

The Treasury

Phase 1 RBNZ Act Review Information Release

April 2019

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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

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Treasury Report: Monetary Policy Committee - first remit and charter

| | | | |
|--------------|----------------|---------------------|------------|
| Date: | 4 October 2018 | Report No: | T2018/2348 |
| | | File Number: | MC-1-7-6 |

Action Sought

| | Action Sought | Deadline |
|--|--|-----------------------|
| Minister of Finance (Hon Grant Robertson) | Provide feedback on the draft first remit and charter contained in this report. | Wednesday 11 October. |

Contact for Telephone Discussion (if required)

| Name | Position | Telephone | 1st Contact |
|----------------|---|------------------|--------------------|
| Angus Hawkins | Senior Analyst, Macroeconomic and Fiscal Policy | [7] | [1] ✓ |
| Ben Gaukrodger | Senior Analyst, Macroeconomic and Fiscal Policy | | |

Actions for the Minister's Office Staff (if required)

Return the signed report to the Treasury.

Provide feedback on the options for the first remit and charter.

If the Minister of Finance agrees, **refer** this report to the Associate Ministers of Finance (Hon Parker, Hon Jones, and Hon Shaw) for their information.

Note any
feedback on
the quality of
the report

Enclosure: No

Treasury Report: Monetary Policy Committee – first remit and charter

Executive Summary

This report seeks your feedback on drafts of the first remit and charter for the soon to be established Monetary Policy Committee (MPC) of the Reserve Bank (the Bank).

The first remit and charter will be issued under transitional provisions introduced by Reserve Bank of New Zealand (Monetary Policy) Amendment Bill (the Bill). The Bill is scheduled to be passed in December and receive Royal assent, at the latest, early next year. The transitional provisions come into force the day after Royal assent and require that the first remit and charter are both in place within two months of Royal assent. You have decision-making responsibility for issuing the first remit and the first charter, after reaching agreement on their contents with the Governor. The Governor has provided feedback on both these documents, and is content to agree to them in their current form.

We are seeking your feedback now to enable the Bank to share a copy of the draft charter with shortlisted candidates for the MPC [T2018/2188 refers]. A short-list of candidates is expected to be compiled and provided to you in November, subject to the progress of the Bill through Parliament. Given market sensitivity, we do not intend to share a draft of the first remit with shortlisted candidates.

The first remit

A draft first remit is included in Annex 1. We are seeking your feedback on this draft remit.

As previously advised, we have used the current Policy Targets Agreement (PTA) as a starting point for drafting this first remit and have updated it to reflect changes proposed in the Bill and statements you have made about your expectations for the first remit [T2018/176 refers].

The changes relative to the current PTA include:

- **removing the Government's economic objective** to reduce the risk that the remit is reset as a result of changing political priorities;
- **including supporting maximum sustainable employment as an economic objective alongside price stability;**
- **removing the transparency and accountability section** as these requirements will be included in the charter; and
- minor consequential drafting changes.

After receiving your feedback on the draft remit, we will provide you with an updated final remit in December 2018, subject to any proposed changes being agreed with the Governor. The remit will be formally agreed in February 2019.

The first charter

A draft first charter is included in Annex 3. We are seeking your feedback on this draft charter.

The charter outlines some decision-making procedures and the extent to which different views held by MPC members are attributed and communicated publicly. These are important issues as they affect the incentives of MPC members, the ability of the public to hold MPC members to account, and therefore the quality of decisions made by the MPC itself.

It is important that the charter balances the extent to which MPC members are transparent and accountable; are encouraged to engage in in-depth discussion and debate; and can influence market expectations. There are necessarily some trade-offs between these objectives.

The draft first charter reflects an appropriate balance of these objectives and the previous intentions you have communicated to Cabinet. It specifies that MPC members should:

- Aim to reach decisions by consensus, with decision taken by vote where a consensus cannot be reached;
- Reflect any differences of view within the MPC in the summary record of each meeting, but without attributing views to individual members;
- Publish the balance of votes for any decision taken by vote, but without attributing votes to individual MPC members; and
- Designate the Governor to be the sole spokesperson for decisions of the MPC, while permitting individual MPC members to express their own views publicly after consultation with their colleagues on the MPC.

This adequately balances the objectives of accountability, discussion and debate, and market influence; however, different trade-offs could be made. An alternative option would be to increase the transparency and individual accountability of MPC members by attributing votes and views to individual members.

Recommended Action

We recommend that you:

- a **provide** feedback on the draft first remit and draft first charter contained in this report;
- b **note** that officials will provide the draft charter, updated with your feedback, to potential MPC members, as you have previously agreed (T2018/2188 refers), subject to passage of the Bill through Parliament;
- c **note** that the first remit and first charter are expected to be formally agreed between you and the Governor in February 2019;
- d **refer** this report to the Associate Ministers of Finance (Hon Parker, Hon Jones, and Hon Shaw) for their information.

Refer/not referred.

Ben Gaukrodger
Senior Analyst, Macroeconomic and Fiscal Policy

Hon Grant Robertson
Minister of Finance

Treasury Report: Reserve bank (Monetary Policy) Amendment Bill – first remit and charter

Purpose of Report

1. This report seeks feedback from you on:
 - a draft first remit for the Monetary Policy Committee (MPC) (the remit); and
 - a draft first charter for the MPC.
2. The Treasury and Reserve Bank (the Bank) have worked together on writing these instruments and preparing the advice contained in this report.
3. We are seeking feedback on the draft remit and draft charter now to allow us to provide a draft copy of the charter for shortlisted MPC members in November 2018 to inform their consideration of whether to accept the role.

Background to the first remit and charter

The remit and charter are new instruments introduced by the Reserve Bank (Monetary Policy) Amendment Bill (the Bill)

4. The Bill gives effect to decisions from phase 1 of the Review of the Reserve Bank of New Zealand Act 1989 (the Review, the Act) to add employment to the objectives of monetary policy and to establish a collective decision-making body to formulate monetary policy – the MPC. The remit and charter are key instruments required to move to this collective decision-making model:
 - The remit outlines the operational objectives for the MPC in formulating monetary policy.
 - The charter sets additional decision-making, transparency and accountability requirements that the MPC must adhere to (in addition to what is set out in the Bill).

You have decision-making responsibility for issuing the first remit and first charter after reaching agreement on their content with the Governor

5. The process for issuing the first remit and charter is different to the process that will be followed for subsequent remits and charters.

Issuing the first remit

- The first remit is issued by you, after reaching agreement on its contents with the Governor. The Bill contains provisions in the event that you and the Governor cannot reach agreement, although we do not anticipate that these will be needed. Subsequent remits will be issued by the Minister of Finance alone.
- The Bank is not required to provide formal advice to you on the first remit. For subsequent remits, the Bank is required to provide you with advice three months before the remit expires. In providing advice, the Bank is required to undertake public consultation and consult you on the scope of the advice you require.

- The first remit will be in force for 5 years with the ability for its duration to be extended for a further 6 months (the same duration and extension period as subsequent remits).
- Similar to existing provisions in the Act for the PTA, the Bill also permits the first remit (and all subsequent remits) to be reset early by the Minister of Finance.

Issuing the first charter

- The first charter is issued by agreement between you and the Governor. Subsequent charters are issued by agreement between the Minister of Finance and the MPC.
- There is no set time duration for how long the first (or subsequent) charters will be in place. You and the MPC can agree to issue a replacement charter at any time, and a new charter must be considered when a new remit is issued.

The transitional provisions provide for the first remit and charter to be in place within two months of the Royal assent of the Bill

6. The Bill is scheduled to be passed in December and, at the latest, receive Royal assent early next year. The transitional provisions come into force the day after Royal assent and require that the first remit and charter are both in place two months after Royal assent. We anticipate that you and the Governor will formally agree to the remit and charter in February 2019.

The first remit

The current PTA has been used as a starting point for drafting the first remit and has been updated to reflect the changes proposed in the Bill and other statements you have made outlining your expectations for the first remit

7. As previously advised to you in our report outlining our approach to implementing the Bill [T2018/2188 refers] the current PTA has been used as a starting point for setting the first remit. We have taken this approach, rather than a 'first principles' approach, because:
 - The current PTA, which was set in March this year, already includes the Government's expectation that the Bank support maximum sustainable employment. Including this expectation in the current PTA reflected a substantial change from historical PTAs, but was included in order to signal to the market the upcoming direction of legislative reform, whilst remaining consistent with the Act.
 - This is the first remit and the Bank is not required to provide formal advice to you on its contents.
 - We last reviewed the price stability target in March when the current PTA was set with the appointment of the new Governor. Since then, we have no new evidence or research to justify changing its current specification or target level [T2018/176 refers].

A first draft of the first remit for feedback is included in Annex 1, and an annotated version of the changes relative to the current PTA is included in Annex 2

8. The changes relative to the current PTA include:
- removing the Government's economic objective;
 - including supporting maximum sustainable as an operational objective;
 - removing the transparency and accountability section; and
 - consequential minor drafting changes.
9. The rationale for making these changes is described in paragraphs 10 to 18.

Removing the Government's economic objective

10. The first paragraph of the current PTA is a statement of the Government's economic objective. A statement containing the government of the day's economic objective has been included in the PTA since 2002. It replaced a previous statement describing that monetary policy, through achieving price stability, best contributed to "sustainable growth, employment and development opportunities within the New Zealand economy". Since being included, the government of the day's economic objective as set out in the PTA has changed with each government.
11. Including the Government's current economic objective within the remit increases the likelihood that the remit is reset as a result of changing political priorities, making the document less enduring. Resetting the remit early (before the 5-year expiration date) is not desirable as it circumvents the legislative requirement for the Bank to provide the Minister of Finance with advice on the remit's contents (and removes public consultation), and frequent change may also create uncertainty in the market.
12. Accordingly, we have not included the Government's economic objective. Should you wish to communicate the Government's economic objective to the MPC, we recommend doing so via the annual Letter of Expectations to the Bank, rather than the remit.

Including supporting maximum sustainable employment as an operational objective

13. The draft remit includes a description of what the MPC is expected to do in its role supporting maximum sustainable employment, and made a number of consequential drafting changes to reflect that supporting maximum sustainable employment will be an economic objective in the Act. It does not include a numerical target or specific measure, but outlines that the Bank is expected to consider a range of measures.
14. The description proposed in the remit is consistent with how the Bank has described maximum sustainable employment in its two recent *Monetary Policy Statements*, and the wording has been informed by the "Statement on Longer-Run Goals and Monetary Policy Strategy" written by the Federal Open Market Committee of the United States¹. The Federal Open Market Committee's statement notes: "The maximum level of employment is largely determined by nonmonetary factors that affect the structure and dynamics of the labour market. These factors may change over time and may not be measurable."
15. It would be possible to include an explicit instruction in the remit requiring the MPC to place an even weighting on both economic objectives. However, this is not recommended as we consider that it may create confusion about how the Bank will

¹ The United States also has sustainable employment as a legislative objective of monetary policy and its Statement on Longer-Run Goals and Monetary Policy Strategy is the closest equivalent document to a remit.

implement monetary policy over different time periods – as the price stability target is over the medium-term, whilst the Bank can only influence employment over the short-term. A blanket instruction to place an even weight the two objectives does not differentiate between how the Bank should act over different time horizons.

Removing the transparency and accountability section

16. Under the Bill, the transparency and accountability requirements for the MPC will be contained in the charter and there is no need to replicate these in the remit. Therefore, the draft remit does not include this section.
17. Although not required, it would be possible to include a cross-reference to the charter in the remit to signal that the transparency and accountability requirements for the MPC are contained in a different document. This is currently excluded for the sake of brevity; you may wish to consider a cross-reference to the charter for completeness.

Consequential minor drafting changes to reflect the Bill

18. A number of minor drafting changes have been made to the PTA to reflect the proposed changes in the Bill. For example, updating the references to sections in the Act under which the first remit is issued.

The first charter

The charter sets additional transparency, accountability and decision-making requirements that the MPC must adhere to beyond what is provide for in the bill

19. The Bill requires that the charter must include:
 - detailed requirements relating to the record of each meeting. Details include the content of the records, when and how they must be published, and how any votes by the MPC are recorded.
 - Guidelines or requirements for any communications by individual MPC members.
20. In practice, this means that the charter determines the broad approach as to how the MPC will make decisions (for example, whether voting is by exception or by default) and the extent to which different views held by MPC members are attributed and communicated publicly. These are important issues as they affect the incentives of MPC members and therefore may affect the quality of decisions made by the committee.
21. The charter should balance three principles for how the MPC conducts itself:
 - **Accountable and transparent** – the MPC’s decision making process and the rationale for monetary policy should be clear to the public.
 - **Be encouraged to engage in in-depth discussion and debate** – MPC members should be encouraged to engage in a frank and open debate to reach a decision.
 - **Provide a clear signal to the market** – the MPC should be able to communicate policy decisions clearly in order to contribute to the effectiveness of policy decisions.

The draft first charter reflects these principles and the previous intentions you have communicated to Cabinet

22. A draft charter is included in annex 3. It reflects your previous statements [Cab-18-Min-0086 refers] that you expect the first charter to require the MPC to:
- aim to reach decisions by consensus, with decision taken by vote where a consensus cannot be reached;
 - reflect any differences of view within the MPC in the summary record of each meeting, but without attributing views to individual MPC members;
 - publish the balance of votes for any decision taken by vote, but without attributing votes to individuals; and
 - designate the Governor to be the sole spokesperson for decisions of the MPC, while permitting individual MPC members to express their own views publicly after consultation with their colleagues on the MPC.
23. In practice, this will mean MPC members may make public speeches regarding their views on the economy or the current position of monetary policy, subject to consultation with other MPC members. This may include members revealing how they voted in previous meetings.
24. However, the right of MPC members to publically reveal how they voted in previous meetings is not made explicit in the charter. This is to avoid the public expectation that they reveal how they voted, leaving it for individual MPC members to decide.
25. All public speeches and communications of MPC members will be made available on the Bank's website to enable ease of access and to ensure that information is not provided exclusively to some groups.
26. Your intentions, reflected in the draft charter, reflect an appropriate balance of the three principles outlined above, allowing transparency, encouraging debate, but also ensuring the communications from individual members do not confuse the overall message from the MPC.
27. In setting the charter, the key judgement is how much weight to place on accountability and transparency of MPC members and their decisions, relative to other factors. We would not recommend moving towards an approach with any less transparency of the opinions of MPC members, which may:
- diminish the transparency and accountability of the MPC, and reduce the incentives for members to take deliberate care over their decision;
 - complicate the role of external MPC members in communicating and engaging the public about monetary policy decisions, which they will be unable to do credibly if they are not able to state their own positions; and
 - reduce the pool of potential MPC members, as many talented potential members may not be willing to serve if their ability to speak publically was substantially restricted.

It would be possible to move towards a more transparent and accountable approach for the MPC, with greater attribution of views to individual members.

28. Some submissions (Westpac, and one individual submission) on the Bill to the Finance and Expenditure Select Committee have argued for increased transparency requirements for the MPC. In their submission, the New Zealand Bankers' Association

also welcomed the better information and insights that increased transparency would offer the market.

29. Going further to increase the transparency of the MPC would reflect the practice of some other central banks. The Bank of England and US Federal Reserve each publish how their committee members vote in each meeting, but do not attribute views to individual members in the minutes of meetings. The Swedish Riksbank publish individual votes, and attributes views to individual members in the minutes of meetings. The communications models of several central banks are summarised in Annex 4.
30. The charter specifies that the MPC should reach decisions by consensus where possible, to encourage thorough discussion of the issues. In the event consensus cannot be reached, transparency could be increased by making public by default either:
 - the votes of individual MPC members; or
 - the votes and individual views of MPC members.
31. For example, rather than relying on MPC members to proactively identify their own contributions, the summary record of each meeting could attribute either votes, or both votes and views, to individual members. This would increase individual accountability and transparency. It is likely that publishing votes and the reasons for those votes will help to ensure scrutiny by the media, the market, and the Board. In turn, this should further strengthen care and deliberation in the decision-making process.
32. However, there is a risk that individually attributed votes and viewpoints reduces discussion and debate. MPC members with views outside mainstream economic opinion, or with less monetary policy expertise, may be reluctant to express their views if they know they will be made public and attributed to them (although this could be mitigated by the choice of members through the appointment procedure). This may reduce the effectiveness of the MPC's decision-making through reducing the diversity of thought and meaningful debate.
33. Publically attributing individual votes and/or viewpoints may also affect the MPC's ability to provide a clear signal to the markets. Increased transparency will give the market more information to anticipate future moves in monetary policy, but could increase uncertainty and reduce the Bank's ability to influence the market by stating the expected future path of rates. However, this will also be the case with the current proposed changes, which will already require the markets to adapt to a new communications approach that provides a greater range of views.
34. Overall, the decision of whether to attribute either the votes or the votes and the views of individuals in the summary record of the meeting requires weighing the three principles above against each other. This requires balancing sufficient individual accountability for MPC members against the risk of reducing the effectiveness of the MPC through reduced diversity of thought and meaningful debate, and a potentially reduced ability to signal to markets. In considering this trade-off, it should be noted that the rationale for setting the detailed requirements through the charter (rather than legislation) was to enable flexibility and to allow the MPC's approach to adapt over time. Therefore, this issue could be reconsidered at a later date, after the MPC has been operational for a period (although the MPC would need to agree to any future changes).

Next steps

The first remit

35. After receiving your feedback on the draft remit contained in this report, we will provide you with an updated final remit in December 2018. The remit will be formally agreed in February 2019.

The first charter

36. You have previously agreed that the Bank can share a copy of the draft charter with shortlisted candidates for the MPC [T2018/2188 refers]. A short-list of candidates is expected to be compiled and provided to you in October.
37. Depending on any feedback you have on the draft charter contained in this report, officials will provide you with an updated charter ahead of providing it to the Board, so they can share it with the short-listed candidates, subject to progress of the Bill through Parliament.
38. We expect for both the remit and the charter, while they are agreed between you and the Governor, you will want to consult Cabinet before they are finally agreed. Officials will prepare a Cabinet paper for this purpose following Royal assent.

The remit for the Monetary Policy Committee

Context

Monetary policy plays an important role in supporting the Government's economic objective. The Reserve Bank of New Zealand Act 1989 (the Act) requires that monetary policy promote the prosperity and wellbeing of New Zealanders, and contribute to a sustainable and productive economy. Monetary policy contributes to public welfare by reducing cyclical variations in employment and economic activity whilst maintaining price stability over the medium-term

This remit is issued by the Minister of Finance to the Monetary Policy Committee (MPC) under Clause 3, Schedule 1 of the Act.

1. Monetary Policy Objectives

- a) Under Section 8 of the Act the Reserve Bank, acting through the MPC, is required to formulate monetary policy with the goals of maintaining a stable general level of prices over the medium-term and supporting maximum sustainable employment.

2. Operational Objectives

- a) For the purpose of this remit the MPC's operational objectives shall be to:
 - i. keep future annual inflation between 1 and 3 percent over the medium-term, with a focus on keeping future inflation near the 2 percent mid-point. This target will be defined in terms of the All Groups Consumers Price Index, as published by Statistics New Zealand; and
 - ii. support maximum sustainable employment. The MPC should consider a broad range of labour market indicators to form a view of where employment is relative to its maximum sustainable level, taking into account that the level of maximum sustainable employment is largely determined by non-monetary factors that affect the structure and dynamics of the labour market and is not directly measurable.
- b) In pursuing the operational objectives, the MPC shall:
 - i. have regard to the efficiency and soundness of the financial system;
 - ii. seek to avoid unnecessary instability in output, interest rates, and the exchange rate; and
 - iii. discount events that have only transitory effects on inflation, setting policy with a medium-term orientation.

Annex 2: Current PTA annotated with the proposed major changes

Context

The Government’s economic objective is to improve the wellbeing and living standards of New Zealanders through a sustainable, productive and inclusive economy. Our priority is to move towards a low carbon economy, with a strong diversified export base, that delivers decent jobs with higher wages and reduces inequality and poverty.

Remove the Government’s economic objective – use the Letter of Expectations

Monetary policy plays an important role in supporting the Government’s economic objective. The Government expects monetary policy to be directed at achieving and maintaining stability in the general level of prices over the medium term and supporting maximum sustainable employment.

Update to the purpose statement as proposed in the Bill

This agreement between the Minister of Finance and the Governor of the Reserve Bank of New Zealand (the Bank) is made under section 9 of the Reserve Bank of New Zealand Act 1989 (the Act). The Minister and the Governor agree as follows:

Update the references to reflect the Bill

1. Monetary policy objective

- a) Under Section 8 of the Act the Reserve Bank is required to conduct monetary policy with the goal of maintaining a stable general level of prices.
- b) The conduct of monetary policy will maintain a stable general level of prices, and contribute to supporting maximum sustainable employment within the economy.

Update to include supporting maximum sustainable employment

Remove paragraph – becomes redundant

2. Policy target

- a) The price stability target will be defined in terms of the All Groups Consumers Price Index (CPI), as published by Statistics New Zealand.
- b) For the purpose of this agreement, the policy target shall be to keep future annual CPI inflation between 1 and 3 percent over the medium-term, with a focus on keeping future inflation near the 2 percent mid-point.
- c) The Bank will implement a flexible inflation targeting regime. In particular the Bank shall, in pursuing the policy target:
 - i. have regard to the efficiency and soundness of the financial system;
 - ii. seek to avoid unnecessary instability in output, employment, interest rates, and the exchange rate; and
 - iii. respond to events whose impact on inflation is expected to be temporary in a manner consistent with meeting the medium-term target.

Name change – Operational Objectives

Join together

Insert guidance for how to support maximum sustainable employment

Remove reference to ‘flexible inflation targeting regime’

Remove ‘employment’

3. Transparency and accountability

- a) The Bank shall implement monetary policy in a transparent manner. In addition to the requirements of section 15 of the Act the Bank shall in its *Monetary Policy Statement* (MPS):
 - i. explain what measures it has taken into account in respect of meeting the requirements of section 2(c) and explain how these matters have been taken into account in its implementation of monetary policy; and
 - ii. when inflation outcomes, and/or expected inflation outcomes, are outside of the target range explain the reasons for this; and
 - iii. explain how current monetary policy decisions contribute to supporting maximum levels of sustainable employment within the economy.
- b) The Bank shall be fully accountable for its judgements and actions in implementing monetary policy.

Remove as now contained in the charter or the Act

Monetary Policy Committee Charter

Reserve Bank of New Zealand

Effective from [1st April 2019]

The Monetary Policy Committee (MPC) is responsible for formulating monetary policy directed at achieving the economic objectives of price stability and support of maximum sustainable employment, as set out in Section 8 of the Reserve Bank of New Zealand Act (1989) (“the Act”) and in accordance with the remit. This Charter aims to facilitate effective decision making by the MPC and ensure transparency of these decisions and the decision-making process, in order to aid the effectiveness of monetary policy and hold the MPC accountable.

1) *Decision making*

- a) MPC members are tasked to abide by the Code of Conduct, and engage constructively with each other to achieve informed and timely monetary policy decisions. The MPC’s decision making is enhanced by embracing diverse opinions that reflect, for example, members’ unique personal and professional experiences and educational backgrounds. Members will respect each other’s contributions and embrace any difference in view as a benefit of a diverse committee.
- b) The MPC will seek consensus in decision making where possible. This is to ensure that the MPC engages in in-depth discussions and a true exchange of perspectives regarding monetary policy strategy – including consideration of the expected time taken to achieve operational objectives, any trade-offs that arise, and communication of this strategy – before specific decisions are taken.
- c) Where consensus cannot be reached, specific policy decisions will be determined by a simple majority vote as per clause 44 of Schedule 2 of the Act (which includes that the Governor, as chairperson, has a casting vote if required).

2) *Transparency and accountability*

- a) The MPC will publish each monetary policy decision promptly on the Bank’s website. The announced decision of the MPC will include a summary record of the MPC meeting that includes an overview of the economic outlook, the risks and policy options discussed, any material differences of view or judgement, and an unattributed record of any vote taken.
- b) On a quarterly basis, the announced decision will also be accompanied by a *Monetary Policy Statement* that will, in addition to the requirements set out in Section 15C of the Act:
 - (i) Explain how the MPC has sought to meet the requirements of section 2b in the remit; and
 - (ii) When inflation outcomes, and/or expected inflation outcomes, are outside of the target range explain the reasons for this; and
 - (iii) Explain how the current monetary policy decisions contribute to supporting maximum sustainable employment within the economy.

3) **External communication**

- a) The MPC's communications – both collective and individual – should contribute to the overall effectiveness of the monetary policy decision, the public's understanding of monetary policy, and the accountability of the MPC.
- b) The Governor will be the sole spokesperson for the official announcement of the decision.
- c) In any public remarks regarding the MPC's policy strategy and decision, members are to draw on the MPC's official communications and on the Governor's media conference remarks where appropriate. Any non-public remarks on monetary policy or the economic outlook must be consistent with the MPC's official communications, to avoid providing, or appear to be providing, new information to a subset of individuals. An MPC member who wishes to publically express his or her view around the balance of risks and/or economic outlook can and should do so with respect for other members and the MPC as a whole. Members are to consult with the MPC within a reasonable timeframe in advance of any public communication, refrain from characterising the individual views of other MPC members, and ensure such communication is publicly advised in advance and on the record (on the Bank's website) in real-time.
- d) Given financial market sensitivities, MPC members must refrain from any public communications relevant to monetary policy following receipt of MPC briefing papers and prior to the decision being announced.

Agreed by

Hon Grant Robertson
Minister of Finance

Adrian Orr
Governor of the Reserve Bank of New Zealand

Annex Four: International Comparison of Monetary Policy Communications Models

| | Statement | Press conferences | Interest rate forecast | Publication of input material for MPC meetings | Minutes published after | Vote count published | Individual votes published | Meeting transcripts | Regular hearings in Parliament |
|-----------------------|-----------|-------------------|------------------------|--|-------------------------|----------------------|----------------------------|---------------------|--------------------------------|
| Australia | Yes | No | No | No | 2 weeks | No | - | No | Yes |
| Canada | Yes | Yes | No | No | Never | N/A | - | No | Yes |
| Chile | Yes | Yes | No | No | 11 working days | Yes | Yes | After 10 years | Yes |
| Czech Republic | Yes | Yes | Yes | Yes, with statement | 8 days | Yes | Yes | After 6 years | Yes |
| Iceland | Yes | No | No | No | 2 weeks | Yes | Yes ¹ | No | Yes |
| Israel | Yes | Yes | No | No | 2 weeks | Yes | No | No | Yes |
| Korea | Yes | Yes | No | No | 2 weeks | Yes | Yes | No ² | Yes |
| Norway | Yes | Yes | Yes | Yes, with statement | Same day | Yes | Yes | After 12 years | Yes |
| Sweden | Yes | Yes | Yes | No | 2 weeks | Yes | Yes | No | Yes |
| Euro Area | Yes | Yes | No | No | 4 weeks | No | - | After 30 years | Yes |
| Japan | Yes | Yes | No | No | 6-10 weeks ³ | Yes | Yes | After 10 years | Yes |
| U.K. | Yes | Yes | No | Yes, 8 years later | Same day | Yes | Yes | After 8 years | Yes |
| U.S. | Yes | Yes | Yes | Yes, 5 years later | 3 weeks | Yes | Yes | After 5 years | Yes |

Sources: Banco Central de Chile and central bank websites.

- 1) The Central Bank of Iceland publishes the votes of individual members in the Annual Report.
- 2) The Bank of Korea may publish a transcript after four years with a formal request from the National Assembly.
- 3) The Bank of Japan publishes minutes a few days after the following MPC meeting. Between meetings, a “summary of opinions” is published that summarises the MPM discussion from the Governor’s perspective, without attributing individual opinions