

The Treasury

Phase 1 RBNZ Act Review Information Release

April 2019

This document has been proactively released by the Treasury on the Treasury website at <https://treasury.govt.nz/publications/information-release/phase-1-reviewing-reserve-bank-act>

The remit and charter were publicly released on 14 February 2019, and have been since published on the Reserve Bank of New Zealand website. The links to these documents are as follows.

Published remit: <https://www.rbnz.govt.nz/-/media/ReserveBank/Files/Monetary%20policy/About%20monetary%20policy/Remit-for-the-Monetary-Policy-Committee-April-2019.pdf>

Published charter: <https://www.rbnz.govt.nz/-/media/ReserveBank/Files/Monetary%20policy/About%20monetary%20policy/Monetary-Policy-Committee-Charter-April-2019.pdf>

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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Treasury Report: Cabinet Paper for first remit and charter

Date:	6 December 2018	Report No:	T2018/3402
		File Number:	MC-1-7

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Agree to lodge the attached Cabinet paper noting the content of the MPC's remit and charter at the Cabinet meeting on 11 February	21 January 2019

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Angus Hawkins	Senior Analyst, Macroeconomic and Fiscal Policy	[7]	n/a	✓
Renee Philip	Manager, Macroeconomic and Fiscal Policy		[1]	

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

Return the signed report to Treasury.

If agreed, advise the Treasury to upload the final Cabinet paper after Royal assent of the bill, then lodge the paper with the Cabinet office by 10am on 7 February 2019 in advance of the Cabinet meeting on 11 February 2019).

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Cabinet paper for first remit and charter

Purpose of Report

1. This paper seeks your agreement to the attached draft paper for Cabinet to note the adoption of the first remit and charter for the Monetary Policy Committee (MPC).
2. The cabinet paper notes the changes in the remit from the Policy Targets Agreement (PTA), and outlines the principles that have been followed in drafting the charter.
3. You and the Governor agreed to the content of the remit and charter in October. Subsequently, the Reserve Bank of New Zealand (the Bank) have proposed some minor amendments to the charter which we are requesting your agreement to. Both the charter and the remit have also been edited slightly for consistency in spelling and grammar. Revised versions are attached.

Issue of remit

4. The remit and charter must be issued within two months of Royal assent. We expect Royal assent to occur the week of 17 December, meaning the deadline for issuing the remit and charter will be in mid to late February.
5. The Reserve Bank have requested that the remit not be issued before the monetary policy statement scheduled for February 13, to minimise any confusion at that point as to which set of targets the Bank is operating under.
6. For this reason, we recommend taking the remit and charter to Cabinet on 11 February. We are providing you with a draft Cabinet paper now to give you the opportunity to consult with colleagues before Christmas and in the last week of January, before the paper is lodged. We will update the placeholder dates in the Cabinet paper once the date of Royal assent is known.
7. The remit and charter can then be formally issued within two months of Royal assent in the week of 18 February.
8. As the remit is market sensitive, we propose following the practice used on agreeing the PTA, and not taking the remit and charter to a Cabinet Committee prior to taking it to full Cabinet.

Changes to charter

9. On reviewing the charter, the Bank have proposed two changes to give the MPC greater flexibility in their communications. We recommend agreeing with the Bank's proposed changes.
10. The first change proposed by the Bank is adding new paragraph 2c below:
"If the MPC decides that the Bank should intervene in financial markets, it shall also consider whether prompt publication of details of the decision would impede the achievement of the intervention's purpose. If so, the MPC may withhold such details until it deems that publishing them is no longer likely to create such impediment."

11. This may be used in exceptional circumstances where the MPC chose to, for example, intervene in foreign exchange markets by purchasing a specific quantity of New Zealand dollars. In such a situation, making public the exact details of the decision would undermine the intervention's effectiveness, as it allows financial markets to anticipate the Bank's actions.
12. The second change proposed by the Bank is to amend paragraph 3c to note (addition in red):
The Governor (or another member of the MPC with the Governor's permission) will be the sole spokesperson for the official announcement of the decision.
13. This provides the flexibility for another member to speak for the MPC in the event the Governor is temporarily incapacitated, or otherwise unable to brief the press following a monetary policy decision. Again, this provision is expected to be rarely used.

Proactive release

14. We recommend that this paper is included as part of the proposed proactive release referred to in T2018/3475. We propose releasing it the second stage of the release, which will include advice on the remit and charter

Recommended Action

We recommend that you:

- a **agree** to lodge the attached Cabinet paper noting the content of the MPC's remit and charter at the Cabinet meeting on 11 February.
Agree/disagree
- b **agree** to the Bank's proposed change to the charter to allow the MPC to withhold details of a decision to intervene in financial markets that, if released, might impede the decision's effectiveness.
Agree/disagree
- c **agree** to the Bank's proposed change to the charter to allow, with the Governor's permission, another member of the MPC to act as spokesperson for the announcement of a monetary policy decision.
Agree/disagree
- d **agree** to include this paper in the proactive release proposed in T2018/3475
Agree/disagree

Renee Philip
Manager

Hon Grant Robertson
Minister of Finance