

# The Treasury

## Phase 1 RBNZ Act Review Information Release

December 2018

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### Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;
- [2] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand;
- [3] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials;
- [4] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions;
- [5] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice;
- [6] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice;
- [7] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage.
- [8] Not Relevant

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

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26 February 2018

Hon Grant Robertson  
Minister of Finance  
Parliament Buildings  
WELLINGTON

Dear Minister

At its meeting on 15 February 2018, the Board of the Reserve Bank of New Zealand reviewed the material prepared by Officials for the Independent Advisory Panel on Phase 1 of the Review of the Reserve Bank of New Zealand Act 1989. The Board agreed that rather than attempting to prepare a comprehensive submission, it would be timely to provide you with some brief, selective comments based on our experience of monetary policy decision-making and governance at the Reserve Bank. The Board will welcome the opportunity to discuss these comments and other aspects of the review when you attend our meeting in March.

#### Simplicity and Efficiency Consistent with Government Objectives

The Board recommends that the structures created be as simple and efficient as is consistent with the Government's objectives in revising the RBNZ Act. This means that the issues that have been identified should be addressed once, and by the simplest and most direct mechanism. Multi-layered changes designed to address particular issues introduce unnecessary complexity that may reduce the effect of the reform.

#### Appointment of the Chair

The Board would be comfortable with the Chair of the Board being appointed by the Minister. The Board does not believe that the direct appointment of the Chair by the Minister will in practice reduce the independence of the Board in reviewing the performance of the Governors and the Bank. A positive aspect of Ministerial appointment of the Chair is the greater incentive that it provides for the Minister to engage with the Chair and Board on matters relating to the Bank.

#### Appointments to the Monetary Policy Committee (MPC)

The Board recommends that the external members of the MPC be appointed by the Minister on the recommendation of the Board. It may also be appropriate to add a requirement that the Board consult with the Governor before making its recommendation.

The Board recommends that the internal members of the MPC who are drawn from the senior staff of the Reserve Bank be appointed by the Board on the recommendation of the Governor. The reasons for this recommendation are:

1. It is consistent with the wider role that the Act provides for the Board whose members are appointed by the Minister to act as the Minister's agents in monitoring the performance of the Governors and the Bank.

2. The Board has more knowledge of the performance of individual senior members of the Bank's staff than the Minister will have. The decision rights should sit where the information resides.
3. It is consistent with maintaining the political independence of the Governors of the Bank.

#### Operation of the Monetary Policy Committee (MPC)

1. The Board recommends that the MPC should have collective responsibility, and that its constitution should be clear about its approach to decision-making and external communication, especially for ensuring clarity of communication to markets. There should be standard conditions of engagement for all MPC members, based on the principles of sound governance and efficiency.
2. The Board recommends that the MPC have five members not seven, with two members appointed from outside the staff of the Reserve Bank. The reasons for this recommendation are that structures should be as simple as possible, consistent with the intentions of the Minister; and a smaller committee is likely to provide greater accountability as well as being more operationally efficient.
3. The Board recommends that the performance of MPC members be evaluated by the Board every three years to determine re-appointment, unless there has been a reason (such as breach of the conditions of appointment) to terminate an appointment sooner.

Yours faithfully



Professor Neil Quigley  
**Chair of the Board**