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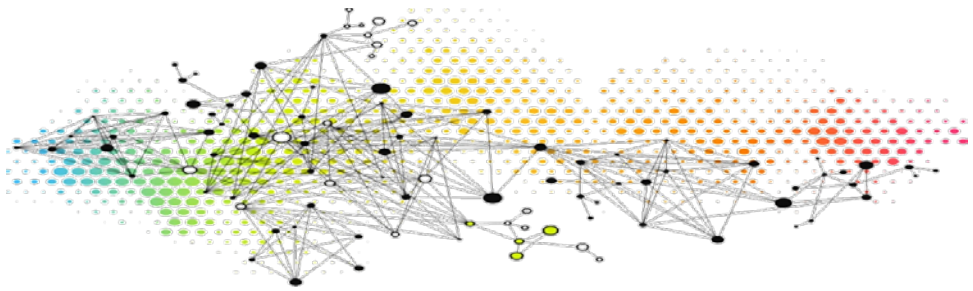
TECHNICAL ASSISTANCE REPORT—REPORT ON THE MONETARY AND FINANCIAL STATISTICS MISSION

This Technical Assistance report on New Zealand was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member New Zealand. It is based on the information available at the time it was completed on March 2019.

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REPORT ON THE MONETARY AND FINANCIAL STATISTICS MISSION (OCTOBER 1–12, 2018)

PREPARED BY JUSTIN MATZ

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Acronyms

APD	IMF's Asia and Pacific Department
BBS	Bank balance sheet collection system
CIS	Collective investment scheme
DTFC	Deposit taking finance corporation
FMA	Financial markets authority
FSG	Financial services group
FSI	Financial soundness indicator
FSIS	Financial sector information system
GAAP	Generally accepted accounting principles
GIF	Group investment fund
IFRSs	International Financial Reporting Standards
IFS	<i>International Financial Statistics</i>
ICs	Insurance corporations
IMF	International Monetary Fund
IMP	Individually managed portfolios
MF	Managed funds
MFS	Monetary and financial statistics
<i>MFSMCG</i>	<i>Monetary and Financial Statistics Manual and Compilation Guide</i>
MMF	Money market fund
NDTFC	Non-deposit taking finance corporations
ODCs	Other depository corporations
OFCs	Other financial corporations
PFs	Pension funds
PIE	Portfolio investment entity
RB	Registered banks
RBNZ	Reserve Bank of New Zealand
SI	Savings institutions
SRFs	Standardized report forms
SSR	Standard statistical return
STA	IMF's Statistics Department
SU	Statistics Unit
TA	Technical assistance

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

1. **At the request of the Reserve Bank of New Zealand (RBNZ), and with the support of the IMF's Asia & Pacific Department (APD), a monetary and financial statistics (MFS) technical assistance (TA) mission visited Wellington, New Zealand during October 1–12, 2018.**¹ The mission's main objectives were to assist the RBNZ to: (i) complete the central bank Standardized Report Form (SRF 1SR); (ii) review the source data and bridge table used to produce Other Depository Corporations (ODCs) Standardized Report Form (SRF 2SR); (iii) assist the RBNZ to produce additional historical data in the SRFs 1SR and 2SR for the past five years; (iv) review the available source data for the compilation the Other Financial Corporations (OFCs) Standardized Report Form (SRF 4SR); (v) prepare metadata for the central bank, ODC, and OFC surveys; and (vi) agree on a timetable for RBNZ's SRF-reporting of its MFS.
2. **Together with staff of the Statistics Unit (SU) of the Macro-Financial Department, the mission reviewed the source data for the RBNZ, Registered Banks (RBs), managed funds (MFs) and Insurance Corporations (ICs) and finalized the SRF compilation framework.** The mission assisted the staff of the SU to develop reports that automatically generate the SRFs 1SR, 2SR from Financial Sector Information System (FSIS), the RBNZ's proprietary database. FSIS generated reports pull the source data from the RBNZ's general ledger and information reported to the RBNZ by ODCs. In order to regularly produce and submit data for OFCs, new series that aggregate MFs and ICs will need to be created in FSIS.
3. **The size of the OFC sector makes a priority for the RBNZ to compile and disseminate a quarterly OFC survey.** Combined, the MFs, ICs, and Non-Deposit Taking Finance Companies (NDTFCs) represent around a quarter of total financial system's assets. Excluding such a sizable portion of the financial sector from the MFS would significantly affect their usefulness for policy formulation, particularly as these sectors represent long-term household savings. Production of data for OFCs will permit the compilation of a financial corporation's survey. The RBNZ is also eager to use the accounts of OFCs in the compilation of financial statistics, such as flow-of-funds and Balance Sheet Approach.
4. **The RBNZ can now compile MFS based on SRFs for national dissemination and for reporting to the IMF's Statistics Department (STA) for publication in *International Financial Statistics (IFS)*.** Historical monthly series can be provided from December 2001 for the RBNZ, from January 2013 for ODCs, from June 2014 for MFs, and June 2016 for ICs. The

¹ The mission would like to thank the RBNZ and the staff of their Macro-Financial Department MFD, for their hospitality and full support. A list of officials met by the mission is included in Appendix I.

necessary data and metadata will be reported internally and to STA for publication in *IFS* by end-2018.

5. The key objectives of the mission have been accomplished. SRF-based MFS are published in *IFS* as of the December 2018 issue. Work undertaken by the SU to improve its collections over the past few years put the mission in the position to finalize the reporting framework, including for the OFCs. Many of the mission's recommended reclassifications were completed on-site within the RBNZ's proprietary database software.

6. To support progress in the above work areas, the mission recommended a detailed action plan with the priority recommendations summarized in Table 1. Further details can be found in the section *Detailed Technical Assessment and Recommendations*.

Table 1. Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
December 2018 – Completed as of November 2018	<i>The RBNZ to report to STA, on a regular monthly basis, SRF 1SR based on the new compilation framework, including historical series from December 2001 onwards.</i>	RBNZ – Statistics Unit
December 2018 – Completed as of November 2018	<i>The RBNZ to report to STA, on a regular monthly basis, SRF 2SR based on the new compilation framework, including historical series from January 2013 onwards.</i>	RBNZ – Statistics Unit
December 2018 – Completed as of November 2018	<i>The RBNZ to provide STA with an initial set of quarterly data in SRF 4SR based on the agreed compilation framework, including historical series from June 2014 onwards for MFs and June 2016 onwards for ICs.</i>	RBNZ – Statistics Unit
June 2019	<i>SU to create the needed time series in FSIS to be able to regularly produce and disseminate data using SRF 4SR for MFs and ICs.</i>	RBNZ – Statistics Unit
June 2019	<i>SU to align the official monetary statistics published on the RBNZ's website to the balance sheet and survey data compiled from the SRFs.</i>	RBNZ – Statistics Unit

BACKGROUND

A. Context

7. STA has not disseminated New Zealand's MFS data in *IFS* since 2011. In 2010, the RBNZ began monthly reporting of MFS for the central bank [SRF-1SR] with historical monthly data from December 2001. The SRF-1SR, based off the general ledger of the RBNZ, contains sufficient breakdowns for data dissemination by STA. However, the data collection framework for RBs and other DTFCs lacked sufficient instrument and counterparty breakdowns to compile the SRF-2SR for ODCs. As STA was unable to compile a SRF-based depository corporations survey for New Zealand, the SRF migration process stalled and the RBNZ ceased providing MFS to STA in the pre-SRF report forms in 2011.

8. The RBNZ publishes monthly and quarterly data for a broad range of macro statistics. The Statistics page of the RBNZ's website includes data on exchange rates, household data, international position, and other economic indicators compiled by Statistics New Zealand such as prices, trade, GDP, labor market conditions, balance of payments and international investment position. In terms of MFS, the RBNZ disseminates data on exchange rates, balances of the RBNZ, RBs, and non-bank and other financial institutions, credit card balances, sector lending, loan-to-value ratios, and money and credit aggregates. As described below, the RBNZ's disseminated MFS follow the *MFSMCG*.

9. A recently introduced collection framework was designed to meet the needs of various RBNZ departments. In 2016, the RBNZ deployed a new bank balance sheet collection system (BBS) collection system, which replaced the Standard Statistical Return (SSR) collection framework. The BBS not only serves as the means of obtaining MFS from reporting institutions, it also serves as the collection platform for supervisory data. Aside from bank balance sheets, the BBS contains data on income statement, capital composition, metrics, and risk exposures, and macro-prudential ratios.

10. In the past five years the SU has improved its existing MFS surveys and launched new data collections. The RBNZ introduced enhancements to its MFs survey in 2014. Registered bank balance sheet data compiled using the BBS were first disseminated on the RBNZ's website in April 2017, with historical data compiled only from December 2016. Balance sheet data for ICs was disseminated to the public in February 2018.

11. Following the introduction of the BBS, the RBNZ was able to compile the SRF-2SR for ODCs. Unlike its predecessor, the SSR, the BBS collection framework was designed to be compliant with the guidelines and recommendations of the IMF's *MFSMCG*. Data provided in the framework contain identification of instruments, currency, and counterpart sectors needed to compile SRF-2SR. With sufficient information now available, the RBNZ requested IMF

consultation to complete the mapping of the BBS balance sheet data to the SRF-2SR and to develop the accompanying metadata.

B. New Zealand's Financial System

12. The financial sector of New Zealand is highly developed, comprising a wide line of services by diverse types of intermediaries. The system includes the central bank, RBs, building societies, credit unions, DTFCs, cash management trusts (money market mutual funds), private superannuation schemes (pension funds), other MFs and trusts (non-money market investment funds), ICs, NDTFCs, and several financial auxiliaries. As of end-March 2018, total assets of the financial system were about 750 billion NZD, equivalent to around 310 percent of New Zealand's gross domestic product (GDP). A summary of the structure of the financial sector is presented in Table 2.

Table 2. Financial System
(NZD billions, end-March 2018)

Financial Sector		Total Assets (\$m)	% of Total financial sector	% of Subsector	% of GDP
Central Bank		29,121	4%	100%	12%
RBNZ		29,121	4%	100%	
Other Depository Corporations		534,511	72%	100%	220%
Registered Banks		527,366	71%	99%	218%
Nonbank deposit takers		4,132	1%	1%	
Cash Management Trusts		3,013	0%	1%	
Other financial corporations		183,849	25%	100%	76%
Private Superannuation	KiwiSaver	48,488	6%	26%	20%
	Other Super	28,221	4%	15%	12%
Managed Funds (non-money market)	Wholesale	16,261	2%	9%	7%
	Retail	38,456	5%	21%	16%
Other funds and trusts	IMP	21,876	3%	12%	9%
Insurance Companies		20,075	3%	11%	8%
Nonbank lending institutions (non-deposit taking)		10,472	1%	6%	4%
Total Assets		747,481			308%

Source: Reserve Bank of New Zealand

13. The functions, responsibilities, and attributions of the RBNZ are contained in the Reserve Bank of New Zealand Act (1989). The RBNZ, established in 1934, is responsible for formulating and implementing monetary policy, promoting a sound and efficient financial system, and carrying out other functions and exercising other powers as established by the Act. The Act provides for the appointment of the RBNZ's Board of Directors, Governor, and Deputy Governors, and its corporate powers. The Act also provides for the Bank's powers and functions

in respect of banking supervision, and payments and settlement systems. Subsequent legislation has given the RBNZ additional powers and functions²; (i) the *Anti-Money Laundering and Countering Financing of Terrorism Act (2009)* gave the RBNZ authority to ensure that banks, life insurers, and non-bank deposit takers comply with measures to detect and deter money laundering and terrorism financing; (ii) the *Insurance (Prudential Supervision) Act (2010)* gave authority to issue licenses to insurers carrying on insurance business and responsibility for prudential supervision of licensed insurers; and (iii) the *Non-bank Deposit Takers Act (2013)* gave the RBNZ power to act as the prudential regulator and licensing authority for non-bank deposit takers. The RBNZ also acts as a depository agent in the country's relations with the IMF.

14. The ODC sector comprises RBs, savings institutions (SIs), DTFCs, and cash management trusts, with total assets of about NZD 535 billion at end-March 2018.

- **RBs** provide services such as accepting deposits, making business and mortgage loans, and offering basic investment products. To be considered as a bank, an institution must register with the RBNZ. There are 26 RBs operating in New Zealand, of which six are dual registered banking groups. 15 RBs operate as subsidiaries, and 11 operate as branches of overseas incorporated banks.
- **SIs** are non-bank lending institutions with a prospectus on issue, enabling them to take deposits from the public. They include registered building societies and credit unions.
- **Building Societies** are financial corporations that pay interest on investment shares/deposits by its members and lends capital for the purchase or improvement of houses.
- **Credit Unions** are co-operative financial corporations that are owned and controlled by their members. They are not-for-profit and accept deposits and loans from their members. Credit unions and mutual building societies may voluntarily join their apex body (Co-op Money NZ), which acts as a savings insurer, a lender of last resort, and a provider of services for the smaller credit unions.
- **Cash management trusts** are money market funds (MMF) that typically invest in money market instruments with a maturity of less than one-year only. Cash management trusts are governed by a trust deed and can be either open or closed to the general public. They issue units that are redeemable by the unit holder on demand, and thus are a close substitute for deposits included in broad money.

15. The ODC sector in New Zealand is dominated by banks, focuses its activities on lending to the domestic private sector, and is characterized by the importance of four Australian subsidiaries. RBs represent over 70 percent of total financial assets. Banks are well

² These Acts can be viewed electronically on the [New Zealand Legislation website](#). Regulations made under these Acts can be viewed on the same site.

capitalized and liquid, with low levels of nonperforming assets, and stable profitability. Almost 80 percent of the banks' assets are claims on the domestic private sector. Foreign funding accounts for almost 20 percent of banks' liabilities. The system is concentrated on four subsidiaries of the largest Australian banks, whose share in the banking sector's total assets was 86 percent at March 2018.

16. The OFC sector accounts for about 25 percent of total financial system assets and is supervised by both the RBNZ and the Financial Markets Authority (FMA). This large and diverse sector had gross assets of over 75 percent of GDP at end-March 2018. The two largest components of this sector are MFs and ICs. MFs consist of pooled investment funds, private superannuation funds, and other funds administered by external portfolio managers who report quarterly asset allocations and liabilities to the RBNZ. ICs and non-DTFCs make up most of rest of the OFC's sectors assets. The FMA is responsible for enforcing securities, financial reporting, and company law as they apply to financial services and securities markets. The FMA regulates securities exchanges, financial advisers and brokers, auditors, trustees and issuers - including issuers of KiwiSaver and other private superannuation schemes.

17. The pension fund (private superannuation) sub-sector comprises KiwiSaver and other private superannuation schemes.

- **Pension funds (PFs)** offer retirement and related benefits that supplement retirement income. The FMA regulates superannuation and other MFs under the *Financial Markets Authority Act (2011)* and various other legislation³. The older and larger superannuation schemes typically provide defined benefits while newer schemes are generally defined contribution. The RBNZ collects regular quarterly data from the private superannuation schemes which manage assets of around NZD 28 billion at end-March 2018. Private superannuation schemes, particularly KiwiSaver, have been growing fast in the past years.
- **KiwiSaver** is a voluntary savings scheme designed to help individuals save for their retirement. KiwiSaver, first introduced in July 2007, has since become the main private superannuation scheme in New Zealand. KiwiSaver is open to all individuals and employees in New Zealand, who can choose to contribute up to eight percent of pre-tax salary to the scheme. Employers must also contribute at least three percent of pre-tax salary. The government subsidizes savers by matching 50 cents for every dollar put in, up to a maximum annual payment of NZ\$521.43 (as at 2016). The individual saver determines which fund manager (scheme provider) to use and can choose alternative strategies for their investment. The RBNZ collects regular quarterly data from KiwiSaver fund managers. KiwiSaver funds reached assets of around NZD 48.5 billion at end-March 2018 and have now surpassed

³ A list of Financial Markets Legislation overseen by the FMA is found here: <https://fma.govt.nz/about-us/governance/legislation/>

NZD 50 billion. The RBNZ collects data from 31 fund managers who report superannuation assets in the MFs survey.

18. The non-MMF investment funds subsector comprises collective investment schemes (CIS), which had assets of around NZD 77 billion at end-March 2018. CIS are pooled investment funds administered by external portfolio managers who report their asset allocations and liabilities to the RBNZ in the MFs survey. CIS are regulated by the FMA. The funds under management comprise of life office funds, retail unit trusts and group-investment funds, property trusts, wholesale trusts, and individually managed portfolios (IMPs).

- **Life office funds** are monies used to back policy holders' claims on companies offering life insurance and related annuities, as well as statutory funds.
- **Retail unit trusts and group-investment funds (GIFs)** primarily invest in financial assets. Retail unit trusts and GIFs are the legal owner of the assets and issue units to the general public within New Zealand; and invest the pooled monies.
- **Property trusts** invest predominantly in direct holdings of property and infrastructure. Retail unit trusts, GIFs, and property trusts must have registered a prospectus with the New Zealand Companies Office, and some are listed on New Zealand Stock Exchange.
- **Wholesale trusts** are used by institutional investors to pool their monies to invest in one or more underlying investments. Wholesale trusts are the legal owner of the assets, and investors own units in the wholesale trust. Wholesale trusts are classified as non-money-market funds (non-MMF) and are not open to the general public.
- **IMPs** are not pooled funds of investor's money but are rather monies managed by a fund manager directly on behalf of a client. A large portion of IMPs are private wealth funds. The RBNZ collects and disseminates quarterly data from these institutions, excluding property trusts.

19. There are currently 89 registered ICs in NZ,⁴ comprising of 28 life insurance and 61 nonlife companies. Out of these, 12 companies offer both life and nonlife insurance products. ICs are regulated by the RBNZ under the *Insurance (Prudential Supervision) Act (2010)*. The insurance sector is characterized by high concentration and an extensive presence of foreign (mainly Australian) insurers. Around three-fourths of premium income is attributable to the branches or subsidiaries of foreign insurers. The largest insurer, an Australian group, accounts for almost half of total non-life premium income. Only about half of non-life premium income is written by the private sector, reflecting the migration of savings from insurance to investment products and the important role played by government in coverage of particular risks which it

⁴ The list of registered insurers can be obtained at: <https://www.rbnz.govt.nz/regulation-and-supervision/insurers/licensing/register>.

finances by levies: the Accident Compensation Commission provides extensive coverage for personal injury insurance, and the Earthquake Commission provides first loss cover for losses from earthquakes and other specified natural hazards for insured residential properties.⁵ At end-March 2018 ICs had total assets of around NZD 20 billion. The RBNZ regularly compiles and disseminates quarterly data for licensed ICs.

20. The non-deposit-taking finance sector comprises financial corporations that do not issue a prospectus or take deposits from the public. Funding for these institutions generally comes from RBs, financial markets or from parent companies. Most institutions are domestically owned. The non-deposit-taking finance sector has more than halved in size since 2007. The RBNZ compiles and disseminates quarterly data for NDTFCs, which had assets over NZD 10 billion at end-March 2018, or around one percent of total financial system assets.

21. Financial auxiliaries include financial market infrastructure corporations. Financial market infrastructure corporations provide channels through which payments, securities, derivatives or other financial transactions are cleared, settled or recorded. Financial market infrastructure corporations can strengthen the markets they serve; if not managed properly, they can pose significant risks to the financial system. NZClear provides the financial markets with clearing and settlement services for high-value debt securities and equities. The Exchange Settlement Account System, run by the RBNZ along with Real-Time Gross Settlement, allows individual transactions between financial institutions to be settled electronically as the transactions happen. The RBNZ plans to introduce a new Payment Systems Replacement Program in April 2019.

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

A. Compilation of Monetary and Financial Statistics

22. The SRFs were introduced in 2004 for the reporting of countries' MFS to STA for publication in *IFS*. The introduction of the SRFs was a key step in improving the quality of MFS through the standardization of the collection, validation, and dissemination of monetary data. The SRFs contain a wealth of information, with financial instruments classified by type, currency of denomination (domestic and foreign currency), and counterpart sector. Such level of granularity fosters adherence to international statistical standards, enhances cross-country

⁵ The Accident Compensation Commission and Earthquake Commission are excluded from the scope of the insurance sector owing to the nature of their functions, which is similar to social insurance schemes. Both are funded by compulsory levies on individuals, employers, insurance policies, and trade licenses (among others).

comparability, and allows the development of additional monetary policy tools. Currently, over 160 countries report their monetary data to STA using the SRFs.

23. The RBNZ has been producing SRFs for the central bank since 2010, with the time series beginning in December 2001. The SRF-1SR is produced from the RBNZ's general ledger accounts. The accounts in the general ledger are mapped into the SRF-1SR using a framework developed by the SU in 2010. Each of the reported time series in the SRF are stored as a distinct object in FSIS. The SRF-1SR is generated as a report from FSIS as needed for the submission of MFS to the Fund.

24. RBNZ was producing non-SRF data for ODCs based on the old SSR system, which lacked the instrument and counterpart breakdowns necessary to produce SRF-2SR. Bank and nonbank balance sheets were regularly disseminated on the RBNZ's website along with money and credit aggregates and other macroeconomic variables for the financial system. While the RBNZ collected information for all deposit-takers, the money and credit aggregates were focused on "M3 institutions" only, which only included selected registered banks and nonbanks. In addition, broad money included some NZ dollar funding from non-residents, which should have been identified as NFA. The BBS system, introduced as a replacement to the SSR in 2017, was designed to be *MFSMCG*-compliant in terms of coverage and definitions, and thus has sufficient information to be able to produce SRF-2SR.

25. The RBNZ now has the necessary information to compile SRFs for OFCs. The RBNZ collects quarterly balance sheet information from MFs and ICs. While these report forms are not collected with the same level of detail as the BBS, there is sufficient information to be able to classify their assets and liabilities in SRF-4SR. The RBNZ should be able to produce quarterly data for each of these subsectors in addition to an OFC survey and a financial corporations survey.

Reserve Bank of New Zealand Survey

26. The source data for compiling the central bank survey is the RBNZ's general ledger. The general ledger contains over 11,000 accounts (many no longer in use) for assets, liabilities, capital and reserves, and income and expenses. Data for the RBNZ's balance sheet are disseminated two to three weeks after the end of the reference month.

27. SU has documented processes in place to classify data from the general ledger and produce SRF-1SR. SU receives the general ledger accounts from the RBNZ's Financial Services Group (FSG) within the first 10 days of the month. The time series received by SU have sufficient information to identify the instrument and currency of each account. However, the accounts lack details on the residency of the counterparty. As a starting point, SU uses the currency of denomination as a proxy to determine residency. FSG provides supplemental information to SU to assist in identification of resident and non-resident sector positions of the RBNZ.

28. Using the supplementary information, the SU makes two manual adjustments to the balance sheet data. The first adjustment is needed to identify the counterparty of the RBNZ's reverse repurchase agreements; and the other to identify the counterparty for the RBNZ's financial derivatives (interest rate, basis, and foreign exchange swap operations).

29. Additional supplementary information could be used to eliminate the remaining discrepancies between the international reserves data published by the RBNZ and the data compiled from the SRFs. Despite these manual adjustments, there are still differences between the foreign positions reported in SRF-1SR and those reported by FSG in the international reserves template. FSG produces the data in the International Reserves Template, called by the RBNZ the "SDDS Report", and published online in a separate table (Table E1) on the RBNZ's website. FSG's data for reserves also derive from the general ledger and are manually adjusted by FSG staff when calculating the total amount of international reserves. FSG makes some additional manual adjustments to the data beyond the operations currently performed by the SU.

30. SU's existing processes are not currently able to fully identify the RBNZ's positions with non-residents. SU, jointly with staff from FSG, are urged to expand the adjustments process to include other instruments such as deposits, debt securities, repurchase agreement (liabilities), and other accounts receivable/payable. Additionally, the manual adjustments made to financial derivatives should be expanded to include cross currency swaps and futures.

31. Recommended Action: *SU, jointly with the FSG to conduct a review of the practices used to compile the International Reserves Template and Table E1 to document and resolve all differences. Deadline: June 2019.*

32. Recommended Action: *SU to develop new data reports from FSG that separately identify counterparty positions for the RBNZ's deposits, debt securities, repurchase agreements, financial derivatives, and other accounts payable/receivable and classify the accounts properly in SRF-1SR. Deadline: September 2019.*

33. Foreign currency denominated assets are converted to NZD using market rates obtained from Bloomberg. Rates are obtained at approximately 9:12 AM from Tuesday through Saturday, capturing closing prices from international markets. This rate approximates the market conditions existing for the previous day's RBNZ balance sheet.

34. Accrual accounting methods are used to value financial instruments on the RBNZ balance sheet. Flows and valuation changes in the corresponding stocks are recorded at the time economic value is created, transformed, exchanged, transferred, or extinguished; rather than at the time when payments are made (cash basis). This approach is in line with international financial reporting standards (IFRSs) and the recommendations of the *MFSMCG*. However, in the general ledger, the interest accrued on deposits, loans, and debt securities is not recorded together with its underlying instrument (as recommended by the *MFSMCG*), but in Other Assets/Liabilities as interest receivable or payable. Because interest receivable/payable is

identified for the different instruments in the general ledger, it is possible to bring them together with their underlying assets in the SRF 1SR. In the SRF 1SR, the RBNZ reports the value of the stock of financial instruments together with the associated accruals. The RBNZ values its financial assets and liabilities using market prices or fair value methods, in line with the recommendations of the *MFSMCG*.

35. The RBNZ issues short-term debt securities that accrue interest. These unrated securities are considered credit-risk free and are currently only held by RBs. The RBNZ bills are classified as excluded from the monetary base as the RBNZ does not require banks to hold reserves. The mission informed the SU that, should these securities become tradable in secondary markets, the RBNZ would need to track their ownership. RBNZ bills owned by money holding sectors, such as OFCs, should be included in the stock of broad money.

36. New Zealand's positions with the IMF are on the balance sheet of the Debt Management Office of the Treasury. As the depository agent for transactions with the IMF, the RBNZ only has minor amounts of IMF No. 1 Account and No. 2 Account deposits on its balance sheet.

Standardized Report Form 1SR

37. Together with staff from the SU and the FSG, the mission reviewed the scheme used to map the accounts in the general ledger to the different items of the SRF 1SR. The bridge table format has been shared with RBNZ staff, as indicated in Appendix II. FSG corrected the positions in the accounts below.

- Reclassified accounts related to FX Swaps (70206 and 70306) from Account A822222 (Settlement Accounts – Nonresidents) to A7581 (Financial Derivatives Nonresidents).
- Reclassified accounts related to retained earnings (91100, 91101, 91102, 91103, 92204) from Account L94 (General and Special Reserves) to Account L92 (Retained earnings).

38. Some of the general ledger accounts contained a mixture of positions in national and foreign currency. These accounts were split so that they only contained either national or foreign currency denominated positions. FSG corrected the mapping scheme to more accurately filter out foreign currency positions in the accounts below:

- Financial Derivatives (71018).
- Other Assets: (71608).
- Financial Derivatives (81018).

39. Benchmark Recommended Action: *The RBNZ to report to STA, on a regular monthly basis, SRF 1SR based on the new compilation framework, including historical series from December 2001 onwards. Deadline: December 2018.*

Other Depository Corporations

40. ODCs comprise of RBs, SIs, DTFCs, and cash management trusts. RBs submit their balance sheet data in the BBS report forms via a secure web portal. Data are reported monthly within 12 business days of the end of the reporting period. Data for SIs and DTFCs with balance sheet assets of at least NZD 100 million are submitted quarterly using a simplified version of the SSR report forms. Data are reported within 12 business days of the end of the reporting period. Data for SIs and deposit taking finance corporations (DTFCs) with less than NZD 100 million in assets are requested to submit a further simplified SSR on a March annual basis by the last working day in April. The list of surveys and blank templates are available at: <https://www.rbnz.govt.nz/statistics/surveys>. The RBNZ issued guidelines and definitions for each of the reported items to assist compilers.⁶

41. Beginning in 2019, the RBNZ will review the statistical reporting of non-bank entities to better align the data with the RBs reports and to provide more coherent and comparable statistics meeting international standards. The simplified SSR report forms for non-bank institutions will be replaced. The new system, a simplified version of the BBS reports, will permit the harmonization of data for all deposit takers and the expansion of ODC coverage to include SIs and DTFCs. Once the data are produced, SU could include SIs and DTFCs in coverage of ODCs and include their deposits and deposit substitute liabilities in the definition of broad money. Before including the data for the non-bank deposit-takers, the SU should conduct a cost/benefit analysis and ensure that the updated data have sufficient materiality to add them to the statistical coverage.

42. The balance sheet information collected for RBs contains the necessary information for a proper classification of the accounts according to the MFSMCG's methodology, but some minor gaps persist. Data are collected in a balance sheet report form based on the structure of the SRF-2SR, with specific adjustments to meet the needs of the local economy and regulatory and supervisory definitions. The lion's share of the accounts identifies the instrument, currency, and counterparty to the position. Only other accounts receivable/payable and debt security liabilities of banks do not provide counterparty information. There are a handful of other minor classifications in the data reporting guidelines that are also not fully MFSMCG compliant. The retained earnings account also includes general and special reserves, current year results, and some valuation adjustments. Cash collateral received in relation to derivative trades is

⁶ RBNZ's Document "Procedures and Definitions for Completion of the Monthly Balance Sheet Survey" is available at: <https://www.rbnz.govt.nz/-/media/ReserveBank/Files/Statistics/Surveys/Definitions-for-Bank-Balance-Sheet.pdf?la=en>.

classified as loans (other borrowed funds) and not deposits. These minor deficiencies do not inhibit the analysis or use of MFS.

43. Incomplete information on counterparty details of debt securities issued by ODCs prevents their proper sectoring in SRF 2SR. This affects the banks' liabilities originated in bills of exchange, certificates of deposits, commercial paper, Euro notes, asset backed securities, bonds, collateralized securities, debentures, floating rate notes, medium-term notes, and preferred stock. To solve this shortcoming, the RBNZ could make use of the information in its repository of securities. Based on this information provided to the mission, these debt security liabilities were allocated to the other resident sector in SRF-2SR and excluded from broad money.

44. Provided that the supplementary information in the repository of securities demonstrates that bank debt securities are widely traded, the RBNZ may wish to amend its definition of broad money. Some types of short-term debt securities issued by depository corporations that can be converted into currency or transferable deposits at short notice at, or close to, their full nominal value, meet the definition of broad money. The *MFSMCG* recommends that securities with an original maturity of more than two years be excluded from broad money. To be considered as part of broad money, the securities must be owned by sectors other than nonresidents, the central government, and depository corporations.

45. Recommended Action: *SU to review the repository of securities' supplementary information to identify the counterpart sector for RBs securities. Based on these findings, to consider including them in the definition of broad money. Deadline: September 2019.*

46. The BBS contains a line item for "Other Equity Investments." This line is used to capture RBs ownership of units in investment funds.⁷ Additional information on the type of fund and issuer could be used, especially when reporting data in the future SRFs based on the *MFSMCG*. Investments in overseas issued investment funds should form part of foreign assets, while investments in cash management trusts would be classified as claims on ODCs. Units in non-MMFs should be classified as claims on OFCs. Based on this information provided to the mission, these liabilities were allocated to claims on OFCs in SRF-2SR.

47. The BBS contains information on RBs repurchase agreement liabilities to money holding sectors. Although no banks report balances in these accounts as of Q3-2018, these instruments could be introduced in the future. If banks conduct repurchase agreements with money holding sectors, the amounts should be classified with deposits.

48. Interest is recorded on an accrual basis and banks value their financial assets and liabilities using methods in line with the recommendations of the *MFSMCG*. Collecting

⁷ The balance in this item is currently immaterial.

separate data on accrued interest, disaggregated by financial instrument could be useful when reconciling data from other datasets such as the repository of securities.

49. Each bank uses New Zealand’s Generally Accepted Accounting Practice standards to convert foreign currency positions into New Zealand dollars, using the same methodology as the banks’ disclosure statements. The standards require financial institutions to use the closing rate at the end of each reporting period.

50. New Zealand’s State Services Commission maintains and disseminates an up-to-date list of public entities to assist reporting institutions to classify their accounts and, ideally, reduce inaccuracies that affect the calculation of net credit to government. The list, available [here](#), is referenced in the guidelines and definitions document for survey respondents.

51. Monthly data for cash management trusts with more than NZD 500 million in assets will need to be estimated. Cash management trusts submit quarterly returns as part of the MFs survey, within 20 business days of the end of the reporting period. Investment managers with less than NZD 500 million in a cash management trust are required to submit a March annual return by the last business day of April. Because the collection frequency and compilation of balance sheet data differ from those of RBs, SIs, and DTFCs, the RBNZ has technical challenges adding this sector to the coverage of ODCs. Monthly data for cash management trusts will have to be estimated from quarterly values. This can be done by carrying forward the quarterly reported stock values for intervening and current months. SU will regularly monitor the size of the independent cash management trusts and, when material, consider including them in the coverage of ODCs and include liabilities in the definition of broad money.

52. Care should be taken to avoid double counting cash management trusts operated by banks. RBs report their balance sheets on a consolidated basis for the purposes of compiling MFS. That means that the operations of their subsidiary companies offering portfolio investment entity (PIE) products are already part of the coverage of the ODC sector. PIEs, created in 2007, provide investors with lower tax rates on interest income than on other types of deposits. Most PIE products are offered by banking groups as an additional investment option to their retail clients. PIEs offered by bank subsidiary companies only invest in short-term financial products offered by their parent bank.

53. The consolidated reporting of PIEs deviates from the MFSMCG recommended gross recording. According to the *MFSMCG*, the corporations that offer PIE products should be considered as separate institutional units and classified as MMFs. However, this would significantly reduce the volume of household deposits with RBs. The registered bank survey does not classify PIE products as deposits of OFCs, rather it “looks through” them to identify the sector of the investor. As such, PIEs are generally classified as other deposits of other resident sectors (households) in the RBs’ balance sheet. The MF survey also asks for balance sheet information from both institutional and independent fund managers. Subsidiaries of banks thus report cash

management trust balance sheets twice to the RBNZ, once within the balance sheet of RBs and once within the MF survey.

54. Only MFs run by independent entities or bank subsidiaries that are not included in consolidated balance sheet reports should be added into the sector. When compiling data for cash management trusts for inclusion in the ODC sector, care needs to be taken to avoid double counting entities that report data as part of the consolidated registered bank balance sheet. In the new SRF 2SR, PIE products should be classified as units in money market investment funds rather than deposits.

Standardized Report Form 2SR

55. Prior to the mission, the SU produced a bridge table demonstrating how the accounts RBs are mapped within FSIS to the different items of SRF 2SR. The mission reviewed the classification of the accounts and agreed on a final mapping. The source data derive from data provided in the BBS system and the time series begin in December 2016. The bridge table format has been shared with RBNZ staff, as indicated in Appendix III.

56. RBNZ and the mission agreed to reclassify several items in the bridge table following discussion of their composition. The following have been reclassified:

- Dividends receivable/payable were reclassified from miscellaneous assets/liabilities (residents) to dividends receivable/payable.
- Current/deferred tax assets/liabilities were reclassified from settlement accounts (other resident sectors) to miscellaneous asset/liabilities (residents).
- Goodwill and other intangibles were reclassified from settlement accounts (other resident sectors) to other nonfinancial assets.
- Accounts used for net adjustments for deposits, debt securities, and borrowings that reconcile the reported BBS data with information in banks' disclosure statements were reclassified from settlement accounts (other resident sectors) to miscellaneous liabilities.
- All other liabilities were reclassified from settlement accounts (other resident sectors) to miscellaneous liabilities.
- Branch capital was reclassified from valuation adjustment to funds contributed by owners.

57. SU already has processes in place to retrieve the BBS data from FSIS in a ready-to-use format. The extracted data can quickly and easily be used to update the file containing the bridge tables, which should allow rapid and accurate preparation of the SRF 2SR.

58. The RBNZ worked with the mission to construct historical series for SRF 2SR.

Consistent and long-term time series compiled using the 2SR will facilitate the acceptance and use of the new methodology. Historical data can be compiled using information from the SSR for RBs beginning January 2013. Working jointly, the mission and staff from the SU mapped the SSR data into the SRFs, taking care to maintain consistency with the previously backdated series for broad money, private sector credit, and domestic credit. The team also worked to refine the definitions of household deposits, housing loans, and business loans to ensure consistency with historical information in the RBNZ's databases.

59. Benchmark Recommended Action: *The RBNZ to report to STA, on a regular monthly basis, SRF 2SR based on the new compilation framework, including historical series from January 2013 onwards. Deadline: December 2018.*

Depository Corporations Survey

60. Sectoral balance sheets constructed using SRFs provide disaggregated information by type of financial instrument, by currency, and by counterpart sector that facilitates the compilation of analytical surveys. The surveys contain data encompassing all assets and liabilities for covered units but presented in a way that shows the financial relationships between these units vis-à-vis other resident economic sectors and the rest of the world. These financial corporations surveys can be automatically generated from the SRFs. The central bank, ODCs, and depository corporations surveys compiled from the SRFs 1SR and 2SR, with data at end-December 2017 are presented along with the rest of the financial sector's data in the Integrated Monetary Database shared with RBNZ staff, as indicated in in Appendix IV.

61. The analytical surveys obtained from the SRFs 1SR and 2SR are consistent with the monetary data disseminated by the RBNZ on its website. The RBNZ publishes various sets of monetary statistics on its website. The current monetary data disseminated in the Statistics sections of the RBNZ webpage are based on the *MFSMCG* methodology. Their key aggregates are derived from the SRF's analytical surveys and will be consistent with data provided to STA.

Other Financial Corporations

62. The magnitude of the OFC sector in New Zealand makes a priority the compilation and dissemination of a quarterly OFC survey. The quality and analytical usefulness of MFS depend on a proper institutional coverage. Excluding such a substantial portion of the financial sector from the MFS would significantly affect their usefulness. For New Zealand, an OFC survey with full coverage constitutes a crucial input for other analytical tools such as the Balance Sheet Approach matrix and financial accounts. The RBNZ already has in place data collections for the most important subsectors of OFCs: MFs and ICs.

63. A major challenge for the compilation of an OFC survey arises from the large number and diversity of operating institutions. Even though the major subsectors of OFCs all

report data to the RBNZ, they report data in different balance sheet formats and, for the smaller institutions, with different timeliness. RBNZ collects data from smaller MFs on an annual basis. For these institutions, the RBNZ carries forward the stock values of the annual data through for the next year as a proxy for a quarterly submission. Although the data are generally adequate for the preparation of SRFs, there are cases where they lack the needed disaggregation by financial instrument, by currency, and/or by counterpart sector.

64. The RBNZ issued guidelines and definitions for each of the reported items in the MFs survey to assist compilers which can be accessed [online](#). These instructions ask MF's to convert assets and liabilities denominated in foreign currency into New Zealand dollars at the midpoint of the appropriate buy and sell rates that apply at the end of the reference period. Reporters are asked to use valuation methods in line with the recommendations of the *MFSMCG*. There is no specific recommendation in the instructions to request MF's to report data on an accrual basis, however accrual accounting is a standard practice in New Zealand.

65. Time series based on the definitions of SRF 4SR need to be created in FSIS prior to the start of regular reporting. Together with the mission, the SU developed bridge tables from the MFs survey and IC balance sheet survey into the SRF 4SR. The bridge tables were used to compile quarterly historical data beginning in June 2014 for MFs and June 2016 for ICs. These data will be used by STA to create the initial dataset for OFCs for inclusion in *IFS*. To begin compilation of aggregate data for the OFC sector, SU will need to create the time series definitions in FSIS to be able to generate and report SRF 4SR on a regular basis.

66. Benchmark Recommended Action: *SU to create the needed time series in FSIS to be able to regularly produce and disseminate data using SRF 4SR for MFs and ICs. Deadline: June 2019*

Pension Funds

67. The PF subsector is rapidly growing, mainly driven by growth in balances in KiwiSaver accounts. The RBNZ collects balance sheet data from all fund managers that offer KiwiSaver and other private superannuation schemes as part of its MFs survey. Fund managers are required to submit their financial information to the RBNZ within 20 working of the end of the reference period. The PFs sector does not include the New Zealand Superannuation Fund, which is a sovereign wealth fund. New Zealand currently provides universal pension benefits for people over 65 years of age and the purpose of the Superannuation Fund is to partially pre-fund the future cost of the New Zealand Superannuation pension.

68. The balance sheet of PFs, as reported by their fund managers, contains sufficient information on the types of instruments for proper classification along with some information on the counterparty of investments. KiwiSaver balances represent almost two-thirds of total private superannuation assets. Almost half of KiwiSaver's assets are invested abroad. Of the money remaining in New Zealand, a little over 60 percent is invested either directly in equities or in unit trusts. Investment in government securities accounts for less than

ten percent of the domestic asset portfolio. Overseas positions of other private superannuation account for about 55 percent of total investment assets. Almost 80 percent of the domestic assets of other registered superannuation are placed either in investment pools or directly in equity.

69. There are some immaterial shortcomings to the collection framework for PFs and other MFs. The current balance sheets of PFs can be mapped into the SRF 4SR despite the missing counterparty information. Reported balance sheet data lack counterparty sector information for financial derivatives, other accounts receivable/payable, and debt security liabilities. The mapping of the source data to the SRF 4SR allocated these accounts to the counterparty sector identified by the RBNZ as having the largest volume of transactions.

70. The balance sheet of PFs lacks information on the currency of denomination of financial assets and liabilities. The mission agreed with the authorities to classify positions with residents in national currency and positions in financial assets and liabilities with nonresidents in foreign currency.

Non-MMF investment funds (Collective Investment Schemes)

71. CISs are divided into six classifications; life office funds, retail unit trusts and GIFs, cash management trusts, wholesale trusts, IMPs, and property unit trusts. As described earlier, cash management trusts are classified as ODCs. The RBNZ does not collect balance sheet data for property management trusts. Fund managers administering CIS are required to submit their financial statements to the RBNZ within 20 working days of the reference period.

72. The various CIS schemes have different asset allocations. Life office funds are predominantly invested (73 percent) in New Zealand issued assets. A third of the domestic assets are invested in long-term government debt while cash and short-term debt securities account for another 25 percent of assets. The bulk of the remaining assets are investments in unit trusts. Almost 40 percent of the assets of retail unit trusts are invested overseas. Of their domestic assets, a little under 40 percent are invested in short-term assets (deposits and short-term securities), while around 45 percent is invested in equities and units with the remainder mainly in long-term debt securities. Over 70 percent of investments with wholesale funds are obtained from large institutional investment schemes like KiwiSaver and other registered superannuation. Wholesale funds have generally invested abroad (60 percent of assets), followed by domestic investments in listed shares and long-term debt securities. IMPs are concentrated on managing individual's asset portfolios, typically of high net-worth individuals.

73. The limitations to the data collection framework for CIS are the same as described for PFs above. The CIS and PF data are all reported by investment managers using the same reporting framework. The collection framework already includes a breakdown on ownership of units in investment fund shares, which will be useful for compilation of the revised SRF 4SR.

Insurance Companies

74. The RBNZ collects quarterly balance sheet and income statement data for licensed life and nonlife ICs operating in New Zealand. Published statistics account for almost 90 percent of total assets of the sector. ICs are required to submit their financial statements to the RBNZ within 40 working days of the end of the reference period. The RBNZ issued guidelines and definitions for each of the reported items in the quarterly insurer survey to assist compilers, which can be accessed [online](#).

75. ICs use different accounting standards in their reported balance sheets. Insurers generally adhere to IFRS or New Zealand's Generally Accepted Accounting Principles (GAAP) for financial reporting. Some overseas based insurers use the national standards of their home territory. This means that they use mixed methodologies with respect to accrual accounting and exchange rates used to convert assets and liabilities denominated in foreign currency into New Zealand dollars. Accrued interest is generally reported as part of the corresponding value of the underlying financial instrument. Reporters are asked to use valuation methods in line with the recommendations of the *MFSMCG*.

76. The balance sheet information reported by ICs is generally tailored to regulatory requirements and use by the industry but can be used to populate SRF 4SR. The structure of the balance sheet covers the nonfinancial and financial assets and liabilities that are relevant for ICs and, therefore, some information needed for MFS is missing. The missing data include currency of denomination and counterpart sector for deposits, loans, insurance technical reserves, financial derivatives, other accounts receivable/payable, and debt security liabilities. The mapping of the source data to the SRF 4SR allocated these accounts to the counterparty sector assumed to have the largest volume of transactions.

77. Supplemental details on the counterpart sector to insurance technical reserves is collected but not currently disseminated. The RBNZ collects information on the counterparty to general insurance contracts and will be able to identify if the insurance covers domestic household or corporate entities as well as non-residents. The data have not yet been validated and are not yet ready for dissemination. These data can be used to improve the mapping scheme of the 4SR by classifying the insurance technical reserve liabilities by counterpart sector.

78. Recommended Action: *SU to amend the mapping scheme for ICs to include the classification of insurance technical reserve liabilities by counterpart sector.*
Deadline: December 2019.

79. ICs have a wide range of investments in financial assets. Almost one-third of their assets are invested abroad. Almost 20 percent of their assets represent claims on NZ's DC system and around seven percent are in government securities. They also have significant reinsurance assets and other claims on OFCs.

Other Institutional Units of the OFC Sector

80. The NDTFC sector has been winding down over the past decade. Total assets are around half the level they were a decade ago. Many of the companies have been in receivership for some time and have not submitted updated information to the RBNZ. The last available quarterly or annual values have been carried forward by the SU for multiple years, meaning the total asset size of the sector is likely overstated. Even if their balance sheets are very aggregated, they could still be included in the SRF 4SR. It is worth noting that, at present, the contributions of these institutions to the OFC sector is relatively small.

81. The report forms for the NDTFC sector will be reviewed along with the statistical reporting of other non-bank entities. The new reports will be better aligned with data provided in the BBS and will harmonize of data for all NDTFCs with the classifications and sectoring of data for MFs and ICs. Once data are compiled in the new system, SU should examine if the size of NDTFCs warrants their inclusion in the OFC sector's data.

Standardized Report Form 4SR

82. Together with the staff of SU, the mission created a bridge table to map the source data for each of the sub-sectors of OFCs to the SRF 4SR. The bridge tables for MFs and ICs, with data as at end-December 2017, has been shared with RBNZ staff, as indicated in Appendix V.

83. With the new bridge table to the SRF 4SR, the RBNZ will be able to produce the SRF 4SR, an OFC survey, and a financial corporations survey. The SRF 4SR can be easily produced using the bridge tables provided by the mission. This will permit rapid and accurate preparation of the SRF 4SR. Historical data can be produced for all institutions of the OFC sector in the SRF 4SR format. The series for MFs will begin in June 2014, while data for ICs will be introduced from June 2016 onwards.

84. Benchmark Recommended Action: *The RBNZ to provide STA with an initial set of quarterly data in SRF 4SR based on the agreed compilation framework, including historical series from June 2014 onwards for MFs and June 2016 onwards for ICs. December 2018.*

85. Deviations from the (MFSMCG methodology are documented in New Zealand's revised country notes in the IFS publication (Appendix VI).

B. Use of MFS Derived from the SRFs

86. The adoption of the new SRF framework creates an opportunity for the RBNZ to revise its national disseminated monetary statistics and make them consistent with the data published by the IMF. Data based on the new compilation framework will begin only in

January 2013. This, combined with the reclassifications to the historical data to ensure consistency, should provide users with a sufficiently long time series for research and analysis. Careful coordination with STA and APD could lead to the adoption of this framework for use in IMF surveillance and program work, since the analytical series required by APD could be constructed from the SRF-based data reported to STA.

87. Aggregate level time series will need to be created in FSIS prior to the RBNZ's dissemination of data based on the SRFs on its website. The RBNZ calculates all aggregates from raw data in the FSIS system. New series based on the SRF compilation framework will need to be developed in FSIS prior to the RB's publication of SRF-based MFS data on its own website. In the meantime, the RBNZ is committed to providing SRF-based MFS data to STA for publication in *IFS* and internal IMF use.

88. Recommended Action: *SU to align the official monetary statistics published on the RBNZ's website to the balance sheet and survey data compiled from the SRFs.*

89. The RBNZ has processes in place to carefully manage the external introduction of new datasets. Staff from the SU regularly meet with other key stakeholders, Statistics New Zealand, prior to making major revisions or introducing new datasets. External stakeholders are informed prior to the release of a new dataset prior via a Statistics News and Updates section of the RBNZ website. The external announcements indicate reasons for the creation of the new series or dataset and retirement of discontinued framework. A detailed technical document, accompanied by methodological notes typically accompanies the introduction of the new data. Users are also provided with information on the concordance of the old and new tables. In ideal circumstances, data users are provided with the two datasets in parallel, to familiarize them with the concepts and figures presented in the new system. SU is also prepared to explain any large differences in the datasets.

90. Staff of the SU are prepared to introduce SRF-based MFS to internal RBNZ users. RBNZ policy makers are regularly exposed to MFS, as monetary statistics are a prominent part of any national macroeconomic statistical system. Additionally, internal users have found that data for the OFC sector highly valuable for financial stability analysis. New time series will be available from the SRF-based MFS dataset which may already be of interest to RBNZ's analysts. The new dataset contains money, credit, and other aggregates compiled from the broadest set in terms of institutional coverage. SU stands ready to carefully advertise the availability of the new dataset, its strengths and limitations, and provide support for internal users during their transition to the new concepts.

C. Data Provision to the Fund

91. New Zealand aims to eventually subscribe to the Special Data Dissemination System (SDDS) Plus. A National Data Summary Page with selected data for central bank survey, depository corporations survey, interest rates, and stock market will need to be created. The

RBNZ could make additional use of this system by posting the entire sectoral balance sheets (SRFs 1SR, 2SR, and 4SR) and monetary aggregates (5SR), along with interest rates and share prices (6SR) in a SDMX format. Doing so would make all MFS available to external users simultaneously. Until they post the entire set of monetary statistics on a SDDS Plus National Data Summary Page, the RBNZ will need to continue to submit all MFS to STA using the Integrated Collection System (ICS). The RBNZ already regularly uses ICS to provide its MFS to the Fund, however additional staff need to be trained on its use.

92. RBNZ staff indicated they will review the possibility to publish the entire Integrated Monetary Database file on the IMF's external website. RBNZ staff indicated the need to review confidentiality of the data as well as determine if the pre-SRF based data for RBs are fit for purpose. Publication of the full set of SRF-based MFS provides researchers and analysts with more granular data, such as foreign currency asset and liability positions and will permit the use of New Zealand's full set of MFS in cross-country research.

D. Future MFS Developments, Training, and Technical Assistance

93. The mission achieved all its original objectives and made substantive progress toward achieving the authorities' medium-term goals. The scope of the mission was to assist the RBNZ to review the frameworks used to compile SRFs 1SR and 2SR and assess the adequacy of source data for production of a balance sheet for OFCs. Thanks to support received from the RBNZ particularly in the SU, the bridge tables were developed to generate revised SRFs 1SR and 2SR and create the SRF 4SR for OFCs.

94. Additional work is needed to improve the quality of source data for the OFC survey. This task will take additional resources and time from the RBNZ and will require close collaboration to update the data collection frameworks and obtain the needed information.

95. The RBNZ does not yet report Financial Soundness Indicators (FSIs) to STA for publication on the FSI website. The RBNZ has a system in place for the regular compilation and dissemination of FSIs which are already stored in FSIS for use in prudential supervision and published in the six-month *Financial Stability Report*. The RBNZ prepares selected FSIs for IMF's surveillance, but it does not compile and report them nor their metadata to STA. The mission began the work to map the source data from the BBS into the FSI templates. The mission went over the different FSI report forms and stressed the importance of compiling metadata. The mission agreed with the staff of the SU to continue the work remotely, but the RBNZ could request future TA to further develop this dataset.

96. The mission stressed the importance of SU staff members' participation in MFS and FSI courses offered by the IMF in Washington DC or Singapore. It is of utmost importance that officials directly involved in the compilation of MFS be nominated for future training.

ACTION PLAN

97. The Action Plan below includes steps to accomplish milestones as well as the risks/verifiable indicators to achieving the outcomes. The plan is for technical compilers. Actions are prioritized (H - high, M - medium, L - low).

Table 3. New Zealand: Mission's Recommendations

Priority	Action/Milestone	Risk Assumptions/ Verifiable Indicators	Target Completion Date
Outcome Indicator: Publish New Data Set online and in <i>IFS</i>			
H	The RBNZ to report to STA, on a regular monthly basis, SRF 1SR based on the new compilation framework, including historical series from December 2001 onwards.	Central Bank survey data published in <i>IFS</i> .	Benchmark December 2018 - Completed as of November 2018
H	The RBNZ to report to STA, on a regular monthly basis, SRF 2SR based on the new compilation framework, including historical series from January 2013 onwards.	ODCs survey data published in <i>IFS</i> .	Benchmark December 2018 - Completed as of November 2018
H	SU to create the needed time series in FSIS to be able to regularly produce and disseminate data using SRF 4SR for MFs and ICs.	Creation of series in FSIS will compete with other projects for priority. Outcome is 4SR produced from FSIS. Risk of delayed regular reporting of SRF 4SR if series not created.	Benchmark June 2019
H	The RBNZ to provide STA with an initial set of quarterly data in SRF 4SR based on the agreed compilation framework, including historical series from June 2014 onwards for MFs and June 2016 onwards for ICs	OFCs Survey published in <i>IFS</i> .	Benchmark December 2018 - Completed as of November 2018

Priority	Action/Milestone	Risk Assumptions/ Verifiable Indicators	Target Completion Date
H	SU to align the official monetary statistics published on the RBNZ's website to the balance sheet and survey data compiled from the SRFs.	Reduced reputational risk for the IMF and RBNZ. Data published on the RBNZ's website will be aligned with the data published in IFS.	June 2019
Outcome Indicator: Source Data are Adequate to ensure compliance with Statistical Manuals			
M	SU, jointly with the FSG to conduct a review of the practices used to compile the International Reserves Template and Table E1 to document and resolve all differences.	Discrepancies between SU and FSG on international reserves are resolved or documented.	June 2019
M	SU to develop new data reports from FSG that separately identify counterparty positions for the RBNZ's deposits, debt securities, repurchase agreements, financial derivatives, and other accounts payable/receivable and classify the accounts properly in SRF-1SR.	Dependent on findings of review.	September 2019
M	SU to review the repository of securities' supplementary information to identify the counterpart sector for RBs securities. Based on these findings, to consider including them in the definition of broad money	SU to inform STA of its decision regarding including the debt securities within broad money.	September 2019
M	SU to amend the mapping scheme for ICs to include the classification of insurance technical reserve liabilities by counterpart sector.	Risk that data quality will remain insufficient. Insurance technical reserves liabilities will be reported with improved counterparty details.	December 2019

Appendix I. *IFS* Country Notes for New Zealand

Date of Fund Membership:

August 31, 1961

Standard Sources:

Reserve Bank of New Zealand (RBNZ)

Statistics New Zealand

Exchange Rates:

Market Rate (End of Period and Period Average):

Exchange rates indicative of the 3 p.m. market mid-rate sourced from Reuters and published by the Reserve Bank of its website. Beginning in April 1991, exchange rates are indicative of the 11:10 a.m. market mid-rates sourced by Reuters. Beginning May 2015, exchange rates are indicative of the 2 p.m. WM/Reuters fixes published by the New Zealand FMA.

International Liquidity:

Gold (National Valuation) (line 1ad) is equal to *Gold (Million Fine Troy Ounces) (line 1ad)*, valued at SDR 35 per fine troy ounce and converted into U.S. dollars at the dollar/SDR rate **sa** on the country page for the United States. Source: OECD

Central Bank:

Data are based on a SRF for central banks, which accords with the concepts and definitions of the IMF's *MFSMCG, 2016*. Departures from the *MFSMCG* methodology are explained below.

The relevant bid and offer exchanges rates retrieved from Bloomberg at approximately 9:12 AM (New Zealand Standard Time) are used to convert the central bank's foreign currency denominated instruments into national currency. These rates best approximate market conditions at the time revaluation procedures are initiated.

Claims on Nonresidents and *Liabilities to Nonresidents* include some accounts in foreign currency with resident economic sectors. The currency of denomination is used to determine the residency.

Foreign currency denominated cash balances are carried at amortized cost less impairment losses.

Accounts receivable are valued at amortized cost less impairment losses.

Currency demonetized before 1 July 2004 is recognized as a contingent liability, except for a provision retained in the Statement of Financial Position to cover expected future redemptions. For currency demonetized from 1 July 2004, the Bank records a liability equal to the face value of that currency still in circulation. The face value of collectors' currency issued before 1 July 2004 is recognized as a contingent liability. For collectors' currency issued from 1 July 2004, the Bank records a liability equal to the face value of that currency.

Prior to August 2004 short sales of bonds were netted off against the bonds in marketable securities. From August 2004 short sales are reported as liabilities denominated in foreign currency.

A provision for the payment of dividends to the New Zealand government is recorded after a direction is given by the Minister of Finance.

Other Depository Corporations

Comprises RBs. Data exclude SIs, DTFCs, and cash management trusts.

† Beginning in December 2016, data are based on a SRF for ODCs, which accords with the concepts and definitions of the IMF's *MFSMCG, 2016*. Departures from the *MFSMCG*

methodology are explained below.

Assets and liabilities denominated in foreign currency are converted into New Zealand dollars in accordance with New Zealand GAAP.

Financial assets and liabilities for which economic sectorization is unavailable are allocated to the economic sector having the largest volume of transactions in the category.

The holder of securities issued by ODCs is unavailable. Short- and long-term promissory notes, commercial paper, debentures, preferred stock, collateralized securities, and negotiable certificates of deposit issued by ODCs are included as securities other than shares excluded from broad money held by other resident sectors.

Securities other than Shares Excluded from Broad Money includes some liabilities to ODCs.

Some accrued interest is included in *Other Items (Net)* rather than in the outstanding amounts of the financial assets and liabilities.

Loans includes cash collateral received in relation to derivative trades.

Adjustments to match 'Net loans & advances', 'Total deposits', 'Total debt securities' and 'Total borrowing' from the reported balance sheet data to information reported in *Disclosure Statements* are included in *Other Items (Net)*.

For January 2013 through November 2016, even though data are based on a SRF for ODCs, they have less conformity with the *MFSMCG* methodology and therefore are not strictly comparable to data for later periods. Data from January 2013 to November 2016 has been estimated using data that was not designed for the purpose of compiling SRF-based monetary statistics. Specifically, liabilities data for currency & deposits, debt securities, and loans over this period has been estimated using an unsuitable data source. A time series for the assets and liabilities of RBs will be published in New Zealand's quarterly sectoral balance sheets, which are currently being developed. For ODCs in New Zealand, departures from the *MFSMCG* methodology are explained below.

Assets and liabilities denominated in foreign currency are converted into New Zealand dollars in accordance with NZ GAAP.

Financial assets and liabilities for which economic sectorization is unavailable are allocated to the economic sector having the largest volume of transactions or distributed proportionally to all positions in the category.

Financial assets and liabilities for which financial instrument breakdown is unavailable are allocated to the financial instrument having the largest transactions or distributed proportionally to all positions in the category.

The holder of securities issued by ODCs is unavailable. Short- and long-term promissory notes, commercial paper, debentures, preferred stock, collateralized securities, and negotiable certificates of deposit issued by ODCs are included as securities other than shares excluded from broad money held by other resident sectors.

Securities other than Shares Excluded from Broad Money includes some liabilities to ODCs.

Accrued interest is included in *Other Items (Net)* rather than in the outstanding amounts of the financial assets and liabilities.

Financial derivatives are included in *Other Items (Net)*.

Currency includes holdings of foreign currency.

Claims on Public Nonfinancial Corporations are included in *Claims on Other Resident Sectors*.

Valuation adjustment is included in *Other Items (Net)* rather than in *Shares and other Equity*.

Depository Corporations:

†See notes on central bank and ODCs.

Other Financial Corporations:

Comprises life office funds, KiwiSaver funds, registered superannuation funds, retail unit trusts and GIFs, wholesale trusts, and IMPs. Data exclude property unit trusts and non-DTFCs.

Beginning June 2016, includes ICs. Data exclude reinsurance corporations with no New Zealand primary insurance and ICs with gross annual premiums of less than NZD 50 million or less than total assets of NZD 500 million at financial year end. Data exclude the Earthquake Commission and the Accident Compensation Corporation, as these organizations have their own enabling legislation and are classified with general government.

Data for MFs are presented on an unconsolidated basis and thus include cross investments that take place between various types of institutions.

Data are based on a SRF for OFCs, which accords with the concepts and definitions of the IMF's *MFSMCG, 2016*. Departures from the *MFSMCG* methodology are explained below.

Data for investment managers with total assets of less than NZD 500 million are only available on an annual basis. Data for intervening and current quarters after the last calendar year have been estimated by carrying forward the data.

ICs generally convert assets and liabilities denominated in foreign currency into New Zealand dollars in accordance with NZ IFRS or NZ GAAP.

Financial assets and liabilities for which economic sectorization is unavailable are allocated to the economic sector having the largest volume of transactions in the category.

Financial assets and liabilities for which financial instrument breakdown is unavailable are allocated to the financial instrument having the largest volume of transactions in the category.

Financial assets and liabilities for which currency breakdown is unavailable are allocated to the currency having the largest volume of transactions in that currency.

Claims on Depository Corporations includes holdings of foreign currency.

Holdings of national currency are included in transferable deposits.

Claims on Public Nonfinancial Corporations are included in *Claims on Other Resident Sectors*.

Claims on Private Sector includes loans to other sectors.

Claims on OFCs includes securities issued by other nonfinancial corporations.

Financial derivatives positions of ICs are classified as with ODCs. Financial derivatives positions of MFs are classified as with OFCs.

Other accounts receivable and payable of MFs are included in *Other Items (Net)* rather than as claims on and liabilities to the corresponding economic sectors.

Shares and other equity of life ICs is calculated by netting total assets against total liabilities.

Other Items (Net) includes investment in fixed assets overseas.

Financial Corporations:

†See notes on central bank, ODCs, and OFCs.

Monetary Aggregates:

Base Money:

Base Money is calculated from the liability data in the sections for the central bank. The national definition base money accords with the concepts and definitions of the *MFSMCG*.

Broad Money:

Broad Money is calculated from the liability data in the sections for the central bank and ODCs. The national definition broad money accords with the concepts and definitions of the *MFSMCG*.

Money (National Definitions):

Narrow Money (M1) comprises currency outside M3 financial institutions plus check balances in

New Zealand dollars, less interinstitutional transaction balances and central government demand deposits. M3 financial institutions include the RBNZ, most RBs, and other financial intermediaries of significant size. † Beginning in December 2016, M1 (Narrow Money) comprises currency held by the public and transaction balances of money-holding sectors with depository corporations in New Zealand dollars. Currency held by the public comprises currency issued by the Reserve Bank less currency held by RBs. Transaction deposits comprise of “on call” deposit balances, which can be used for making third party transfer payments by customers. Depository corporations comprise the RBNZ and all RBs. Money-holding sectors include other financial institutions, local governments, public nonfinancial corporations, other nonfinancial corporations, and other resident sectors.

M2 comprises M1 and all other call deposits in New Zealand dollars not included in M1, less interinstitutional call balances. Call deposits include overnight money and funding on terms that can of right be broken without penalties. M2 was discontinued in December 2016.

M3R comprises currency outside M3 institutions and their total New Zealand dollar deposits, less interinstitutional deposits, central government deposits, and deposits from nonresidents. M3R represents New Zealand dollar funding from New Zealand residents only. M3R was discontinued in December 2016.

M3 comprises of all New Zealand dollar funding of M3 institutions. New Zealand dollar funding comprises of currency outside M3 financial institutions plus deposits and other forms of funding in New Zealand dollars less interinstitutional claims and central government deposits. M3 includes NZ dollar deposits from nonresidents. M3 was discontinued in December 2016.

Broad Money comprises currency held by the public and transaction balances, savings, and term deposits in national and foreign currency of money-holding sectors with depository corporations. Currency held by the public comprises currency issued by the Reserve Bank less currency held by RBs.

Interest Rates:

Central Bank Policy Rate (End of Period):

Official Cash Rate (OCR) around which the Reserve Bank transacts with the market. The OCR is reviewed eight times a year (every six and a half weeks).

Discount Rate (End of Period):

Rate at which the Reserve Bank discounts eligible 28-day Reserve Bank bills to the market.

Money Market Rate:

Refers to the New Zealand Overnight Interbank Cash Average rate on secured and unsecured overnight transactions, direct or through brokers, between banks, which are price makers in the New Zealand cash market.

Treasury Bill Rate:

Tender rate on three-month treasury bills.

Deposit Rate:

Maximum rate offered by banks on 31- to 89-day small deposits. † Beginning in March 1988, quarterly weighted averages for RBs’ total deposits in national currency. † Beginning in January 1990, weighted average rate offered by New Zealand’s six largest banks on six-month deposits of \$NZ10,000 or more, each bank’s rate being weighted according to its share of the group’s total New Zealand dollar deposits.

Lending Rate:

Weighted average interest rate charged by RBs on loans to New Zealand residents, includes households, business and agriculture. The rate is weighted by loan amounts.

Government Bond Yield:

Yield on government bonds. † Beginning in January 1987, rate on the five-year 'benchmark' bond, a specific bond selected by the Reserve Bank to provide a representative five-year government bond rate.

Prices, Production, Labor:*Share Prices (End of Period):*

Share price index, base 1960. † Beginning in January 1961, share price index, base November 1978. † Beginning in January 1967, general index on shares, base January 1968. † Beginning in June 1986, gross index calculated by the New Zealand Stock Exchange, base June 1986. All shares of all public companies listed on the New Zealand Stock Exchange are contained within the index. Payments of a dividend, rights issues, cash issues, and the flotation of new companies each have a neutral effect on the index.

Producer Prices:

Source: Statistics New Zealand. Weight Reference Period: fourth quarter 2010; Coverage: has two types of indexes: the *outputs indexes* which measure changes in the prices received by producers and the *inputs indexes* which measure changes in the cost of production (excluding labor and capital costs); Number of Items in the Basket: approximately 13,000 individual commodity items are surveyed from about 3,000 respondents; Basis for Calculation: since March 1996, the PPI has been produced using industry groups defined by the Australian and New Zealand Standard Industrial Classification (ANZSIC).

Consumer Prices:

Source: Statistics New Zealand. Weight Reference Period: second quarter 2006; Geographical Coverage: all resident households living in permanent dwellings; Number of Items in the Basket: expenditure weight index are derived from 2300 HES expenditure items group to about 360 items in the CPI regimen; Basis for Calculation: the annual Household Economic Survey (HES).

Labor Cost Index:

The index includes salaries and wage rates, overtime wage rates, and some nonwage labor-related costs like annual leave, medical insurance, and low-interest loans. It covers all employees aged 15 years and over in all occupations and all industries except domestic services.

Manufacturing Production:

Data are sourced from the OECD database. Index of manufacturing gross domestic product, base 1995-96, year beginning April 1.

Manufacturing Employment:

Statistics New Zealand data on persons employed in manufacturing.

International Transactions:

All data on trade are from Statistics New Zealand. The index series are of the chain-linked Fisher Ideal type, base second quarter 2002. The merchandise export indexes are calculated using NZ dollar f.o.b.-values. The merchandise import indexes use NZ dollar v.f.d.-values (represent the value of goods excluding the cost of freight and insurance). Prior to the September 2003 quarter, the merchandise import indexes used c.i.f.-values.

Volume of Exports:

Statistics New Zealand Fisher index of volume of exports, base July 1988-June 1989. *Butter:* Statistics New Zealand data reported in thousand metric tons.

Volume of Imports:

Statistics New Zealand Fisher index of volume of imports, base July 1988-June 1989.

Balance of Payments:

Annual balance of payments data for years prior to 1980 are compiled on the basis of fiscal years ending March 31. From 1980 onwards, the data are on a calendar year basis.

International Investment Position:

Data are compiled as at March 31 each year until March 31, 1999. From March 31, 2000, data are available quarterly.

National Accounts:

Source: Statistics New Zealand. *Lines 99a.c* and *99b.c* include a statistical discrepancy. As indicated by the country, from 1987 onwards data have been revised according to the *2008 SNA*.