

27. Swap Transactions

As permitted by Section 91A of the Public Finance Act 1977, the Government entered into currency swap arrangements during the year. Under such arrangements the proceeds of a borrowing are converted into a different currency and, simultaneously, a forward exchange agreement is executed providing for a schedule of future exchanges of the two currencies in order to recover the currency converted. The effect is to transform the cost of the original borrowing to a cost which reflects the market yield of the currency obtained in the conversion.

While it is impracticable to record the details of the swap arrangements in the public debt tables, the following schedule shows the effect of the swap transactions undertaken during the year. The amounts in brackets disclose the equivalent principal payments required under the swap agreements while other amounts disclose the resulting equivalent principal receipts accruing from the swap agreements. The amounts have been calculated using exchange rates applying as at 30 September 1988. The amounts stated below in New Zealand dollars relates to the following currencies.

Maturing Year Ending 31 March	Currency \$(000)							
	US\$	Japanese Yen	European Currency Unit	£Stg.	Deutsch- mark	Can. \$	Aust. \$	NZ\$
1991	204,116	..	(180,148)	..	..	..	..	..
1992	463,284	(340,698)	(180,148)	..	..	..	..	122,695
1993	369,100	..	(359,665)	..	..	..	..	..
1994	1,184,597	(606,841)		(275,028)	(260,349)	..	..	..
1996	792,012	(485,554)	(180,148)	..	179,282	(167,538)	(127,812)	..

G. C. SCOTT
Secretary to the Treasury
28 October 1988

M. J. MORIARTY
Deputy Secretary to the Treasury
28 October 1988