GlobalCapital

New Zealand Issuers Roundtable

Special Report August 2026

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New Zealand issuers navigate the next era of capital markets

Despite domestic worries about a fragile economy, persistent inflation and higher interest rates, New Zealand still appears an oasis of calm to most of the rest of the world. In July *GlobalCapital* gathered a panel of treasury officials and bankers to discuss domestic and offshore funding, global fixed income demand, portfolio diversification and New Zealand's appeal to international investors.

***GlobalCapital*: Let's set the scene first by looking at the general state of the economy and the market outlook. Is the New Zealand economy performing to expectations, and what are the concerns or opportunities that we have over the next 12 months or so?**

Belinda Newman, Kiwibank: We entered 2026 with encouraging signs of recovery, supported by a lower OCR [Official Cash Rate] environment and strong performance from the commodity sector in New Zealand. More recently, however, geopolitical tensions have slowed that recovery and increased caution among households and businesses, including around investment intentions.

That said, we are hopefully moving toward a more resolved situation, although caution remains elevated. The inflation outlook is now more complicated following the rise in oil prices. Even with oil prices easing in early July, fuel prices in New Zealand remain high, keeping near-term inflation risk elevated. As a result, the Reserve Bank is likely to begin increasing the OCR, potentially as early as July.

From Kiwibank's perspective, the outlook remains cautious. We would not want to see too many rate hikes come through, but we acknowledge that the Reserve Bank is highly focused on inflation, so further increases are likely. At this stage, the path remains very data dependent.

Mark Butcher, New Zealand Local Government Funding Agency: I'm probably a little bit more negative on the fragile state of the domestic economy. The economy's been underperforming when you look at the housing market, retail sales, consumer confidence, business confidence, unemployment. It's just not pointing to an economy that's doing well. I am concerned that mortgage rates are already rising and households are already under a lot of pressure.

We'll all agree that the Reserve Bank's got to get the OCR back to neutral, but it's going to be tough on some sectors of the economy. Sure, sentiment can change. It has changed in the last month since the Middle East seems to have dissipated a little bit, but unless you're a farmer or a property owner in the lower South Island, the rest of the country remains vulnerable.

We've already seen mortgage rates increase 60bp already with a swift transfer mechanism a consequence of the short dated

Roundtable participants

Jonathan Ng, debt capital markets Australia and New Zealand, Crédit Agricole CIB

Daniel Dela Cruz, head of debt capital markets Australia and New Zealand, Crédit Agricole CIB

Toby Fildes, chief product and strategy officer, *GlobalCapital* (Moderator)

Belinda Newman, treasurer, Kiwibank

Liam Cleary, head of funding, balance sheet and securitization, Westpac New Zealand

Leonhard Enck, head of debt origination Asia-Pacific, DZ BANK

Mark Butcher, chief executive, New Zealand Local Government Funding Agency

Andrew John, head of group treasury, Auckland Council

Friedrich Luithlen, global head of debt capital markets, DZ BANK

structural nature of the domestic mortgage market, so there's already tightening being experienced at the household level. I've recently returned from offshore, and offshore investors are saying that the Reserve Bank is wrong to tighten. They're tightening in line with other central banks because, at some stage, you must get it back to neutral. It's a question of how long it's going to take to get to neutral and the market is already pricing a quick return to neutral over the coming year.

Andrew John, Auckland Council: We're starting off from a low base. Things like unemployment haven't improved. Productivity is still low. Housing is under pressure as well. So for us, being a council, housing growth has been somewhat slower and is a statistic we keep a close eye on given its flow on impact on revenues. So it's a tough environment out there.

The signs at the start of the year were good. Then you got all the geopolitical tension and we're heading into elections late this year. The next few months are going to be very quiet. With inflation raising and the central bank moving on the OCR, it's going to be a tough six months until we move past this period and see real improvement in the economy.

One thing I'd say is that we've been offshore talking to investors and with all that's going on domestically, investors are still buoyant about New Zealand to a great extent. They don't consider our concerns to be as worrying given the challenges Europe is facing, so it's all relative. They're still quite positive on this part of the world.

Liam Cleary, Westpac New Zealand: I echo all the points but have a slightly different take on some of them. So, there's been a theme of delayed recovery and this expectation that it's coming, just around the corner. If you go back in time, I'm talking about Liberation Day last year, we had a similar delay, and this year we have the war and risk coming through the inflation channel that's driving the same sorts of confidence concerns.

On the rates side, I'm very conscious that home loan rates are going up. I'm also conscious that with home loan origination requirements and stress testing of home loan rates, its potentially more of a consumer slowdown story. If you look back over the last few years, we are nowhere near the scale of increases in interest rates that we experienced during the last rates cycle.

Friedrich Luithlen, DZ Bank: Looking at the New Zealand economy from the outside, the resilience of the banking sector is a positive. The strong Australian institutions, not to belittle Kiwibank at all, provide an additional macro buffer. This setup provides confidence that even if the private sector, especially retail, is fairly leveraged due to the spike in mortgage rates, that should not develop into a fundamental concern for the banking sector in New Zealand.

From our point of view, RBNZ would be well advised to try and look through the current spike in inflation as transitory. International investors seem to believe that the issues facing the transportation of energy through the Strait of Hormuz is a temporary infraction only. That's because of the fundamentals; it's not because of politics. The underlying reality of the matter is that both conflict parties have a massive interest in getting that oil flowing again and to open the strait.

Butcher, NZ LGFA: Interestingly, I'm still grappling with the idea of the second-round impacts coming through and what that means, because businesses are saying it's hard for them to pass on cost increases because of the state of the demand side of the economy. But they're going to have to otherwise they will face financial difficulties. However, there is not a lot of strong demand pressures in the economy, so we're in this difficult kind of phase where they should be passing on costs, but they actually can't afford to in a competitive environment with soft demand. That's why we're seeing a whole lot of business delinquencies occurring now such as in the hospitality sector. So, I still don't see where the demand-driven inflation is going to come from. So, if you look through the transitory effects, I don't see why the Reserve Bank has got to go as hard and as fast as the market is pricing.

Luithlen, DZ Bank: It should be supply driven anyway. I fully agree.

Newman, Kiwibank: To be clear, what we are facing is a return to neutral settings rather than a shift toward restrictive monetary conditions. We are not talking about a large tightening cycle.

GlobalCapital: What does this mean for capital market access? Has this made life tougher for our issuers in international and domestic markets?

Cleary, Westpac NZ: We haven't issued domestically since November of last year, so it's a little bit speculative, I suppose. But all else being the same, higher rates support the retail bid. The institutional buyer base in New Zealand is typically a spread buyer, and so interest rates are not necessarily as directly impactful for demand on that side. So, if you have the thesis that this rates cycle is not going to present a notable credit quality or performance issue, then at the margin, higher interest rates are a small positive to your ability to issue domestically, and offshore it's next to no impact in the context of a stable credit performance.

John, Auckland Council: For us as well, we haven't done so much domestic issuance, but we don't see it as a concern. We will certainly look to access the domestic market when opportunities present. From an investor point of view to your point, they like the credit. Good credit and higher interest rates do support the retail bid and will provide investors with alternatives. It does create a positive environment to some extent locally. Offshore is a whole different story for us, which we touch on later.

Newman, Kiwibank: There are other dynamics at play in the domestic market as well. We have seen more issuers diversify offshore, which has reduced domestic issuance overall. As a result, the deals that do come to the domestic market tend to be very well supported.

Butcher, NZ LGFA: New Zealand's a typically very high-grade, short-dated credit market, so the credit cycle isn't always driven by the interest rate cycle. They are a little bit different. It's not like offshore markets, where a lot of sub investment grade dominate the market. We're almost what would you call a low beta credit market in New Zealand.

The credit market does not react as much through the economic cycle or have such large shifts as offshore markets experience through the credit cycle either. It's a little bit different. Our retail investor base has been growing, so all our New Zealand dollar bonds are listed on the New Zealand Stock Exchange, so every New Zealand dollar bond is a retail bond. So, mum and dad investors can buy down to NZ$10,000 parcels, and what we've seen over the last two years has been retail holdings of our bonds have gone from 6% up to 11%, so there's been a very heavy lift in retail participation and that should probably continue going forward as well, as interest rates rise.

Daniel Dela Cruz, Crédit Agricole CIB: I'd echo that. From an international investor perspective, they still view New Zealand as a highly rated, relatively diversified safe haven, despite the local slowdown.

Luithlen, DZ Bank: Also, 1.4% GDP growth from a European perspective is quite decent.

John, Auckland Council: For us offshore participation in domestic issuance is quite limited. You do see the odd offshore ticket, but generally we mostly see local investors buying our New Zealand dollar denominated bonds.

Luithlen, DZ Bank: That's a function of the liquidity and the swap markets. In the end, New Zealand dollars is a small market.

Butcher, NZ LGFA: The interest rate, monetary policy and economic cycle are more impactful on New Zealand Government Bond (NZGB) demand than high grade credit. New Zealand has to be a high-yielding market to attract offshore investor demand and to support ongoing NZGB issuance, which is relatively large in a small economy. The curve steepness, spreads and outright yields are more for global investors who are either investing on an outright basis or on a hedged basis back into other currencies. But for high grade issuers like us, it's a different perspective as offshore investor demand depends upon our spread to NZGBs.

***GlobalCapital*: We've talked about there being more offshore issuance by New Zealand's issuers. Sticking with that theme, have New Zealand issuers benefited from what we're loosely calling de-dollarisation?**

Cleary, Westpac NZ: There are obviously multiple drivers, but, as a general theme, some investors have been looking to get duration outside of Treasuries. Looking at our euro covered bond of a few weeks ago — it was around the largest order book on record for a New Zealand bank covered bond. Euro covereds are slightly different to the question asked of course, but it demonstrates the amount of cash in fixed income and the bid out there for New Zealand banks.

In dollars, our January transaction secured a $9.2bn peak order book for a dual tranche $1.5bn print, so really robust levels of demand. We restarted our dollar programme back in 2023 and when I look across the trades issued since, we have largely experienced very strong order books. It's not issuer specific, as much as I'd love to say it is, it's those themes in de-dollarisation and the growth in fixed income.

John, Auckland Council: From our recent experience when we issued a euro denominated bond in March, it was 17 times oversubscribed, a €500m 10 year deal, and from a pricing perspective there was a zero new issue premium. Anecdotally there appears to be a move away from US dollars, especially the marginal dollar, with a growing demand for New Zealand and Australian assets, which is just phenomenal. Everyone needs to de-risk their portfolio, right? You need to kind of move away and diversify to reduce your concentrations risk.

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>
> Andrew John, head of group treasury, Auckland Council


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partner
bnz
Bank of New Zealand
EUR 500,000,000
3.050% Senior Bond
Due 2030
Joint Bookrunner
Commonwealth Bank
Commonwealth Bank
of Australia
EUR 1,250,000,000
2.853% Covered Bond
Due 2031
Joint Bookrunner
export finance australia
Export Finance Australia
USD 1,250,000,000
4.125% Senior Unsecured
Due 2031
USD 500,000,000
4.500% Senior Unsecured
Due 2036
Joint Bookrunner
Westpac
Westpac Banking Corp.
EUR 1,000,000,000
2.912% Covered Bond
Due 2032
Joint Bookrunner
nbn™
NBN Co Limited
EUR 750,000,000
3.750% Sustainability
Senior Unsecured Bond
Due 2033
Joint Bookrunner
QBE
QBE Insurance Group
USD 300,000,000
5.239% Reg S Tier 2
12yr NC 7yr
Joint Bookrunner
TOYOTA FINANCE
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USD 400,000,000
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Due 2029
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Luithlen, DZ Bank: It's not de-dollarisation. It's global growth in fixed income and that's driven by a slowdown in many economies including China and Europe. People and companies move from real assets into financial assets. Both banks and non-bank financial institutions are therefore very liquid. Concurrently, there is little loan demand due to the economic uncertainties. It's a little bit different in the public sector and in the SSA [sovereign, supranational and agencies] space because of infrastructure and defence expenditure — and AI in the US — but the investment needs are not enough to utilise all the liquidity entering the global fixed income markets.

So you have a lot of investors chasing those fixed income assets, and that gets you to the Goldilocks financial markets that we have found ourselves in for the last 12 months, just periodically interrupted by global politics. If we look ahead to the next six to 12 months, this situation is more likely to persist than not.

Dela Cruz, CA-CIB: How do you feel about other non-core currencies? Do you see them as a valuable funding tool as well? You have the dollars, euros, the Kiwi dollar, but I've seen some of you here access the Aussie dollar market and other currencies.

Newman, Kiwibank: I can probably speak to that, as we are not active in dollars or euros. The Australian dollar market has clear demand, and issuance capacity has expanded significantly over the past 12 to 18 months, which we have been able to take advantage of. We are seeing increased participation from a broad range of investors, including strong enquiry from Asia and some interest from Europe. For us, that is positive. Fixed income appears to be a growing asset class and multiple markets are benefiting from that demand. It feels as though new money is looking for opportunities outside dollars.

Luithlen, DZ Bank: And outside especially US Treasuries.

Newman, Kiwibank: Australia is also benefiting from its relative distance from geopolitical concerns in the northern hemisphere.

Luithlen, DZ Bank: I guess issuing in Aussie dollars from a Kiwi perspective should be attractive because you can also access non-Australian investors and you don't face a lot of swap issuance.

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Friedrich Luithlen, DZ Bank

Newman, Kiwibank: It varies, but generally the levels are very attractive at the moment.

***GlobalCapital*: Has the euro become a lot more important to you as a funding source over the last couple of years and do you expect that to continue?**

Cleary, Westpac NZ: By measured issuance stats, euro senior has been less of a focus since we re-established the US MTN programme in 2023 and consequently had a strategic prioritisation to build a curve in the US market. Euro covered remains a core and a strategic funding platform for us, particularly as a source of contingent funding. Looking forward I expect both euro senior and covered to remain important funding sources for the bank.

More broadly, one of our strengths as a well rated smaller issuer is the ability to be more flexible with our issuance activity. Our more modest call on markets has allowed us to be a little more dynamic with our issuance, so we can better meet our funding needs in markets when they are generally performing well.

Luithlen, DZ Bank: From a strategic point of view, I guess the European covered bond market is still by far the deepest. So, in terms of liquidity, you're very well served. From an SSA point of view, the European market is very apt to support long-dated issuers.

John, Auckland Council: That's correct. We've been in that market for 10 years and have undertaken six benchmark size €500m issues, ranging from seven to 10 years since then. We see it as a very deep market, especially looking at our last issue, the investor diversity, the pricing, with the basis swap, it's proving to be a very important market to us. We also see the Swiss franc market as an extension to the euro market, which we can tap into when market conditions permit.

"We have seen more issuers diversify offshore, which has reduced domestic issuance overall. As a result, the deals that do come to the domestic market tend to be very well supported"

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Mark Butcher, New Zealand Local Government Funding Agency

So, we certainly see the euro as a significant market for us at the moment given our domestic market cannot provide us with all the funding we need, which is around NZ$3bn-NZ$4bn ($1.8bn-$2.4bn) per annum for the council group to invest in the infrastructure needed for the city. Things can change with the basis and the pricing dynamics, but, currently, it makes a lot of sense for us to issue in euros.

Luithlen, DZ Bank: Mark, you also issued, what was your experience?

Butcher, NZ LGFA: We view the Australian market as the most expensive market for us to currently fund in. We went to the Aussie dollar market in 2023 and we issued four benchmark lines with a three, five, seven and a 10 year bond over a 12 month period. Then in 2024, we decided that we'd move away from the Aussie dollar for both strategic and tactical reasons, and that's when we did the US dollar, euro and Swiss franc issuance during 2025 and 2026.

The Aussie dollar market is more expensive for us and other tier two SSAs as our competing Aussie dollar supply is from the Canadian provinces and the pension issuers who offer more value for investors. The other Aussie dollar dynamic is the relative cheapness of the Australian semi government issuers. We decided that the Australian interest rate cycle, credit cycle and economic cycles were also reasonably correlated with New Zealand, so that was why we decided that we'd move further offshore. As a New Zealand issuer, when you go offshore, you have to pay an Approved Issuer Levy (AIL), which is 2% of your coupon to the New Zealand government. The Australian dollar is a high yielding currency so the AIL payable is higher.

We look at our global funding decisions on an all-in basis back into Kiwi after swap costs and AIL payments are considered. That's why we've moved away from the higher yielding Aussie dollar market. We will go back eventually, but now we have limited pricing flexibility and all global markets are strong. We could undertake transactions easily in many markets and there are so many tailwinds for an issuer currently. It then becomes a tactical decision.

Jonathan Ng, Crédit Agricole CIB: One of the key trends in recent years are the strong technicals supporting global capital markets across multiple currencies. Whilst our expectation is for the euro market to be a core funding market for issuers from the Australian and New Zealand region, the Aussie market has grown from strength to strength, and now is the third largest funding market in the world. Away from this, we have seen the emergence of other public markets, for example Hong Kong dollar and Swiss, where issuers can now achieve decent transaction size, and from time to time benefit from a pricing arbitrage compared to other core currency markets.

***GlobalCapital*: How important is ESG to New Zealand issuers? Five years ago, we probably wouldn't have talked about anything else. Now, it's a topic that some even want to avoid.**

Cleary, Westpac NZ: I agree with what you've just said in thematic terms. Domestically, ESG remains very important and Westpac continues to produce our sustainability targets. None of the ESG focus has really changed domestically. What we have noticed, though, is a change in offshore engagements. We haven't marketed in Europe since November of last year, but what was notable in that engagement was the reduced focus on ESG. Investors remain interested in the strategy and the targets, but it wasn't the same focus and detailed conversations we have had in years gone by.

Butcher, NZ LGFA: When I was offshore over the past month there was less focus on sustainability than previously. We're still getting questions, though, on sustainability at the organisational level, as opposed to the transactional level. Investors remain interested but want to know what we're doing in a much broader sense as opposed to a very narrow aspect. However, investors remain reluctant to pay a greenium.

John, Auckland Council: Investors seem to be looking as ESG at a more holistic level. They are looking at it at an organisation level: what is the organisation's overall sustainability strategy? Especially for us in Auckland, with the floods which we had a few years ago, they're concerned about resilience of our infrastructure, what are our adaption strategies and our investment in that space.

But then on a transactional level, previously we would have had sustainability analysts at most meetings in Europe, but on our visit last year there were hardly any at the meeting and very little interest in the specifics of use of proceeds. However, saying that, we have issued a couple of euro green bonds and when we asked if they would like to see more, they clearly indicated that they would be more than happy to buy our green bond if we did choose to issue them. I guess investors still would like to get their hands on green bonds, but unlike a few years ago they are not chasing them as they used to.

Butcher, NZ LGFA: A greenium in my view is probably less relevant at the high grade level. It's more relevant at the sub-investment grade level.

GlobalCapital: Because it can swing the pricing of it?

John, Auckland Council: The one thing that I don't know the answer to is whether there has been a growth in dedicated green funds. It seems like you're not seeing capital directed specifically for that kind of investment to the scale it was a few years ago. I don't know whether that's true or not.

Luithlen, DZ Bank: There are certainly Article 8 and Article 9 funds that we're all familiar with. Even beyond that, recent transactions that we did both in SSA and covered bonds show that, especially in Benelux and the Nordic investor base, the topic is very much alive and we find an elevated bid there. Given the spread levels in the rates space, the extra demand does not translate to a meaningful greenium.

On the (subordinated) credit side, it may well do, but in the rates spectrum it doesn't really move the needle on spreads.

There is one additional aspect regarding the real world evolution of transformation. We see some companies in Europe ceasing to issue green-labelled transactions because they feel, especially on the energy side, that they've completed the journey to transformation. That is, by the way, another good reason for investors to be looking at the institution rather than the transaction.

John, Auckland Council: It certainly seems like the ESG bond market has matured to a consolidated, disciplined and pragmatic growth trajectory.

Butcher, NZ LGFA: What's also happened is that the European real money investors still have green mandates, and so will turn up in big tickets if the bonds are labelled. But markets have got deeper and broader. We have experienced the growing presence of the hedge fund community as additional pockets of demand for our bonds. So probably that green bid and interest is still there, but it's been swamped by other factors.

Luithlen, DZ Bank: On the hedge fund bid, we've seen that abating somewhat.

GlobalCapital: Maybe some bank-specific questions. What are the key regulatory developments issuers are monitoring on the bank side?

Cleary, Westpac NZ: Regulatory change continues to be a big focus at present and into the foreseeable future. We are involved in active regulatory consultation covering capital, liquidity, and crisis management as part of the broader DTA changes. It's all relatively important in terms of our day-to-day activities and how we do things

Newman, Kiwibank: It's certainly very time consuming and a major focus for us. It's absolutely an opportunity to do things better, leverage tools like AI to help where they can in terms of working through the material, but it's very time consuming and rapidly evolving. We'll see near final versions of some of the core standards later this year and they come into effect in 2028, so we need to get moving and be ready.

GlobalCapital: How do you think this will leave you against your Australian and international peers?

Cleary, Westpac NZ: I think the major New Zealand banks are and will continue to be appropriately regulated both in New Zealand, and as part of broader Australian banking groups.

Newman, Kiwibank: The other point I would make is that regulatory change may contribute to some consolidation among regional banks, and we are already seeing signs of that. The proposed TSB and Heartland merger is one example. In TSB's recent results, part of the rationale for the merger appears to be the high cost of complying with upcoming regulatory change. We will see whether there is more of this, but that transaction makes the pressure evident.

GlobalCapital: We recently held a roundtable discussion with Australian bank funding teams. The impression from that discussion was that the issuers felt that the regulator was sticking to its guns in terms of the quality of regulation and capital requirements. Meanwhile, it was noted, that maybe in Canada, they're slightly reducing it.

Luithlen, DZ Bank: The Canadians are very close to the US, which is taking a much lighter regulatory approach. Given the much more direct competition between Canadian and US institutions, Canada faces a different backdrop to their regulatory approach.

GlobalCapital: But I felt that Australia took it as almost an opportunity to say: 'No, no, we're not budging, we're going to be really strong'. I'm just wondering whether that is the same impression in New Zealand. Is that something that the regulators are trying to extol over the world as well?

Cleary, Westpac NZ: The Reserve Bank has been open to revisit settings such as we are seeing in the current capital consultation, which has seen good engagement from industry.

Newman, Kiwibank: That also represents a move away from some very extreme settings.

"From an international investor perspective, they still view New Zealand as a highly rated, relatively diversified safe haven, despite the local slowdown"

Daniel Dela Cruz, Crédit Agricole CIB

Dela Cruz, CA-CIB: I want to be inclusive with Mark and AJ. From a government perspective, do you see more fiscal spending or stimulus in New Zealand to spur the economy?

John, Auckland Council: I think what you're seeing is that certain sectors in the economy need significant capital investment. Right now, in New Zealand, for instance, the water sector needs a lot of capital investment because of historical under investment in this area, as a result there's a lot of regulation been introduced to enable this investment to happen.

GlobalCapital: **Which is now your responsibility to finance. Is that right?**

John, Auckland Council: Yes, that is correct. We have a water entity called Watercare, which following regulation was financially separated from Auckland Council, so needed to access capital markets in its own name. Auckland Council Treasury will provide treasury service to Watercare under a service level agreement, but all funding will be under their own funding programmes.

They have a significant funding programme over the next little while — they've got to do a couple of billion dollars over the next couple of years while taking their total debt from NZ$4.5bn to about NZ$10bn by 2034. So, they will look at all the offshore markets we're talking about. That challenge is the significant capital is needed into the water sector. Mark will touch on it, I'm sure, because he needs to fund the rest of his sector. But for us, there's a huge need for capital in certain infrastructure and water and wastewater is a big part of the equation.

There are public transport areas that need to be funded as well. There has been an increase in funding in both transport and water, but the requirement over the next decades is massive. So, you're going to see more capital into those areas. I guess it's similar across the globe where there's been an underspend on infrastructure for many years now and a catch up is needed.

Butcher, NZ LGFA: The UK went down the privatisation route for water infrastructure and New Zealand is going down corporatisation of a similar sector. Water infrastructure in New Zealand will remain publicly, not privately, owned but run as if it's a corporate entity. It's going to be aligned more to a utility as opposed to a department of central or local government.

My view on what's happening here is that we've got two big challenges. We've an investment problem and an infrastructure problem. As a country, we don't like to pay for anything and we are a small and remote country where infrastructure is expensive to build. If no one wants to pay for anything, nothing ever gets built. We've had decades of underinvestment in infrastructure in New Zealand and it hasn't even kept up with population growth.

The existing infrastructure hasn't been renewed largely for 50 to 80 years. We're going to have to pay for it now and we don't have user charging. For example, there is no accommodation tax or many toll roads or volumetric water charging across the country. Without a revenue stream, the private sector can't deliver infrastructure, so it sits at central government, which must pay for it through income or company or sales taxes. Any infrastructure built by local government, must be funded through property taxes. So, you don't get the infrastructure delivered currently. Hopefully with greater emphasis on user charging and better asset management and financial planning we will see more and better infrastructure investment undertaken.

Luithlen, DZ Bank: A very continental European model. We're on completely the same page. We've underinvested in public infrastructure, now we have a big investment programme. We also have public utilities that are run as corporates but owned by the German states or the city of Hamburg or Berlin or Munich, so it's a very, very similar system. I can only advertise the European markets for long-dated funding in that context because that's what you're going to need.

Butcher, NZ LGFA: But Fritz, it is relatively easy in this environment to access financing, but the difficulty is you've got to repay it back eventually. The other problem we have in New Zealand unlike Europe is that we are at the other end of the world with a people of 5.4m of which a third live in Auckland. To put it in perspective, Sydney and Melbourne have more people than New Zealand.

Luithlen, DZ BANK: Yes, it's different with 83m people in Germany.

Butcher, NZ LGFA: It's very expensive to deliver infrastructure here too, because we're so far away from everyone else.

Luithlen, DZ Bank: And you have a lot of ground to cover.

Butcher, NZ LGFA: We've got a lot of ground to cover, that's right. But we are also competing with Australia who always have ongoing demand to build infrastructure.

GlobalCapital: **Just like green was the big conversation five years ago, AI is the big conversation now. It's arrived in a hurry; we're all trying to catch up. I'm wondering from the treasury and funding functions, what are you looking at? How can it improve your functions? Does it matter to the investor**

"Whilst our expectation is for the euro market to be a core funding market for issuers from the Australian and New Zealand region, the Aussie market has grown from strength to strength"

Jonathan Ng, Crédit Agricole CIB

base that you are talking to? Will they see the changes?

Cleary, Westpac NZ: It's early days for use cases within treasury. Is there a place for high-speed analytics and being able to produce outcomes with data quite quickly? One hundred percent. Our teams are actively trialling and using the tools we have internally for those purposes. Do I trust the output that I see from it right away? Absolutely not.

In some ways AI can be thought of as a very intelligent but poorly experienced analyst. It can give you a lot of information, but that doesn't mean that it's going to be able to balance the right nuance or have the right contextual understanding as to what it all means. With those sorts of constraints in mind, it can deliver a lot.

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Liam Cleary, Westpac New Zealand

Luithlen, DZ Bank: In terms of capital markets and financial institutions, LLMs [large language models] can help us in our marketing. If you're a media company, it can increase output a lot. But that's not what we do. We facilitate fund flows and money flows. The first step is programmable money. Commercial bank money tokens, stablecoins, central bank digital currency. That's the first step. When we have that properly — not if but when — we can combine smart contracts on the asset side with programmable money and automate settlement in an atomic way.

For us as a financial community, that promises a lot of efficiency gains. A small open economy like New Zealand, with a straightforward institutional setup can introduce digital markets quicker than, say, the European Union and the eurozone.

Four, five years ago, we also spoke about DLT [distributed ledger technology] based pay-per-use models. This discussion vanished again because we didn't have programmable money. Now that we are getting this building block, potential savings in the real economy are large.

Imagine that New Zealand farmers only pay for their machines when they use them. They only pay for exactly the amount of fertiliser they're putting out. All done on-chain and atomically settled. No more delivery slips; no more paper invoicing. On top the chains — either in capital markets contexts or industry applications — generate the data that you will need to inform your AI.

Naturally, those AIs will not be large language models. They're going to be more specific, more specialised models around those applications. We are doing exploratory work with a couple of corporates on such use cases. Also, we're introducing CBMTs, i.e. tokenised deposits. That's a concern for banks because we're not losing liquidity to a stablecoin provider or to the central bank. Beyond marketing material, we therefore look to specialised AI models that inform the use cases that are central to the banking function.

Cleary, Westpac NZ: That makes sense. Early days then.

Luithlen, DZ Bank: Not that early. We're working on automated settlement for bond transactions. We've done it already for our own treasury. We've transacted an issue with KfW as the buyer within 40 minutes from inception of the trade to settlement. There are still a couple of hurdles to be tackled, but we know what they are and we know how to tackle them. That's on the capital market side. We need to — as an industry, especially as a banking industry — look much harder into the corporate applications, especially for Germany being still such a highly industrialised country, where we have a lot of those flows of goods that we can mirror in and settle over DLT chains.

Additionally, we are already speaking to SSA issuers that target DLT benchmark trades within the next 12 months. That requires secondary market liquidity, it requires ECB eligibility and HQLA [high-quality liquid assets] treatment. We have a clear path ahead of us.

Butcher, NZ LGFA: I understand the primary market is easier because you're just bypassing essentially a paper transaction. The true value add will come in the secondary market facilitation. So, to me, it's about how do you make it work throughout the life of the bond rather than purely on primary settlement date on day one?

Luithlen, DZ Bank: So there are two points here. Ideally, you need proper engagement of the CSDs [central securities depositories]. They provide critical connectivity through their custodian infrastructure. You also need to have the multilateral trading facilities on board. Discussions on both aspects are dynamic and promising.

Butcher, NZ LGFA: And if there is an instantaneous settlement, that to me is what you've got to get to, that I can go and buy a bond in the secondary market and it settles straight away. You don't need to do anything else.

Luithlen, DZ Bank: That's the second step.

Butcher, NZ LGFA: The first step is to get the instrument issued. You can't issue an instrument and then go, OK, we're just going to treat it as we normally treat every other product.

Luithlen, DZ Bank: I fully agree. The question is if we're using the CSD blockchain, can we deploy a smart contract on that chain? In principle and in practice we can deploy a smart bond contract on any distributed ledger and even move between different ones.