

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>

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).

Copyright and licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Treasury Report: Appointments to the Monetary Policy Committee

Date:	26 February 2019	Report No:	T2019/385
		File Number:	MC-1-7

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Agree to the recommendations in this report	Monday 4 March 2019

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Ken Tsang	Analyst - Macroeconomic and Fiscal Policy Team	[7]	n/a
Renee Philip	Manager - Macroeconomic and Fiscal Policy Team	[1]	

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

Return the signed report to Treasury.
--

Note any feedback on the quality of the report

Enclosure: Yes

[Draft terms of appointment for MPC members \(Treasury:4078590v1\)](#)

Treasury Report: Appointments to the Monetary Policy Committee

1. On 18 February 2019, the Cabinet Appointments and Honours Committee (APH) approved appointments of three external and one internal members to the Reserve Bank's (the Bank) Monetary Policy Committee (MPC). These appointments were notified to Cabinet on 25 February 2019.
2. The appointments are subject to the successful completion of background checks for the external appointees. We will notify your office once these have been complete, at which point the appointees will be informed that they should expect a letter of appointment.
3. Following completion of the background checks, we recommend you send letters of appointment to the three external appointees and one internal appointee approved by APH and notified to Cabinet. Appointees will need to sign and return their letters to the Treasury to formally accept their appointments.
4. A draft letter of appointment is attached for your comment. These letters have been drafted by the Bank in consultation with the Treasury. Our expectation is that the same letter will be sent to all appointees. The letter requests appointees:
 - a. Consent to their appointment to the MPC, subject to terms and conditions of the role, including requirements under the Reserve Bank of New Zealand Act (the Act), the level of remuneration, attendance requirements and the expenses policy;
 - b. Confirm they are not disqualified from taking up the appointment by any criteria specified in the Act;
 - c. Confirm they have disclosed any conflicts of interest.
5. Following the meeting of the Board of the Reserve Bank on 19 February 2019, the final internal candidate was nominated for a term of one year. The Treasury provided you with the APH paper for this appointment on Monday 25 February 2019.
6. We also recommend you notify the appointments in the *Gazette* after all appointments have been made. We will provide a *Gazette* notice for you to sign following the final internal appointment being notified to Cabinet and all appointments being announced.

Recommended Action

We recommend that you:

- a **comment** on the attached draft letters of appointment to the MPC appointees;
Comment/no comment.
- b **note** that the Bank is currently completing background checks on the external appointees;
- c **agree** to send the final letters of appointments to candidates following completion of the background checks for external members;
Agree/disagree.
- d **note** that the Reserve Bank Board has nominated an internal candidate to the final internal MPC position and the Treasury has provided an APH paper for this appointment;
- e **note** that the Treasury will provide a *Gazette* notice for you to sign following the announcement of all the appointments.

Renee Philip
Manager - Macroeconomic and Fiscal Policy Team

Hon Grant Robertson
Minister of Finance

Dear [member name]

It is my pleasure to formally offer you appointment as an external [/internal] member of the Monetary Policy Committee of the Reserve Bank of New Zealand (the Bank).

This offer is made in accordance with the Reserve Bank of New Zealand Act 1989 (the Act), as amended last year by the Reserve Bank of New Zealand (Monetary Policy) Amendment Bill 2018. The amendments established the Monetary Policy Committee (MPC), and stipulates that the Minister of Finance appoint internal and external members of the MPC on the recommendation of the Board of the Reserve Bank (the Board).

As I stated in the remit for the MPC, the Government's economic objective is to improve the wellbeing and living standards of New Zealanders through a sustainable, productive and inclusive economy, and monetary policy plans an important role in supporting this objective. The purpose of the Act is to 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.

The MPC is responsible for formulating monetary policy to achieve the economic objectives of price stability over the medium term and supporting maximum sustainable employment as set out in the Monetary Policy remit, as set by the Minister of Finance. These monetary policy objectives and how I expect the MPC to achieve these operationally are set out in the MPC remit and section 8 of the Act.

In carrying out these objectives, I expect the committee to abide by the MPC charter. In particular, MPC members should engage in a frank exchange of views, while seeking consensus in their decision making. The charter also aims to ensure that the MPC's decisions and decision-making processes are transparent and accountable and sets out how I expect members to communicate externally.

The MPC will consist of the Governor and Deputy Governor of the Bank, two other employees of the Bank (the internal members), and three external members. [Text for external candidates] External members may be appointed for terms of up to four years and may be reappointed for one subsequent term. [Text for internal candidates] Internal members may be appointed for a term of up to five years and may be reappointed for one further term as an internal member of up to five years.

To avoid subsequent appointments falling at the same time, and risk the loss of knowledge and expertise, external appointments will initially be staggered for three or four year terms, with the potential in each case for re-appointment for a further term of up to four years. Decisions on reappointment will be made near the expiry of your term.

The Board monitors the performance of both the MPC as a whole and its individual members.

I am offering you appointment for a term from 1 April 2019 to 31 March [year – modify dependent on member]. [Text for external candidates] The appointment is made on the terms and conditions set out in Appendix 1. [Text for internal candidates – remove appendix 1] The appointment is subject to the requirements of the Act and Code of Conduct and also your terms and conditions of employment with the Reserve Bank, with the Act and Code prevailing over your employment agreement in the case of any conflict.

I have been able to select appointees from a very strong field interviewed by the Board. I am satisfied that your background means you have the appropriate knowledge, skills, and experience to assist the MPC in performing its functions.

Your appointment is subject to you:

- consenting in writing your willingness to be appointed,
- certifying you are not disqualified from appointment (disqualifying criteria drawn from the Act are set out in Appendix 2), and
- disclosing the nature and extent of any interests you have in matters related to the MPC. You are referred to the Code of Conduct for guidance.

If you wish to accept this appointment, please sign the enclosed declaration and return it via email as per the email address on the form.

I look forward to receiving this confirmation from you, and to you joining and contributing to the MPC.

Yours sincerely

Hon Grant Robertson
Minister of Finance

Consent to appointment

I, [**member name**]:

- Consent to my appointment as member of the Monetary Policy Committee of the Reserve Bank of New Zealand.
- Confirm I am not disqualified from taking the appointment (with reference to the Act).
- Confirm I have disclosed the nature and extent of any interests I have in matters relating to the MPC (with reference to the Code of Conduct).

Signature

Date

Appendix 1: Terms of appointment [for external candidates only]

Requirements under the Act

Your appointment is subject to the requirements of the Act upon members of the MPC.

Under the Act you are required to act:

- Consistently with the remit, charter, Code of Conduct and Act
- With honesty and integrity
- In good faith and without regard to your personal interests
- With care, diligence and skill that can be expected of a reasonable member in the relevant circumstances taking into account the nature and functions of the MPC

You must disclose to the Board and the Minister of Finance (the Minister) as soon as practicable if, at any time after appointment, you are likely to meet the disqualifying criteria.

You must not make improper use of information you gain in your capacity as a member.

You must adhere to the requirements of the Code of Conduct. Obligations upon you, such as confidentiality, are derived from the Code.

Your activities

The MPC will formulate monetary policy through formal MPC meetings and supporting presentations from, and discussions with, Bank staff and other MPC members. These will require attendance at the Bank's premises and will be scheduled by the Bank. Your attendance will be supported by your own preparation, such as reading the background papers supplied by the Bank to MPC members.

It is anticipated that for the production of Monetary Policy Statements during the year (MPS), you will make four 8-day scheduled attendances at the Bank (comprising MPC meetings and related discussion), and will undertake two days' preparation for each MPS.

For interim OCR decisions, it is anticipated you will make three 2-day scheduled attendances per year at the Bank (comprising MPC meetings and related discussion), and will undertake one day's preparation for each interim OCR decision.

Remuneration

You are to be remunerated at the daily rate of ^[5, 6] (excluding GST) for:

- a) Each scheduled attendance at the Bank;
- b) Each full day's preparation required for a scheduled attendance, up to a maximum of two days for an attendance that produces an MPS and one day for any other scheduled attendance.

Travel and General Expenses

If you do not ordinarily reside in Wellington the Bank will arrange and fund flights and, where necessary, overnight accommodation and meals.

You will be reimbursed for your actual and reasonable expenses under the following conditions:

- a) You ordinarily reside outside of Wellington and are claiming transport expenses (taxis, buses, trains and return flights not arranged by the Bank).
- b) The expense is for accommodation, if preapproved by the Bank (likely only for Members ordinarily resident outside of Wellington and in circumstances where it is impractical to return to their residence on the same day as a meeting).
- c) The expense is for car park or public transport associated with scheduled attendances if you are a Wellington resident.
- d) Your expense claim is supported by a GST receipt.

Payment of any other actual or reasonable expense requires the preapproval of the Bank. The Bank will provide a process for claiming expenses.

Attendance

You are required to attend every scheduled meeting of the MPC, except when you give notice of absence to the Chair as referred to in the Code of Conduct. You are not remunerated for any scheduled attendance that you do not attend. Whether you are paid for preparation for such non-attendance will be at the sole discretion of the Chair of the MPC and will depend on the circumstances of your non-attendance. For instance, if you had preapproval to not attend any of the eight days of a scheduled attendance for a MPC you will not be remunerated for the preparation for that attendance. If you did not attend a scheduled attendance because of, for example, an unavoidable travel disruption you may be paid for the preparation undertaken for that attendance.

Attendance can be via phone line or video link as determined by the Chair.

Access to the Bank premise and use of Reserve Bank equipment

You will have access to the Bank's premises (subject to the Bank determining which parts of its premises you may or may not enter) and will have a desk available as you require for MPC purposes.

The Bank will make available an electronic device (e.g. tablet or laptop) connected to the Bank IT system to be used for MPC purposes including meeting preparation and research.

Reserve Bank policies and directions

You are required to adhere to the following Reserve Bank policies and any reasonable direction of the Bank relating to the subject matter of those policies:

- IT Security
- Health and Safety
- Building Security
- Business Continuity Management
- Document Security
- Gifts and Fees
- Smoke-Free Workplace

The Bank may update those policies and introduce new policies relevant to your use of its premises and equipment.

Termination

Your membership of the MPC may be terminated before the expiry of your term in accordance with the Act.

General

During your appointment, you are a statutory appointee to a statutory committee of the Bank. You and the Bank do not have an employment relationship. This means you do not receive employment benefits, such as paid leave or access to Bank benefits provided to employees only.

If there is any conflict between the requirement of the terms and conditions of your appointment, and the requirements of either or both the Act and the Code of Conduct, the Act and the Code prevail.

These terms and conditions may be varied during the term of your appointment. You and other MPC members will be consulted on any proposed variation. All external members will be subject to the same terms and conditions.

Appendix 2: Disqualifying criteria

You are disqualified from taking up the appointment as a MPC member if you are—

- a) a member of Parliament; or
- b) a director or an employee of—
 - i. a registered bank; or
 - ii. a licensed NBDT as defined in the Non-bank Deposit Takers Act 2013; or
 - iii. a licensed insurer; or
- c) a chief executive of a Government department or an employee of a Government department, appointed under the State Sector Act 1988; or
- d) a member of the Reserve Bank Board; or
- e) subject to a property order under the Protection of Personal and Property Rights Act 1988; or
- f) an undischarged bankrupt; or
- g) a person who is convicted of any offence punishable by imprisonment for a term of 2 years or more; or
- h) a person who is convicted of any offence punishable by imprisonment for a term of less than 2 years and is sentenced to imprisonment for that offence; or
- i) prohibited from being a director or promoter of, or being concerned or taking part in the management of, an incorporated or unincorporated body under the Companies Act 1993, or the Financial Markets Conduct Act 2013, or the Takeovers Act 1993.