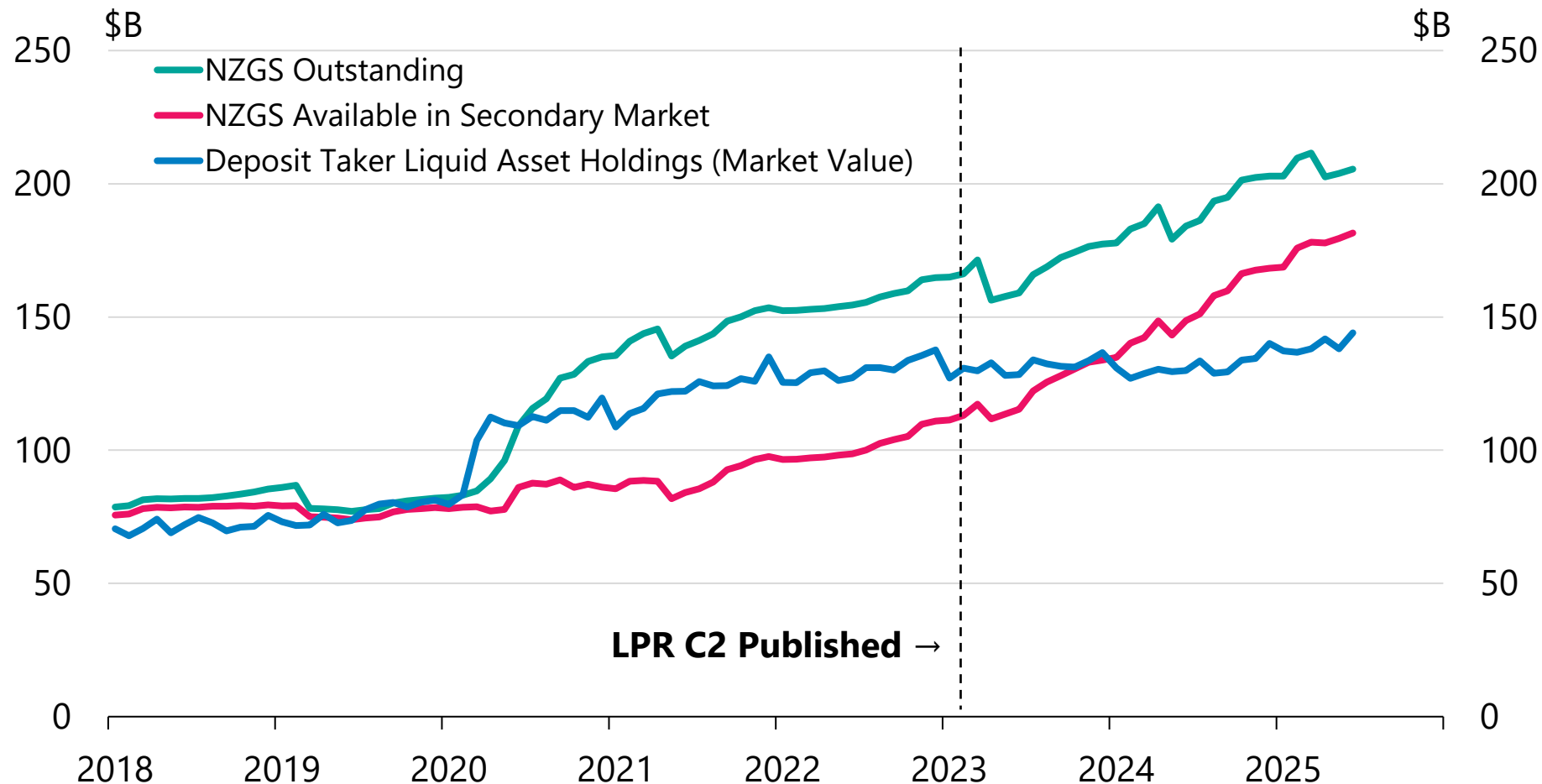
Prepositioned repo-eligible assets count as qualifying liquid assets for the Liquidity Standard's Mismatch Ratio



Subject to a standing fee



The need for the CLF has reduced



Current estimate of maximum CLF size: 35-40% of qualifying liquid assets



Aim of the Consultation



To share our thinking on how the CLF could work and to seek feedback on the key design features and options

Key parameters for consultation include:

- Eligibility for access
- Operationalisation
- Sizing methodology and cap
- Fees (standing fee + borrowing fee)

Focus on methodologies



Next steps



Consultation **opens today**



Deadline for submissions: 31 October 2025 (~7 weeks)



Please reach out to any of us if you have any questions or would like to discuss the consultation



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