

Review of the Reserve Bank Act

Release Document – Reserve Bank of New Zealand (Monetary Policy) Amendment Bill (2018): Approval for Introduction

July 2018

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Office of the Minister of Finance

Chair, Cabinet Legislation Committee

Reserve Bank of New Zealand (Monetary Policy) Amendment Bill (2018): Approval for Introduction

Proposal

- 1 This paper seeks approval to introduce the Reserve Bank of New Zealand (Monetary Policy) Amendment Bill (2018) (the Bill) into Parliament.

Background

- 2 Last year, the Government announced that it would undertake a Review of the Reserve Bank of New Zealand Act 1989 (the Review, the Act) to modernise the monetary and financial stability policy framework. The Review is being conducted in two phases. Phase 1, which this paper and Bill covers, was tasked with:
 - recommending changes to the objectives of monetary policy to give due consideration to maximising employment alongside price stability; and
 - providing for a committee decision-making model for monetary policy at the Reserve Bank.
- 3 An Independent Expert Advisory Panel was established to support and provide input into the Review. The Panel met with officials from the Treasury and the Reserve Bank several times before making recommendations, and their findings have been taken into account in the policy decisions taken by Cabinet and Finance Ministers.
- 4 Cabinet has previously agreed to the high-level policy reforms that have been included in the Bill [CAB-18-MIN-0086 refers]. These are:
 - 4.1 to re-specify the objectives of monetary policy to: achieving and maintaining stability in the general level of prices over the medium term and supporting maximum sustainable employment; and
 - 4.2 to institute a committee decision-making structure for monetary policy, with decisions to be made by a Monetary Policy Committee (MPC), including external members, appointed by the Minister of Finance.
- 5 By changing the objectives of monetary policy to include consideration of employment alongside the existing objective of price stability, the Reserve Bank will effectively be directed to choose policy settings that best support employment outcomes, while ensuring that price stability is achieved over the medium term.

- 6 The Government remains committed to ensuring monetary policy delivers low and stable inflation over the medium term, but it is important to also formally recognise the role monetary policy plays in reducing fluctuations in unemployment. This “stabilisation” role for monetary policy has been highlighted internationally following the global financial crisis.
- 7 To support this change, the Bill amends section 1(A), the purpose statement. This now reflects the place of the Act, and the monetary policy objectives, in the overall economic goals of the country, in particular the promotion of prosperity and wellbeing of New Zealanders, and the contribution to a sustainable and productive economy.
- 8 The formal introduction of a committee decision-making model for monetary policy will bring New Zealand into line with international norms, formalise and strengthen the Reserve Bank’s existing decision-making practices, and help to bring a diversity of perspectives to monetary policy decision-making.
- 9 Cabinet also delegated authority to Finance Ministers to take decisions on a number of second-order details that needed to be determined before the drafting of the legislation could be progressed. As required by Cabinet, this paper highlights these decisions, as well as some consequential design details included in the Bill, and seeks Cabinet’s confirmation of these details. A Regulatory Impact Statement (RIS) covering the significant second-order decisions has been prepared by the Treasury, and is attached to this paper.

Detailed second-order policy decisions taken by Finance Ministers

- 10 Finance Ministers have made a number of decisions on the detailed implementation of the reform following Cabinet’s decisions in March. These decisions relate to:
 - the Remit for the MPC;
 - the MPC Charter and code of conduct;
 - monetary policy reports;
 - the functions of the Reserve Bank Board; and
 - a number of detailed issues required to implement the reform.

MPC Remit

- 11 Cabinet has agreed that under the amended Act the Minister of Finance (the Minister) will be required to set ‘operational objectives’ for monetary policy, which will be done through a *Remit for the Monetary Policy Committee* (the Remit) [CAB-18-MIN-0086 refers]. This Remit will play the same function as the PTA does in setting the policy targets under the current Act. The PTA, however, is an agreement between the Minister of Finance and the Governor. The change in the process for setting specific objectives for monetary policy arises due to the move to collective responsibility under committee based decision-making.
- 12 Key elements of the legislated procedure to set the Remit in the Bill are:

- 12.1 The Minister will be required to reset the Remit at 5-yearly intervals (standard reset).
- 12.2 The Reserve Bank will be required to provide advice to the Minister prior to the Minister setting the Remit. This advice will be published by the Reserve Bank after the Remit is set.
- 12.3 The Reserve Bank will be required to consult with members of the public, the MPC and Minister prior to giving its advice to the Minister.
- 12.4 Once determined, the Remit will be tabled in the House of Representatives.
- 12.5 The Remit will also be able to be set before the 5-yearly reset, but this will need to be done by the Governor-General, on the advice of the Minister, through Order in Council following consultation with the Reserve Bank.
- 12.6 The initial Remit will be set by agreement between the Minister and the Governor and will take effect from the commencement of the Act.

MPC Charter and code of conduct

- 13 Cabinet has agreed that the legislation will establish a 'Charter', agreed periodically by the Minister and the MPC, to set transparency, decision-making and accountability requirements the MPC must adhere to in addition to what is provided in the Act. The Act will empower the Charter and define what matters can be included in the Charter. This mechanism has been developed to ensure there is more flexibility in the MPC's detailed processes than would be possible if these matters were included in the Act and allows for these processes to evolve over time.
- 14 Key elements of the requirements for the Charter included in the Bill are:
 - 14.1 The Charter agreed between the MPC and the Minister must be updated whenever there is a standard reset of the Remit. This ensures alignment between any transparency requirements and the Remit.
 - 14.2 The Charter must be published on the Reserve Bank's internet site.
 - 14.3 The Charter must include further details on:
 - requirements for records of meetings to be published by the MPC, including records of votes; and
 - requirements or guidelines on MPC members' public communication.
 - 14.4 The Charter may include further details on:
 - information that must be published by the MPC, including additional requirements for the reports required under the Act;
 - requirements regarding the frequency or timeliness of information published by the MPC, including for reports required under the Act;

- additional guidelines on the decision-making process to be followed by the MPC (beyond those set in the Act, e.g. whether decisions are taken by vote or by consensus); and
 - any other matter agreed between the Minister and MPC that relates to transparency, decision-making or accountability.
- 14.5 Largely the process for agreement between the MPC and Minister will be left to convention, with the exception of the process that applies where the Minister and the MPC are unable to agree an amendment to the Charter. In such situations, the existing Charter continues to prevail until the Minister and the MPC can mutually agree on any changes.
- 14.6 The initial Charter will be agreed by the Minister and the Governor so as to take effect on commencement of the amended Act.
- 15 The Act will also require that members of the MPC comply with a code of conduct that sets out matters such as procedures for managing conflicts of interest and confidentiality. The code of conduct will be determined by the Reserve Bank and approved by the Reserve Bank Board.

Monetary policy reports

- 16 The Reserve Bank will continue to be required to produce periodic reports on the conduct of monetary policy (currently done through the monetary policy statement (MPS)). These reports will be the key mechanism for the MPC to communicate its approach and decisions on monetary policy. The MPC will also be required to produce and publish a summary record of its meetings (requirements for which will be set in the Charter). The main changes proposed in regards to reports on monetary policy are:
- 16.1 Reports covering the current statutorily required content (with the adaptations set out in 16.2) will be required four times a year to match the current practice of quarterly MPSs, as opposed to the current bi-annual requirement in the Act.
- 16.2 The required content for quarterly reports has been updated to ensure consistency with other changes to the Act and practice. The most significant change is to repeal the requirement that the Reserve Bank undertake a short-term review of the performance of monetary policy and replace it with a medium-term review requirement (set out in 16.3).
- 16.3 A new report will be required to be produced by the Reserve Bank at least every five years that provides for a thorough review and assessment of the performance of monetary policy.
- 16.4 The requirements in respect of the content and frequency of reports will be able to be added to through the MPC's Charter. This allows for the regime to evolve over time.
- 16.5 While reports will be produced by the Reserve Bank, quarterly reports will be required to be approved by the MPC as they will set out the MPC's

decisions and strategy. The Reserve Bank will be required to consult the MPC on the five-yearly reports.

Changes to the responsibilities of the Reserve Bank Board

- 17 Under the current Act, the role of the Reserve Bank Board is to monitor the performance of the Governor in their responsibilities. Cabinet has agreed that the Board will continue to have a monitoring role but this will be adapted to take account of the committee structure for monetary policy decision-making. In the Bill, the Board is required to keep under review the Governor and Deputy Governor, the MPC and its individual members. The Board must also advise the Minister if the MPC breaches a collective duty, if a member of the MPC breaches an individual duty or if the Governor or Deputy Governor do not meet their responsibilities, and may recommend dismissal in such cases. The Board must also provide an annual report that assesses if the MPC, individual members of the MPC and the Governor have adequately discharged their responsibilities during the year.
- 18 The following other changes are included in the Bill to enhance and strengthen the Board's ability to monitor the Reserve Bank:
 - 18.1 The Reserve Bank Board will be required to supply to the Minister any reports or information relating to the performance of the Board's duties that the Minister requests. This will strengthen the accountability of the Board to the Minister and codify existing practice.
 - 18.2 The Reserve Bank will be required to supply to the Reserve Bank Board any information that the Board considers necessary for it to adequately carry out its monitoring duties. This will assist in ensuring that the Board can undertake its monitoring function and codifies existing practice.
- 19 Phase 2 of the review will consider more broadly the role of the Board.

Other matters on which Finance Ministers have made decisions

- 20 This section of the report discusses a number of more detailed matters included in the Bill on which Finance Ministers have made decisions.
- 21 Cabinet has agreed that there will be a Treasury observer on the MPC. In the Bill the Treasury observer has the right to attend, and speak at, any meeting of the MPC. The Treasury observer does not have a right to vote at the MPC. As part of the implementation of the new regime the Secretary to the Treasury and the Governor will agree protocols for the Treasury observer, such as matters related to the confidentiality of information.
- 22 The Bill includes the following matters related to decision-making procedures for the MPC:
 - 22.1 Passing resolutions: each member of the MPC has one vote and a resolution is passed if a consensus is reached or otherwise if a majority vote in favour of a resolution. In the event of a tied vote the chairperson (the Governor or Deputy Governor) has a casting vote.

- 22.2 Quorum rules: the MPC will have a quorum if a majority of currently appointed members are present, and the quorum must include the Governor or Deputy Governor, one other internal member of the Reserve Bank (unless both the Governor and Deputy Governor are present), and at least one external member. These quorum rules maintain a balance between internal and external members.
- 22.3 Provisions for decision-making in emergencies: the Bill enables the Governor and any other available MPC members to take action in an emergency situation if a quorum is not present. These emergency decision-making rules are designed to avoid the possibility of serious harm to the economy in the rare event that a quorum cannot be achieved but urgent action is required.
- 23 The Bill provides for only one Deputy Governor, appointed by the Minister and removes the concept of the Deputy Chief Executive. Currently the Act provides for two Deputy Governors, one of whom is the Deputy Chief Executive. Without this change, the Act would provide for two different classes of Deputy Governor – one appointed by the Minister (who sits on the MPC as an *ex-officio* member) and one appointed by the Reserve Bank Board. Such a distinction is not desirable. This change does not preclude other Reserve Bank staff members from being given formal titles, such as Assistant Governor, however, this would be an internal employment decision. At present there is only one Deputy Governor.
- 24 The Minister will appoint all external MPC members following a recommendation from the Reserve Bank Board. The Bill needs to provide a mechanism for the setting of their remuneration. The Bill provides that external members' remuneration will be set by the Minister through the Cabinet appointments process and fees framework. The Cabinet fees framework (CO (12) 6 refers) is the default fee setting mechanism for bodies in which the Crown has an interest and is used to set fees for a wide variety of positions across the public sector. The Bill does not alter the mechanisms to set the remuneration of the Governor (set by the Minister following consultation with the Board) or Deputy Governor (set by the Board¹) and internal members will continue to be paid according to their salary as determined by the Reserve Bank.
- 25 The process that the Board will follow to nominate candidates for the MPC will not be legislated. However I intend to set out my expectations for this process in a Letter of Expectations to the Board.

Further matters included to implement previous decisions

- 26 In drafting the Bill a number of further detailed matters have been included on which Finance Ministers have not made a specific decision. These include:

Transitional provisions

- 27 Finance Ministers have decided that the Act will come into force 3 months following Royal assent to allow time to implement the regime empowered by the

¹ Although for the Deputy Governor a new requirements is added that the Board must consult the Minister to provide for greater consistency with the approach for the Governor.

Act. Consistent with this, the Bill provides that the amended monetary policy objectives, the MPC and associated procedures will come into effect 3 months after the Bill receives Royal assent. The Bill also provides that the provisions providing the power to appoint members of the MPC and to establish the first Charter, Remit and code of conduct come into effect on Royal assent to enable these parts of the regime to be in place on commencement of the rest of the Act.

- 28 The first Charter and the first Remit are to be set by agreement between the Minister and the Governor (rather than the between the Minister and the MPC). However, either of these instruments can be set by Order in Council on the advice of the Minister in the unlikely event that the Minister and the Governor fail to agree them within a prescribed timeframe. This ensures that both the Remit and the Charter will be in place on commencement.

Duties of members, MPC and Governor/Deputy Governor

- 29 The individual members of the MPC will have specified duties to perform in their role. Cabinet has previously agreed that members can be removed from office by the Governor-General, on the advice of the Minister, if they breach these duties. The members individual duties will be to:
- act consistently with the Remit, Charter and code of conduct;
 - act with honesty, integrity and in good faith;
 - act with reasonable care, diligence and skill;
 - disclose if the member is disqualified from being on the MPC; and
 - not improperly disclose information they gain as a member.
- 30 The Bill also specifies disqualification grounds which would result in a member of the MPC being automatically removed from office and provides specific failures that can result in a member being removed (such as not attending meetings or gross misconduct).
- 31 The MPC will have a collective duty to formulate monetary policy in a manner consistent with the legislative objectives and the Remit and to comply with the Charter. A member of the MPC will be able to be removed from office if the MPC breaches a collective duty and the member supported the decision that led to the breach of collective duty.
- 32 The Governor and Deputy Governor are subject to the collective and individual member's duties but also have responsibilities in respect of the office of Governor and Deputy Governor. As they are *ex-officio* members of the MPC, removal from their role also results in them being removed from the MPC.
- 33 The grounds on which a Governor can be removed from office have been adapted in light of the establishment of the MPC. While the provisions broadly remain the same as under the current Act, the dismissal provisions no longer explicitly reference achievement of the policy targets, with dismissal relying instead on the individual and collective duties referenced in paragraphs 29-32.

- 34 Under the current Act the Deputy Governor is appointed by and can be removed from office by the Board. Cabinet agreed that under the amended Act the Deputy Governor will be appointed by the Minister on the recommendation of the Board. Given this, the Bill does not include a power for the Board to remove the Deputy Governor, rather the Deputy Governor is only able to be removed from office by the Governor-General on the advice of the Minister. The grounds on which the Deputy Governor may be removed from office have been adapted to more closely align with the removal criteria that apply to the Governor to recognise that this is now a statutory appointment.

Ability to alter the legislative objectives by Order in Council

- 35 The current Act provides that the legislative objective may be amended by the Governor-General by Order in Council, on the advice of the Minister. The Order in Council only lasts for one year but may be extended. This provides a mechanism to manage changes in economic circumstances, including an economic crisis, and recognises the Government's right to set economic policy.
- 36 The Bill retains this provision but amends it in light of other changes in the Act. As in the current Act, an Order in Council could be used to replace the legislative objectives (price stability and maximum sustainable employment). The Bill provides these objectives could be replaced with a different objective(s) or just one of the legislative objectives (e.g. either price stability or maximum sustainable employment). The provision has been designed to provide maximum flexibility to deal with future circumstances, including a future period of high inflation or low employment.

Consequential amendments

- 37 The Bill also includes a number of consequential changes to ensure or improve the workability of the Act. For example, changes are made to adapt provisions in light of the shift in responsibility from the Governor to the MPC and the change to have operational objectives set in the Remit rather than the PTA. A number of areas of ambiguity in the current Act have also been addressed and provisions have been modernised in some places (such as clarifying that an interim Governor appointed for 6 months has all the powers of a Governor and removing the age restriction on the Governor).

Regulatory impact analysis

- 38 The Treasury has prepared two regulatory impact statements (RIS) covering these reforms, in accordance with the necessary requirements. The first was prepared when Cabinet agreed to the high-level policy in March 2018 [CAB-18-MIN-0086 refers]. A second RIS is attached to this report covering the second-order policy decisions taken by Finance Ministers and final Cabinet approval of these decisions is being sought through this paper.
- 39 The Treasury's Regulatory Impact Analysis Team has reviewed the RISs and considers that they meet the quality assurance requirements. The Government's objectives and potential ways of meeting them are clearly set out and well analysed and evidenced, including by reference to extensive stakeholder consultation.

Compliance

- 40 The Bill complies with the following:
- 40.1 the principles of the Treaty of Waitangi;
 - 40.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
 - 40.3 the disclosure statement requirements;
 - 40.4 the principles and guidelines set out in the Privacy Act 1993;
 - 40.5 relevant international standards and obligations; and
 - 40.6 the *LAC Guidelines on the Process and Content of Legislation* (2018 edition), which are maintained by the Legislation Design and Advisory Committee.
- 41 A disclosure statement has been prepared as required by CO(13)3 *Disclosure Requirements for Government Legislation* and is attached to this paper.

Consultation

- 42 The Treasury has conducted the Review in consultation with the Reserve Bank. The State Services Commission was consulted over the remuneration process for the external members, and informed about the remainder of the Bill. The Department of Prime Minister and Cabinet and the Ministry of Business, Innovation and Employment have informed but did not have comments on the Bill.
- 43 High-level policy decisions on Reserve Bank reform followed closely the recommendations of the Independent Expert Advisory Panel for the Review of the Reserve Bank Act.
- 44 The Treasury also conducted targeted consultation with a mix of individuals and organisations that have a particular interest in monetary policy. This occurred in the first half of February 2018 and included meetings with banks, academics, and think tank economists, along with representatives from sector organisations such as the Council of Trade Unions. The Treasury website also provided the public with information about the Review and welcomed public feedback by email to allow anybody to contribute to the Government's consideration of these matters.
- 45 I was provided with a summary of these stakeholders' views and this summary has been made public.

Binding on the Crown

- 46 The Bill will be binding on the Crown, consistent with section 4 of the Reserve Bank of New Zealand Act 1989.
- 47 The Ombudsmen Act 1975 and the Official Information Act 1982 will continue to apply to the Reserve Bank of New Zealand, including to the MPC.

Allocation of decision making powers

48 Not applicable.

Associated regulations

49 Not applicable.

Other instruments

50 The Bill empowers three new instruments: the Remit; the Charter; and the code of conduct. Empowering the making of these instruments is consistent with the relevant principles for making such instruments because (among other things):

50.1 each instrument relates to matters that are technical in nature and/or that require flexibility;

50.2 each instrument applies only to the MPC;

50.3 the subject matter of the instruments is limited because they cannot be inconsistent with relevant provisions of the Bill; and

50.4 the power to create each instruments is vested in the most appropriate person(s) to make it: the Remit is set by the Minister following Reserve Bank advice or by Order in Council, the rules in the Charter are agreed between the Minister and the MPC, and the code of conduct is developed by the Reserve Bank and approved by the Board.

51 Of these, the only instrument that meets the definition of a legislative instrument under the Legislation Act is a Remit that is set by the Governor-General, on the advice of the Minister of Finance, through Order in Council. A Remit will be set through this process when it is not set at the standard 5-yearly renewal point (and is therefore an 'out-of-cycle' Remit). It is intended that a Remit will only be set out-of-cycle in exceptional circumstances, such as a change of economic circumstances. Setting the out-of-cycle Remit by Order in Council ensures there is sufficient oversight of the use of out-of-cycle Remits. Where the Remit is set by Order in Council it will be both a legislative and a disallowable instrument.

52 The Bill clarifies that a Remit set by the Minister at the standard 5-yearly renewal, the Charter and the code of conduct are not legislative or disallowable instruments. This is consistent with the application of the Legislation Act.

53 The Bill also retains the existing power to enable the legislative objectives to be amended by the Governor-General, by Order in Council, on the advice of the Minister. Under the Bill such an instrument will now be a legislative instrument and disallowable instrument (for technical reasons it is not currently a legislative instrument). This is consistent with the general practice that Order in Councils are legislative instruments.

Definition of Minister/department

54 Section 2 of the Reserve Bank of New Zealand Act 1989 sets out a definition of Minister: 'Minister means the Treasurer, or other Minister of the Crown who,

under the authority of any warrant or with the authority of the Prime Minister, is for the time being responsible for the administration of this Act or particular provisions of this Act.’ The Reserve Bank of New Zealand (Monetary Policy) Amendment Bill does not amend this definition, and the Act will remain assigned to the Minister of Finance.

Financial implications

- 55 Cabinet was previously informed that the proposals to legislate an MPC will likely increase operating expenses for the Reserve Bank by between \$200,000 - \$400,000 per annum. The fiscal implications depend on the remuneration for the external members, which will be set through the Cabinet appointments process. I will report back to Cabinet on any financial implications at that time.

Commencement of legislation

- 56 Clause 2 of the Bill provides that the provisions of the Act that provide for the new monetary policy objectives and decision-making procedures will come into force 3 months following the date of Royal assent. Clause 2 also provides that the provisions that provide for the setting of the first Charter, Remit and code of conduct and for establishment of the MPC come into force on the day after Royal assent.

Parliamentary stages

- 57 The Bill should be introduced by 20 July 2018 and passed by 13 December 2018.
- 58 It is proposed that the Bill be referred to the Finance and Expenditure Select Committee for a shortened four month select committee examination.

Publicity

- 59 Once the Bill has been introduced, the Treasury will proactively release all of the policy advice that has been provided to Finance Ministers as part of the legislative drafting process, as well as this Cabinet paper and the attached RIS. Redactions will be made as appropriate in line with the Official Information Act.

Recommendations

The Minister of Finance recommends that the Committee:

- 1 [4]
[4]
[4]
- 2 note that the Bill will modernise New Zealand’s monetary policy framework by:
 - 2.1 amending the monetary policy objectives so as to be directed at achieving and maintaining stability in the general level of prices over the medium term and supporting maximum sustainable employment, and
 - 2.2 introducing a Monetary Policy Committee (MPC), as part of the Reserve Bank, to formulate monetary policy decisions;

Policy decisions

- 3 note that Cabinet agreed to a number of high-level policy decisions to modernise New Zealand's monetary framework, and delegated authority to Finance Ministers (Hon Robertson, Hon Parker, Hon Jones, and Hon Shaw) to take second-order policy decisions prior to Cabinet approving the full details of the reform package at the same time as it considers the draft legislation [CAB-18-MIN-0086 refers];
- 4 note that Finance Ministers have taken a number of second-order policy decisions, consistent with the high-level policy decisions taken by Cabinet, on the following areas:
 - 4.1 the detailed process for setting the operational objectives of monetary policy through the Remit for the Monetary Policy Committee (part 1 of new schedule 2 of the Act);
 - 4.2 the detailed process for the setting of the Monetary Policy Committee Charter and code of conduct (inserted sections 63D to 63K of the Act);
 - 4.3 the detailed requirements for regular reporting on the conduct of monetary policy, in particular requiring monetary policy reports to be published four times a year and for a new report to be published by the Reserve Bank at least every five years reviewing and assessing the formulation and implementation of monetary policy (inserted sections 15C and 15D of the Act);
 - 4.4 the detailed changes to the Reserve Bank Board's monitoring function so as to adapt to the new committee structure and enhance and strengthen the Board's ability to monitor the Reserve Bank and provide advice to the Minister of Finance (amended sections 53 and 53A and inserted sections 53B and 53C of the Act);
 - 4.5 the Treasury Observer, in particular that the Treasury Observer may attend, and speak at, any meeting of the Monetary Policy Committee (clauses 23 to 26 of new schedule 2 of the Act);
 - 4.6 the detailed decision-making rules for the Monetary Policy Committee, in particular requirements for resolutions, quorum, and emergency decision-making powers (clauses 41 to 45 of new schedule 2 of the Act);
 - 4.7 limiting the number of Reserve Bank Deputy Governors to one, appointed by the Minister of Finance on the recommendation of the Board (amended section 43 of the Act);
 - 4.8 the remuneration for the external members of the Monetary Policy Committee is to be set through the Cabinet appointments process (clause 48 of new schedule 2);

- 5 note that the following matters have been included in the Bill to implement at a detailed level the decisions taken by Cabinet or Finance Ministers:
 - 5.1 the Bill provides that the provisions that allow for the setting of the first Remit, Charter and code of conduct and appointment of MPC members will come into effect on Royal Assent such that these elements of the new regime can be established before the rest of the Bill commences;
 - 5.2 the first set of instruments must be set by agreement; it will be a duty of the Governor to ensure that the Remit, Charter and code of conduct are in place before the rest of the Act commences;
 - 5.3 individual members (including the Governor and Deputy Governor) of the MPC will be able to be removed from the MPC if they fail to comply with specified individual duties or if the MPC breaches specified collective duties;
 - 5.4 the Deputy Governor will be able to be removed from office by the Governor-General on the advice of the Minister if specified grounds are met. The Board will be able to recommend to the Minister that the Deputy Governor be removed from office if these grounds are met;
 - 5.5 The legislative objectives of monetary policy will continue to be able to be replaced by the Governor-General by Order in Council on the advice of the Minister;
- 6 note that a Regulatory Impact Statement has been prepared by the Treasury covering the decisions taken by Finance Ministers, as referenced in recommendations 4.1 to 4.8, and is attached to this paper;
- 7 confirm the second-order policy decisions taken by Finance Ministers and further implementation details, as referenced in recommendations 4.1 to 4.8 and 5.1 to 5.5;

Approval to Introduce the Bill

- 8 approve the Reserve Bank of New Zealand (Monetary Policy) Amendment Bill (2018) for introduction, subject to the final approval of the Government caucuses and sufficient support in the House of Representatives;
- 9 agree that the Bill be introduced by 20 July 2018;
- 10 agree that the Government propose that the Bill be:
 - 10.1 referred to the Finance and Expenditure committee for consideration for a shortened four month select committee process;
 - 10.2 enacted in December 2018;
 - 10.3 the transitions provisions will come into force on Royal assent;
 - 10.4 the remainder of the Act will come into force 3 months following Royal assent; and

11 note that this Cabinet paper, and the associated Treasury advice, will be proactively released following the introduction of the Bill.

Authorised for lodgement

Hon Grant Robertson
Minister of Finance