

The Treasury

Reserve Bank Act Review Phase 2 Second Consultation Information Release

July 2019

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Panel Slides – 1 April 19

Additional material for Independent Expert
Advisory Panel meeting on 1st April 2019

C2B Consultation Document

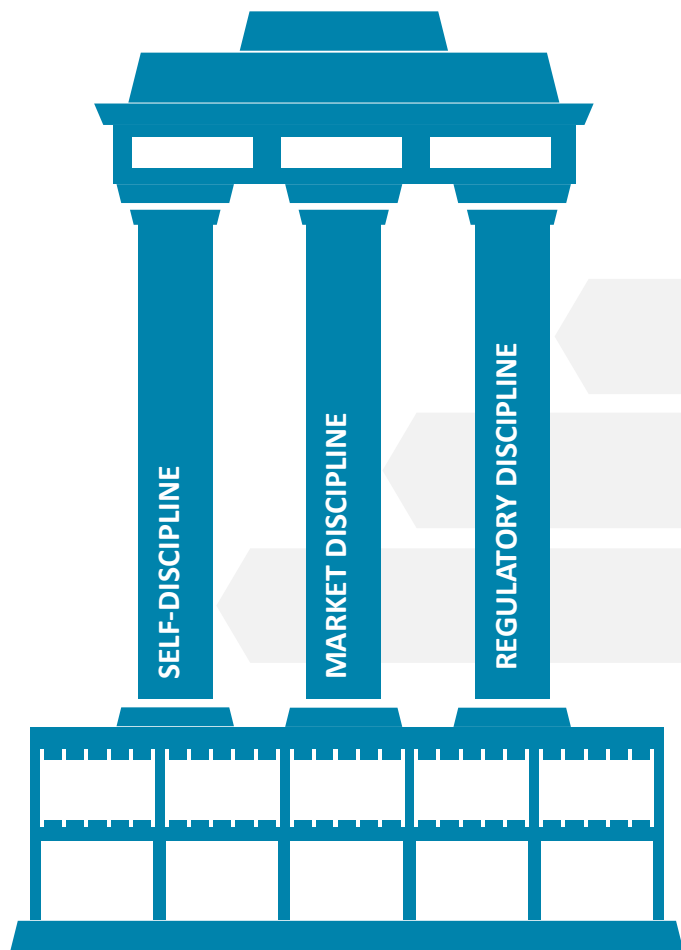
The Reserve Bank's role in financial policy: tools, powers and approach

- What prudential regulatory tools and powers should the Reserve Bank have?
- What role should the Reserve Bank play in macro-prudential policy?
- How should the Reserve Bank supervise and enforce prudential regulation?
- How should the Reserve Bank's balance sheet functions be formulated?
- What features should New Zealand's crisis management regime have?
- How should the Reserve Bank coordinate with other agencies?
- How should the Reserve Bank be funded and resourced?

Prudential regulatory tools and powers



3 pillars approach to prudential regulation



Regulatory discipline

The role of mandated rules and requirements set by the Reserve Bank to support the safety and soundness of individual institutions and the stability of the financial system as a whole.

- Prudential regulatory requirements (capital, liquidity)
- Prepositioning for crisis (OBR, outsourcing)

Market discipline

The way in which market participants influence a financial institution's behaviour by monitoring its risk profile and financial position.

Supported by regulation:

- Disclosure requirements
- Credit ratings

Self-discipline





The responsibility of senior management and directors for an institution's own processes and risk management frameworks

Supported by regulation:

- Director attestations
- Governance rules (e.g. fit and proper)

Objectives/remit: Who should decide on strength of framework? What about which pillars to prioritise?

How are the rules made?

	 Primary Legislation	 Regulations	 Standards	 Conditions
<i>Role</i>	Matter of significant policy or that have a significant impact on rights should be dealt with in the primary legislation (objectives, regulatory perimeter, tools and powers, offences)	Matter that apply generally (i.e. to a class of entities) and are amenable to a rules-based approach. Regulation preferred for: <ul style="list-style-type: none"> • Significant policy decisions • Matters that are inappropriate for the regulator (e.g. levies) 	Matter that apply generally and are amenable to a rules-based approach. Standards preferred for: <ul style="list-style-type: none"> • Matters of high technical content • Matters that benefit from regulatory independence 	Matters of implementation that need to be tailored to individual entities, will not have wide spread application or require administrative decision making that cannot be fully defined in advance.
<i>Decision-Maker</i>	Parliament	Executive Council	Regulator	Regulator
<i>Examples</i>	Reserve Bank Act Insurance (Prudential Supervision) Act Financial Markets Conduct Act	Financial Markets Conduct Regulations Deposit Takers Regulations	Solvency Standards Fit and Proper Standards	Conditions of Registration Licence Conditions (NBDTs, Insurance, FMC Act)
<i>Type</i>	Legislative	Legislative	Disallowable	Administrative

The current Reserve Bank Act framework

Context

Under the Reserve Bank Act:

- Core prudential requirements are set through ‘Conditions of Registration’ – an administrative instrument
- Disclosure requirements are set by ‘Orders in Council’ – a legislative instrument

Potential issues

The legal framework for rule-making in the Reserve Bank Act has not changed meaningfully since 1989. In the interim there have been meaningful changes in both the nature of prudential regulation and expectations of regulatory practice:

- The **appropriate scope** of the Reserve Bank’s prudential rule-making powers has been the subject of greater focus (macroprudential MOU)
- Conditions of Registration are applied generally, and have come to operate as a **policy tool rather than an administrative tool**. The **impact of regulation** (including administrative decision-making) has also increased (e.g. capital instruments, internal models)
- A number of stakeholders **expressed concern** with the framework during scoping, while a 2017 report by Every-Palmer QC noted the existence of a potential **“accountability deficit”**

The changing nature of prudential regulation

	Pre-GFC	POST-GFC
Legislation		RBNZ Act 1989 RBNZ Amendment Act 2008 (NBDTs), then NBDT Act 2013 AML/CFT Act 2009 IPSA 2010
The Banking Supervision Handbook	BS2 (Capital adequacy)	BS1 (Principles) BS3 (Bank registration) BS4 (Audit obligations) BS5 (AML/CFT) BS6 (Market risk) BS7 (Disclosure) BS8 (Connected exposures) BS9 (Significant influence) BS10 (Suitability assessment) BS2A&B (Capital – standardised/IRB) BS11 (Outsourcing) BS12 (ICAAP) BS13 (Liquidity) BS14 (Corporate governance) BS15 (Significant acquisitions) BS16 (Capital recognition) BS17 (Open bank resolution) BS18 (Covered bonds) BS19 (High-LVR restrictions)
Monitoring	Minimal supervisory engagement with regulated entities Emphasis on public disclosure statements	More frequent supervisory engagement Increased private reporting System-wide thematic reviews
Approvals, authorisations and non-objections for registered banks		BS9 (Significant influence) BS10 (Suitability) BS2B (IRB model changes) BS11 (Outsourcing) BS15 (Significant acquisitions) BS16 (Capital recognition) BS18 (Covered bonds)
PSD Staff	30 (June 2008)	47 (June 2018)

Design issues – initial reactions

Delegated instruments

- Strong case that delegated instruments are **made and drafted by the Reserve Bank**
- Good practice suggests **moving from Conditions to Standards**
- **Simplicity** suggests we consider setting disclosure requirements through the core delegated instrument
- Consistency across the **broader legislative framework** is not explicitly in scope, but remains a relevant consideration

Administrative decision-making

- There is a need to allow some **regulatory discretion** in delegated instruments
- Discretion creates a case for **enhanced accountability**. This doesn't necessarily have to be achieved through formal legal processes

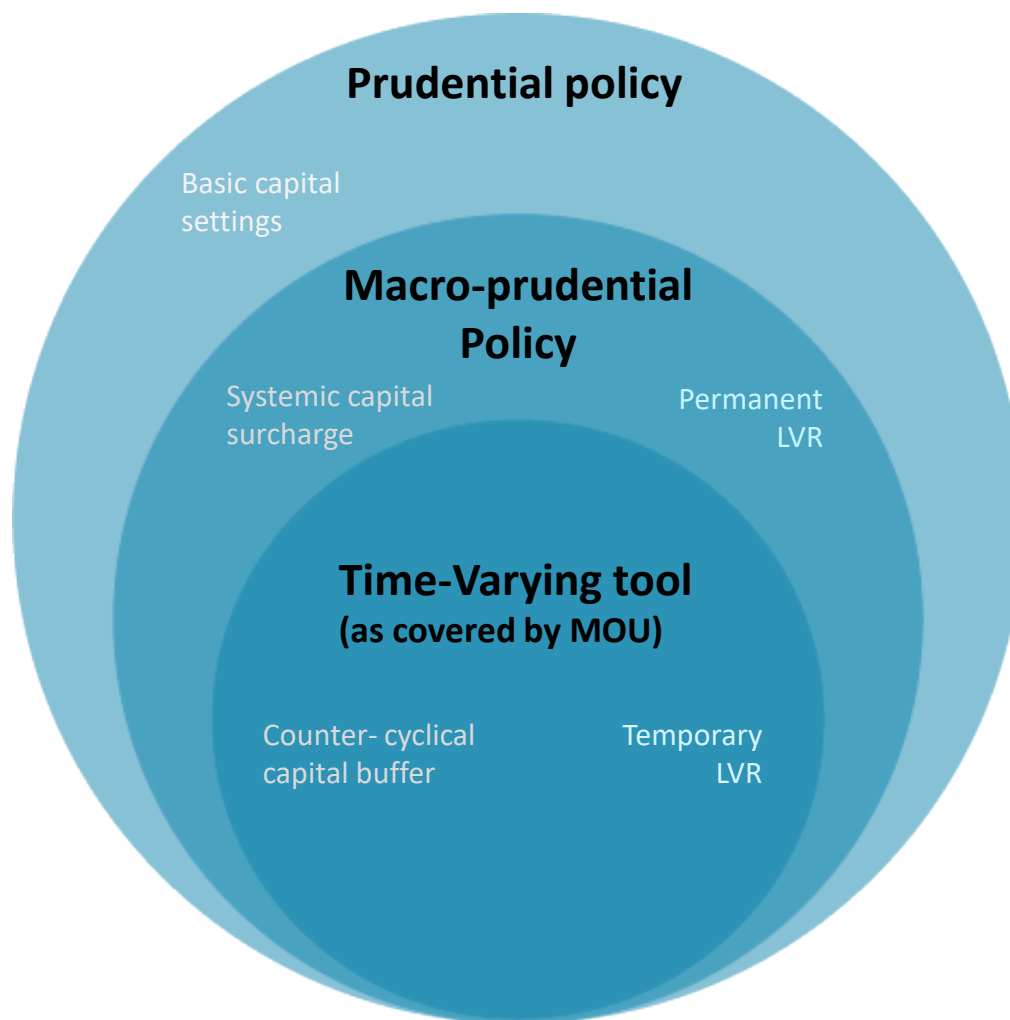
Enforcement regime

- The enforcement regime **should match** the rule-making framework. The Reserve Bank Act creates significant liability for breaches of rules that can be minor or technical
- Is the disclosure regime **the right vehicle** to create individual accountability?

Macro-prudential policy



Macro-prudential policy in context



Time-varying policy tools and lending restrictions

Potential options:

<p>Which tools ?</p>	<p>Capital & Liquidity Tools</p> <ul style="list-style-type: none"> Counter-Cyclical Capital Buffer (CCYB) Sectoral capital requirements Core Funding Ratio 	<p>Lending Restrictions</p> <ul style="list-style-type: none"> Loan-To-Value (LTV) Ratio Restrictions Debt-To-Income (DTI) Ratio Restrictions 	
<p>How flexible ?</p>	<p>Primary legislation defines toolkit + perimeter</p> <p>Legislation required for change</p>	<p>Shared process to extend toolkit or perimeter</p> <p>e.g. Minister passes regulation, perhaps on advice of COFR</p>	<p>Reserve Bank defines toolkit + perimeter</p> <p>Broad legislated powers for RBNZ</p>
<p>How broad ?</p>	<p>Banks only</p>	<p>All deposit Takers (Banks + NBDTs)</p>	<p>Broader (all lenders)</p>
<p>Who decides ?</p>	<p>RBNZ (Board or FPC)</p> <p>Board (approves) or FPC (decides) RBNZ Advises+Implements</p>	<p>Council of Financial Regulators (Power to advise RBNZ)</p> <p>COFR Advises RBNZ Decides + Implements</p>	<p>Minister of Finance</p> <p>MoF Approves RBNZ Advises + Implement</p>

'Macro-prudential policy' – key issues

Key Issues

- Should the RBNZ actively lean against troubling credit booms (e.g. with LVRs and perhaps serviceability tools like DTIs)?
- If so, should there be special governance for these interventionist policies?

List of public consultation documents

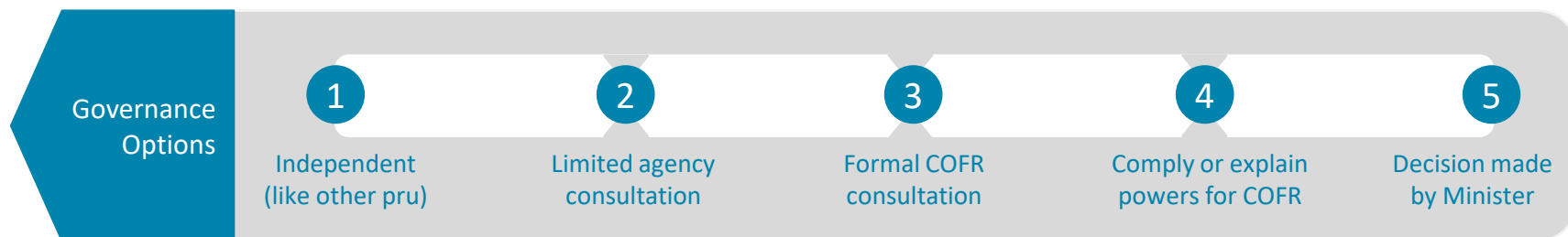
- Consultation document: overview of international use of macro-prudential tools and governance models
- Background paper: a study of conceptual arguments for and against delegating macro-prudential powers
- RBNZ paper describing the decisions taken on LVRs and the policy's impact
- RBNZ forthcoming 'framework document' setting out the RBNZ's move towards more systematic policy and transparency

'Macro-prudential policy' – observations

Observations

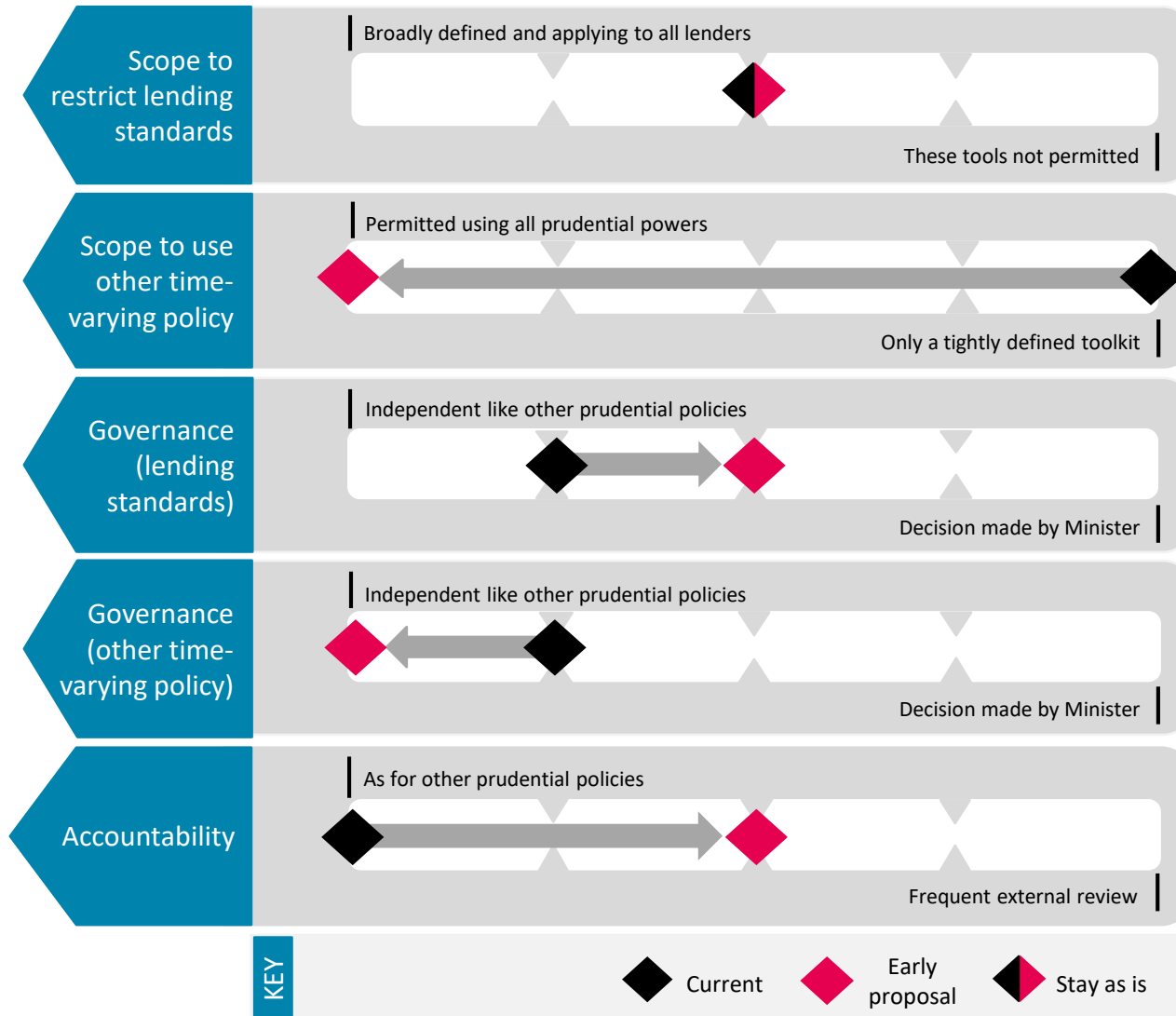
- It has become common internationally since the GFC to use LVRs and/or DTIs to soften the impact of very low interest rates on housing credit.
- They played a useful role in NZ (but a limited role: need to avoid over-promising)
- Internationally, where the central bank is the prudential regulator, they usually have legal control over time-varying tools.
- Internationally, rule-makers are quite often required to take advice from a COFR-like body.
- In NZ, the MoU is confusing (doesn't cover all macro-prudential approaches, no legal force) – better to establish needed controls in legislation or a remit.
- Key area where controls may be needed: lending standards (eg LVRs), as these policies have significant distributional impact on some prospective borrowers.

An independence continuum



- By default, RBNZ independently exercises prudential powers given by Act **1**.
- But when asking for new powers, decision made by minister **5**.
- Intermediate options: RBNZ must consult COFR **3** before using certain power. Or, COFR independently decides to recommend to RBNZ, who must comply or explain **4**.
- Example of **3** in use: RBNZ describes housing risk to COFR, recommends DTIs. COFR may agree, and/or recommend other actions to other agencies. (COFR should issue explanatory statement).
- Under **3** and **4**, RBNZ takes final decision (could technically act even if COFR disagreed, or had not issued 'comply or explain' advice). But would normally act with COFR's approval, demonstrating broad support for action.

One possible model



Legislation could specifically permit LVRs, maybe DTIs...

...so no need for a toolkit to be defined in an MoU.

However, could be required to consult COFR before LVR/DTIs are used...

...but this wouldn't be needed for other time-varying prudential tools.

COFR's role in decisions and review can boost accountability and legitimacy.

Supervision and enforcement



Current chapter structure

1. Definition of key terms
2. The Reserve Bank's existing approach
3. Supervision after the GFC – a global perspective
4. Potential issues with the Reserve Bank's existing approach
5. Options
 - Greater assurance through independent verification
 - Changes to the enforcement regime
 - Enhancing supervisory independence

Key terms

Supervision activities

- Licensing entities
- Collecting information and monitoring financial health
- Assessing compliance against prudential requirements
- Cooperating and coordinating with domestic and international authorities
- Responding to entity-initiated requests: approvals, authorisations etc.

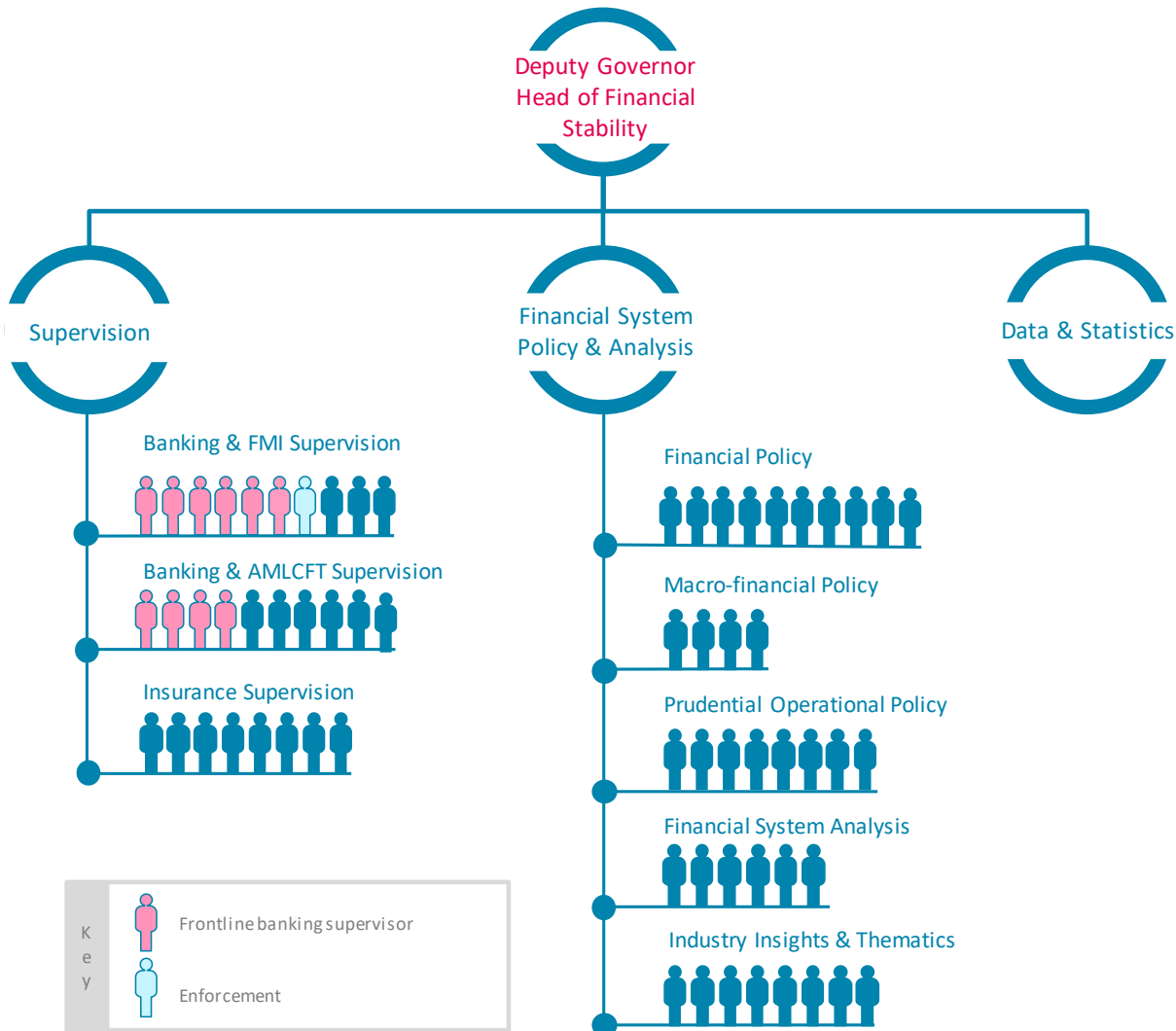
Enforcement

- Undertaking **corrective action** in event of non-compliance or to influence behaviour
- *Ex ante* preventative actions using (often non-public) supervisory tools
 - Continuum from moral suasion, changes to license conditions, revocation of license
- *Ex post* formal actions to punish behaviour and deter others (often public-facing)
 - E.g. formal warnings, public notices, court-based actions

Reserve Bank's current supervisory approach

- RBNZ has a 'light-touch' approach reflecting an 'incentive compatible' model (an emphasis on self and market discipline – 2 of the 3 'pillars')
 - Reserve Bank shouldn't be seen as first line of defence for the financial system
 - Supervisory humility/pragmatism – largely accept information asymmetry between RBNZ and banks
 - Relatively small rule book to check compliance against
 - Little 'independent testing/verification' of bank information by RBNZ – no 'on-site' inspections
 - Supervision/enforcement function very lightly resourced
- But approach has become more probing over time
 - Increased private reporting & visibility of banks' internal reports
 - More prudential rules to check compliance against (*cf* pre-crisis)
 - Increased engagement with bank executives and boards
 - Improvements in supervisory technology (e.g. risk assessment framework – PRESS)
 - Thematic reviews

RBNZ supervisory resources and structure



Supervision and enforcement:

- 10 frontline supervisors for 26 **registered banks**
- 7 frontline supervisors for 89 **licensed insurers**
- 4 supervisors for 96 **AML/CFT reporting entities** (do on-sites)
- 2 staff monitoring **financial market infrastructure** (FMIs)*
- 1 staff monitoring 24 **NBDTs**
- 1 staff for **enforcement activities**

Supported by:

- Systemic risk monitoring team
- Thematic review team
- Policy teams

* Following passage of FMI Bill, supervisory and policy resource will need to increase

Supervision after the GFC

- Supervisory failings implicated in the crisis
- Society's risk appetite has changed

“Given the pronounced reaction to the problems at financial institutions and the provision of government support... [society's] risk tolerance appears to be significantly lower than the risk assurance that can be delivered with the current level of supervision” (DNB [Dutch central bank] 2010, p. 25)

- ‘Good supervision’ according to the IMF (2010):
 - Intrusive
 - Sceptical, proactive and forward-looking
 - Comprehensive
 - Adaptive
 - Timely and conclusive

“Prudential supervision is most valuable when it is least valued; restricting reckless banks during a boom is seldom appreciated but may be the single most useful step a supervisor can take to reduce failures” (Viñals *et al* 2010, p. 13).

- Hard-wired into revised (2012) Basel core principles (BCPs) for effective supervision

Pros and cons of the Reserve Bank's existing approach

Potential strengths

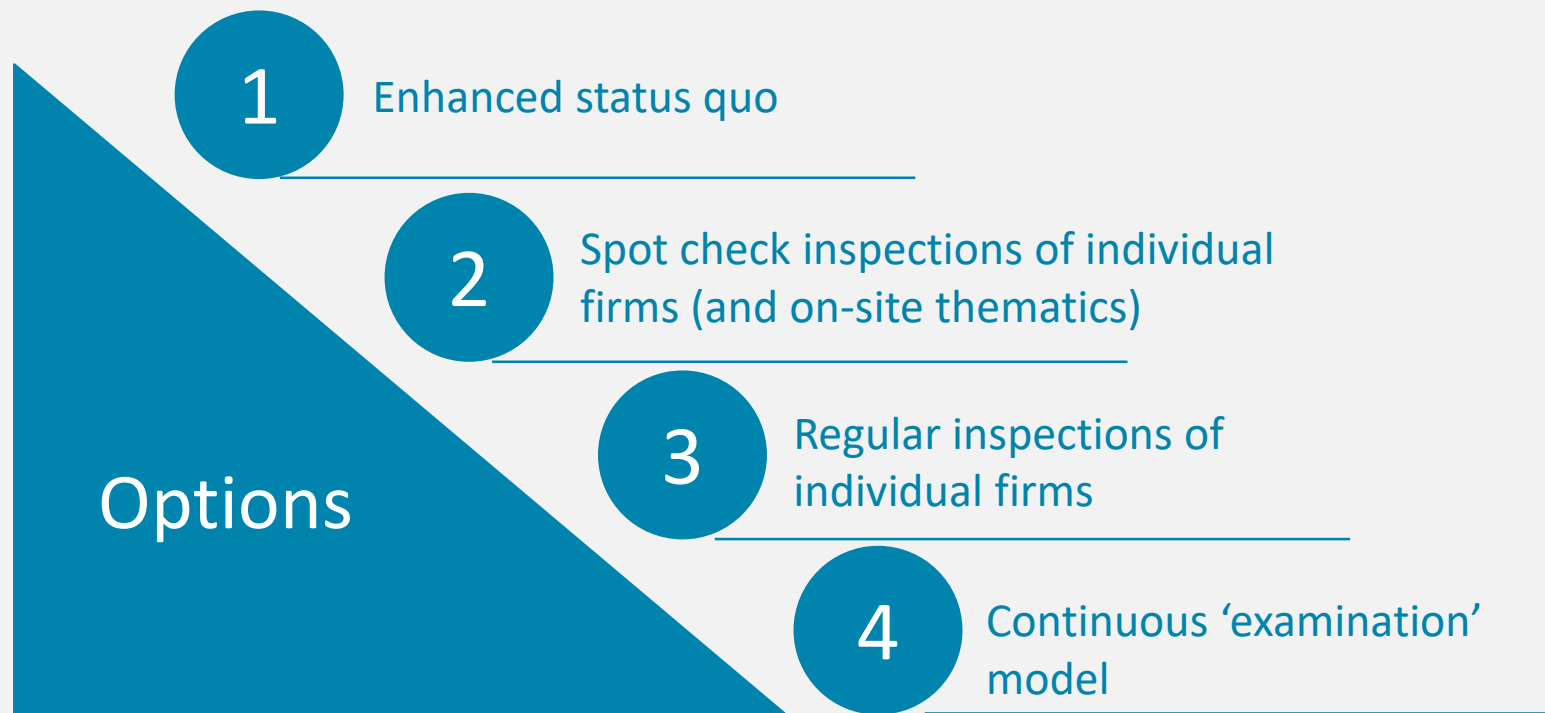
- Low cost (leverages off APRA's on-site inspections)
- Light-touch model reduces burden on banks
- Supervisory humility – recognises banks best placed to understand the risks they face, not the RBNZ
- Reduces moral hazard by making bank directors responsible for outcomes, reducing implicit Govt. guarantee
- Encourages a cooperative relationship with regulated firms, helping to facilitate voluntary compliance

Potential weaknesses

- Overly reliant on APRA-led inspections ('free-riding')
- Insufficiently resourced, even for light-touch approach
- Emphasis on director responsibility and market discipline not time consistent – implicit guarantee present and Govt. will still bailout
- Supervisors lack deep knowledge of banks, hampering crisis management
- Limited ability to verify banks are meeting regulatory requirements
- Credibility of enforcement regime – no formal action ever taken against a bank or its directors
- Out of step with international standards (e.g. BCPs)

Options for greater assurance (verification)

- Prerequisites:
 - Legislative provision to go 'on-site'
 - Greater resourcing – linked to degree of budgetary autonomy and ability of Govt. to articulate its 'risk appetite'



Options for the enforcement regime

- Broadening the suite of formal tools, adding:
 - **Statutory public notices** (formal public warnings)
 - **Enforceable undertakings** (commitments given to RBNZ by a bank & enforceable by the court)
 - **Infringement notices** (small fines imposed by RBNZ directly)
 - **Civil penalties** (court-based non-criminal monetary penalties)
- Changing the personal liability foundations of the Act
 - **Status quo**: reconsider criminal liability for directors
 - **Enhanced status quo**: reframing the basis for accountability of individuals (e.g. UK's Senior Manager Regime, APRA's BEAR):
 - Clear expectations of individual duties
 - Civil liability

Options for enhancing supervisory independence

- Removing Minister's role in issuance of directions
- Removing Minister's role in bank deregistration
- Enhancing budgetary autonomy (see Funding chapter)

Four dimensions of independence

Regulatory independence

The ability to autonomously set prudential rules and regulations within the parameters set by the relevant legislation.

Supervisory independence

The ability to exercise judgement on matters such as licensing, the nature of inspections of financial institutions, sanctions, and enforcement.

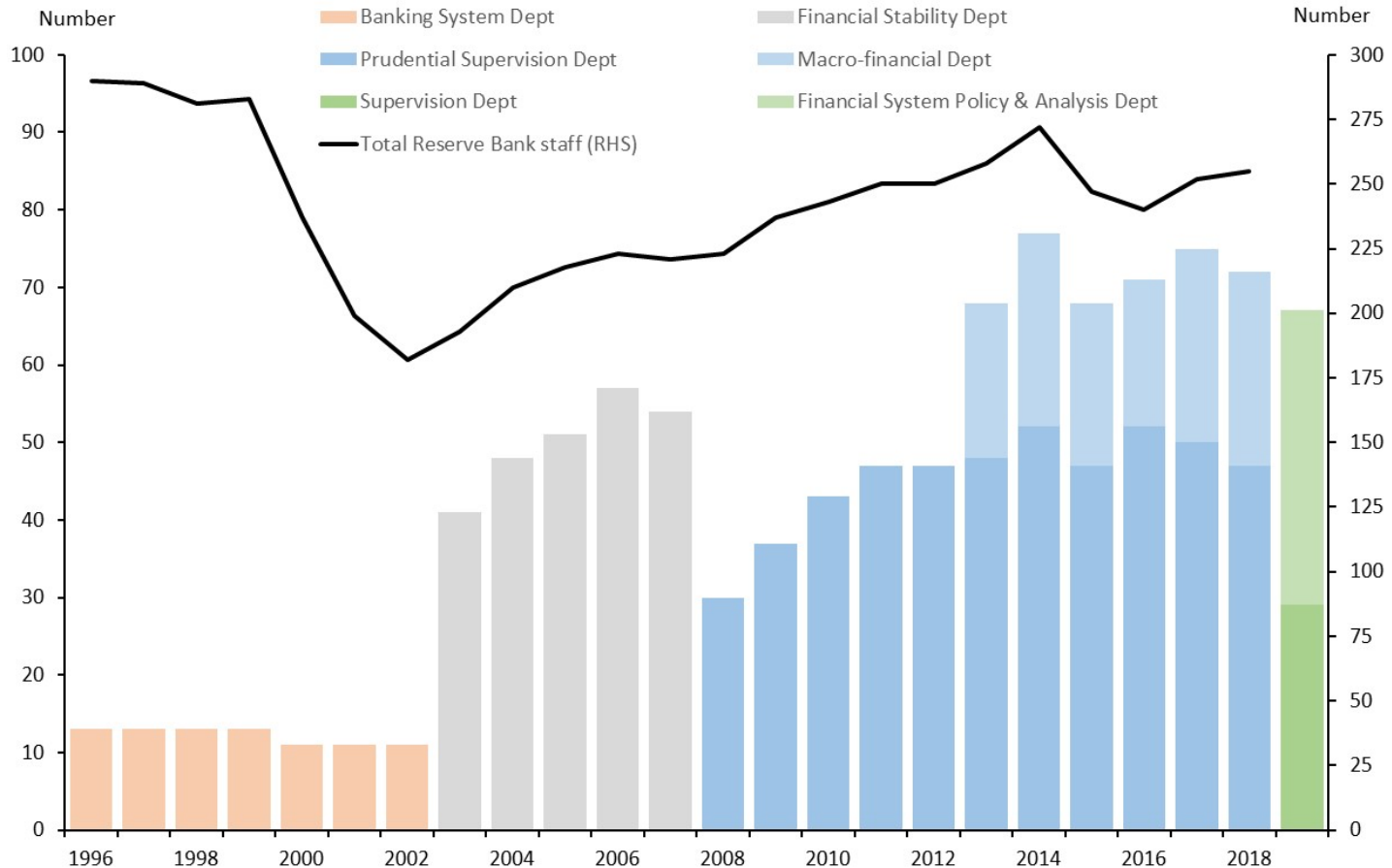
Institutional independence

The agency's status outside the executive and legislative branches of government.

Budgetary independence

The role of the executive and legislative branches of government in determining an agency's budget.

Appendix 1: Financial policy staff numbers over time



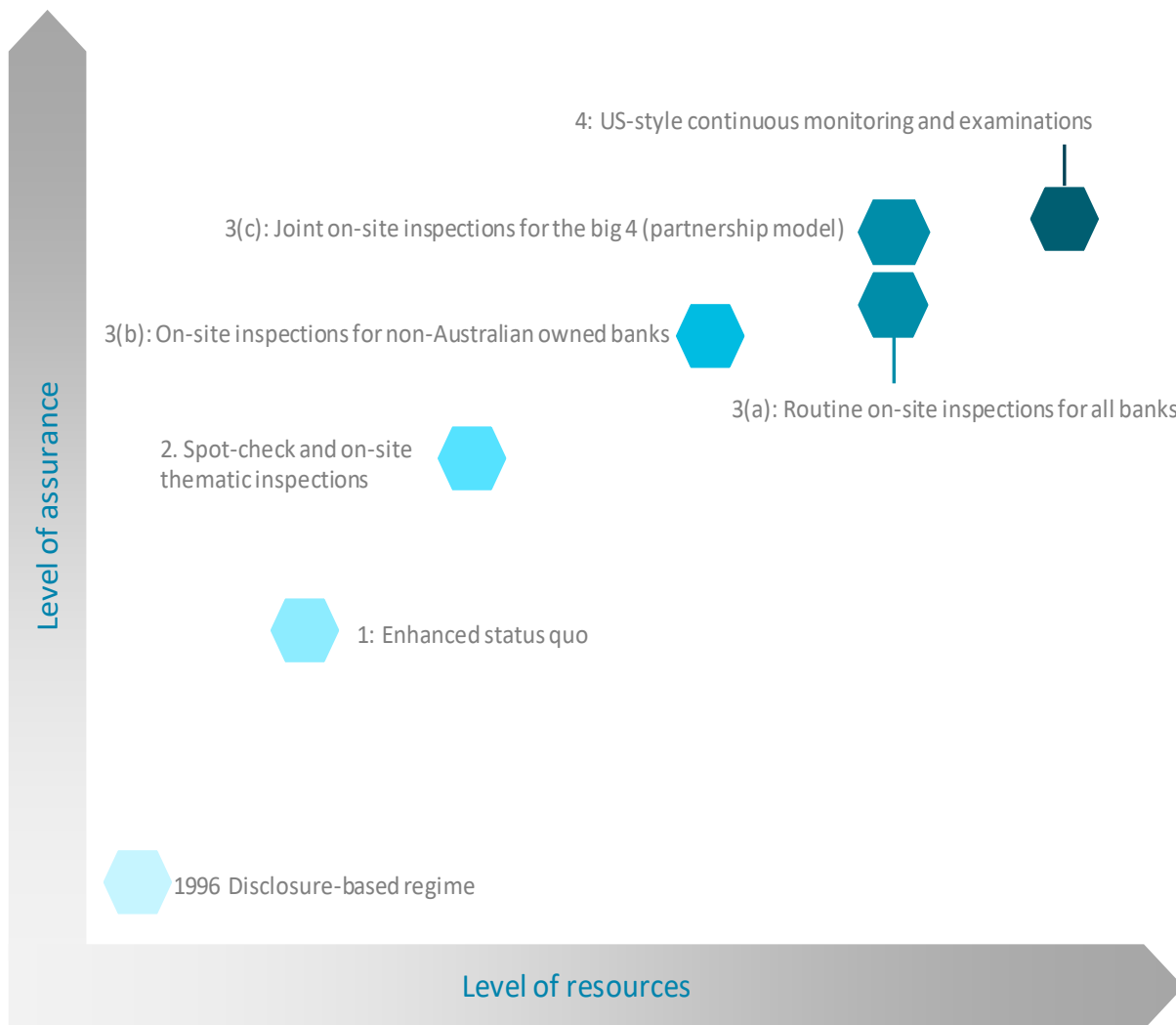
Financial Stability Department (FSD) created by merger of Banking System Department and Financial Markets Department in 2003. FSD subsequently split into re-formed Financial Markets Department and Prudential Supervision in late 2007. Staff numbers for the Macro-financial Department (MFD) include the Reserve Bank's statistics unit. Statistics unit reorganised as separate department in late 2018.

Appendix 2: 2016/17 IMF FSAP – supervision-related BCPs

Core principle	C	LC	MNC	NC
BCP 1: Responsibilities, objectives & powers		✓		
BCP 2: Independence, accountability, resourcing & legal protection for supervisors			✓	
BCP 3: Cooperation & collaboration		✓		
BCP 4: Permissible activities		✓		
BCP 5: Licensing criteria	✓			
BCP 6: Transfer of significant ownership	✓			
BCP 7: Major acquisitions	✓			
BCP 8: Supervisory approach			✓	
BCP 9: Supervisory techniques & tools			✓	
BCP 10: Supervisory reporting			✓	
BCP 11: Corrective & sanctioning powers		✓		
BCP 12: Consolidated supervision		✓		
BCP 13: Home-host relationships		✓		
Totals	3	6	4	-
C = Compliant LC= Largely Compliant MNC = Materially Non-Compliant NC = Non-Compliant				

- BCPs 1-13 cover preconditions for effective supervision (e.g. independence and resourcing) and supervisory techniques/tools [BCPs 14-29 deal with rules and requirements of banks]

Appendix 3: Options for verification – assurance versus resources



1. Enhanced status quo

- Increased desk-based monitoring of large banks
- More desk-based thematic reviews
- Use of 3rd-parties for compliance checking
- More active role in APRA on-site visits of big-4

2. Spot check inspections

- Legislative change to go 'on-site' and inspect any aspect of a bank's business – irregular and at discretion of RBNZ
- Able to do 'on-site' thematic reviews

3. Regular on-site inspections

- Routine on-site visits on periodic cycle
 - a) All banks
 - b) Non-Australian-owned banks only
 - c) Joint inspections with APRA of big-4

4. Continuous monitoring & examinations

- US-style 'embedded' supervisors
- Comprehensive transactional (loan-level) testing

Balance sheet functions



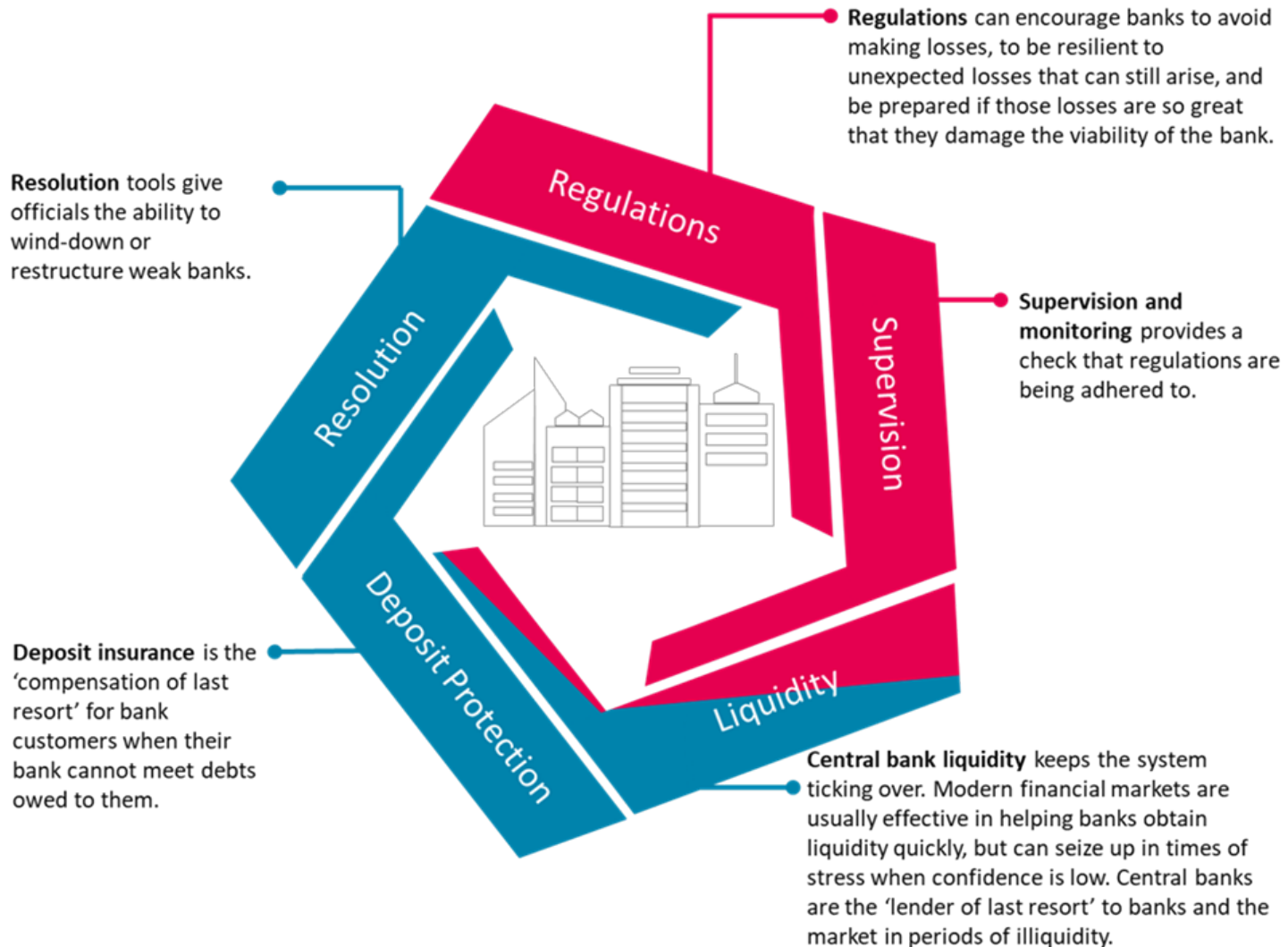
How should the Reserve Bank's balance sheet functions be formulated?

Function	Current governance and issues raised
Lender of last resort (lend extra NZD to banks when they have trouble raising market funding, but are otherwise sound)	Independent. This seems appropriate, but may need better defined limits (what if borrower bank seems unsound?)
Implement monetary policy (borrow/lend to keep interest rates near OCR, perhaps do more in crises)	Independent. Right in normal times, but some crisis policies (e.g. buying private debt) may need special rules and Treasury involvement.
Dealing in foreign exchange (when appears mispriced or volatile, especially during a crisis)	Mixed responsibilities. Big crisis interventions are under authority of Minister (also bears financial risk).
Providing other banking services	Independent. Seems right but objectives could be clearer.

Crisis management regime



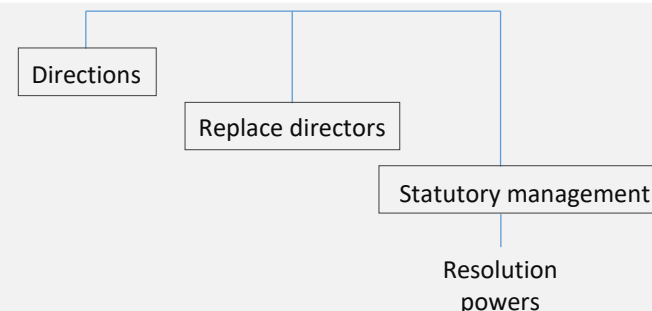
The financial safety net



What features should New Zealand's crisis management regime have?

Design principles issues

- Not always clear who would be the resolution authority (RBNZ or the statutory manager)
- No resolution objectives for either RBNZ or the statutory manager
- No accountability for use of resolution powers



Practicality issues

- Poor use of the Minister of Finance (consent required for the smallest RBNZ direction)
- Resolution powers require statutory management
- Minister of Finance role is reactive only with binary choices (agree or not agree)
- No creditor recapitalisation: Doesn't support well an open bank resolution

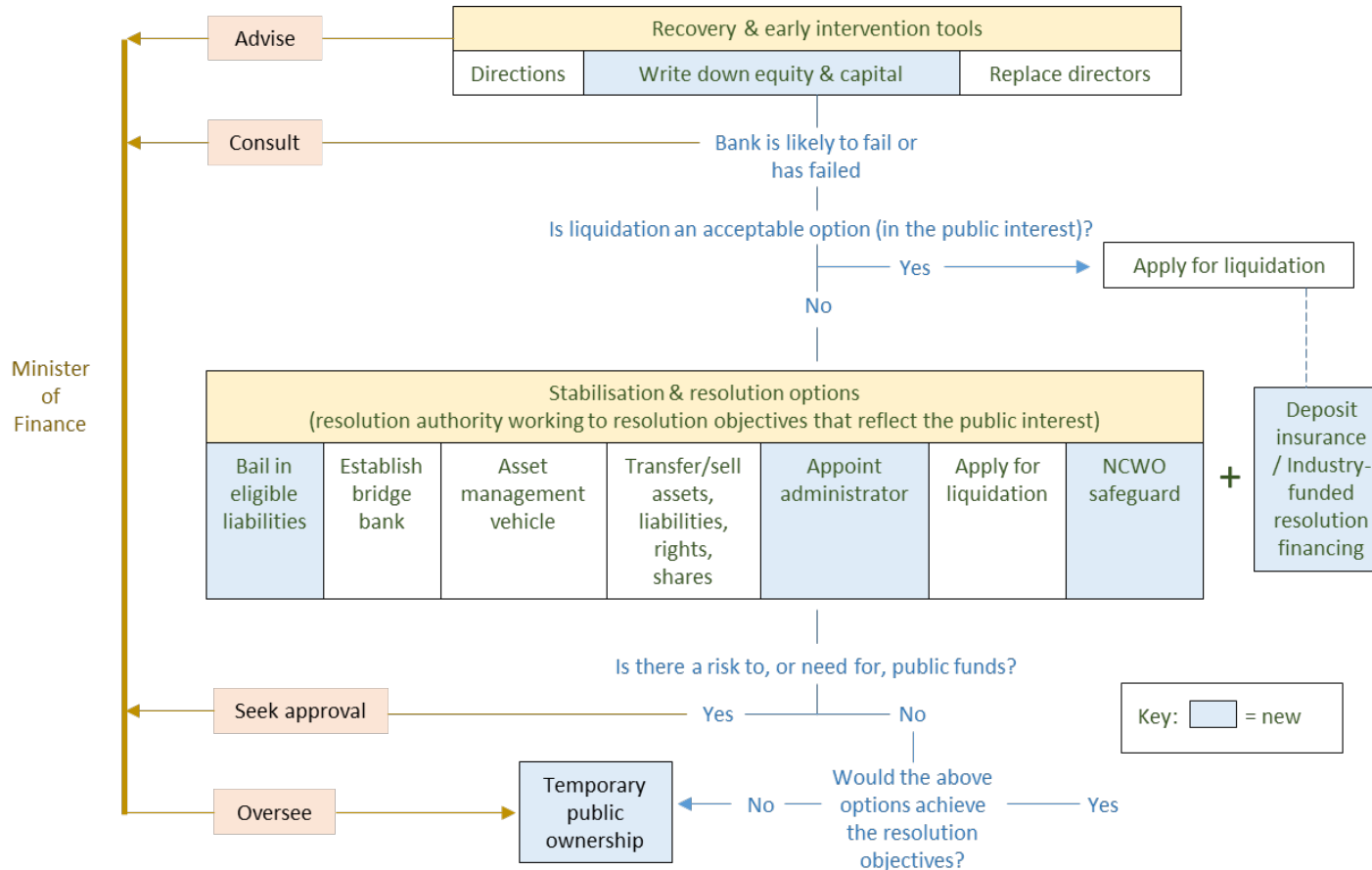
Funding issues

- Resolution powers are unlikely to work without taxpayer support

Credibility and liability issues

- Poor creditor safeguards – not consistent with prevailing expectations and a significant fiscal risk to the government

Suggested crisis management framework



Key changes:

- Clarify RBNZ is the resolution authority
- Statutory resolution objectives (reflecting the public interest)
- Replace MoF consent requirements with a reserve direction power
- Add statutory bail-in
- Powers exercisable by RBNZ in its own right (rather than through statutory manager)
- RBNZ can appoint administrator if necessary (replaces statutory manager)
- Creditor safeguards
- Supported by industry-funded financing (eg, deposit insurance and/or ex-post levies)

Key benefits

- Reduced reliance on tax-payer support
- More resolution options
- Smarter role for the Minister of Finance
- More certainty for the market (investors)
- Aligns with international best practice
- Makes open bank resolution more feasible

Making open bank resolution more feasible

Bank Creditor Recapitalisation: the genesis of OBR

One of the key lessons emerging from that crisis is the potentially enormous fiscal costs associated with supporting troubled banks. Some governments that chose to guarantee their banking system's liabilities are now faced with a sizeable public debt burden.

The alternative is to make bank shareholders and creditors shoulder the losses of a failing bank whilst ensuring that the payments system continues to function.

OBR is intended to act as a resolution tool that puts the cost of bank failure primarily on the bank's shareholders and creditors rather than the taxpayers, minimises moral hazard and provides continuity of core banking services.

Coordination



How should the Reserve Bank coordinate?

Coordination is important because policy and regulatory responsibilities are split over a number of agencies, but they overlap and require system stewardship

Multilateral information sharing occurs via the **Council of Financial Regulators** (RBNZ, Treasury, MBIE, FMA, ComCom), which is informal (non-legislative). CoFR has recently been reconsidering whether its role should extend beyond information sharing.

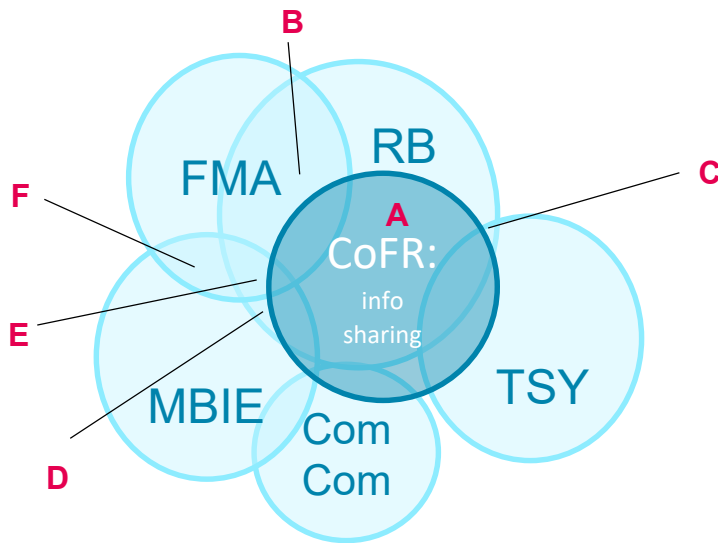
Bilateral information sharing occurs between the **Reserve Bank and Treasury** on monetary-fiscal issues and between the **Reserve Bank and FMA** on supervision and enforcement with the FMA

Questions to consider

- Do financial sector agencies have **sufficient incentives and resources** to coordinate?
- Are the existing **information sharing constraints** on the Reserve Bank too severe?
- Are CoFR's activities **visible enough** to industry and the public?
- Should legislation prescribe coordination objectives and legal foundation for CoFR?
- What should CoFR's role be in **overall stewardship** of the financial system?
- Does CoFR have a role in facilitating effective **trans-Tasman** interactions?

Coordination in the financial sector

Existing arrangements*



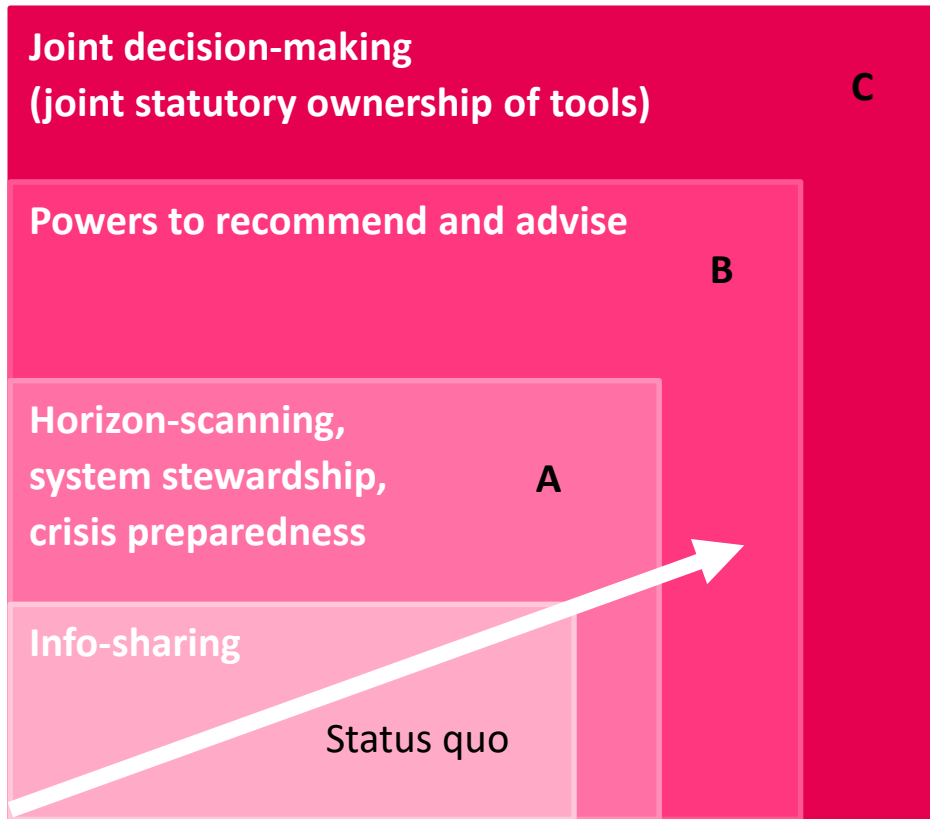
* Sizes of some overlaps are illustrative

- A. Council of Financial Regulators** information sharing on financial sector issues
- B. RBNZ-FMA** information sharing on supervision and enforcement of prudential policy and conduct
- C. RBNZ-Treasury** information sharing on monetary-fiscal and crisis management issues
- D. RBNZ-MBIE** coordination of prudential and conduct policy
- E. RBNZ-FMA-MBIE** development of the FMI Bill (the Treasury has also advised the MoF)
- F. FMA-MBIE** ensures primary legislation enables effective conduct regulation and supervision

Potential issues with current arrangements

- Lack of incentives and resources to coordinate
 - Limited objectives and accountability mechanisms
 - No dedicated resourcing & no incentive to be first mover on issues like fintech
 - Different agency models: RBNZ more independent than FMA, requiring less coordination to change the framework
- Legal constraints on the ability to share information
- Lack of transparency and public profile
- System complexity, stewardship complexity, and unclear roles
 - Financial regulation split across 5 agencies, 2 policy agencies, 2 ministers
 - No clear stewardship responsibility
 - No domestic crisis management planning

Potential coordination options



Note some coordination will be multilateral and some bilateral

Increase scope of coordination

- A. Introduce coordination objectives for system stewardship and crisis management
- B. In addition to A, give CoFR advisory powers over some macro-prudential tools
- C. More extreme option

Other possible changes

- Formalise enhanced CoFR in legislation (like AML coordination committee)
- Formalise some bilateral coordination requirements
- More formally dedicate resources to coordination arrangements

Funding and resourcing



How should the Bank be funded and resourced?

The Reserve bank is currently funded through self-generated earnings, with a tight constraint on operating expenses

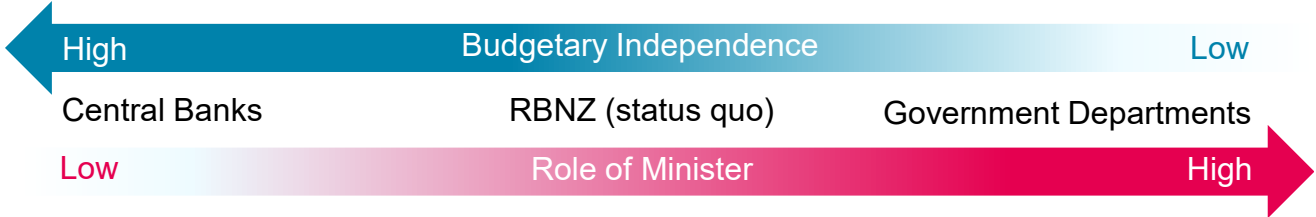
Key Issues

- How much independence should the Reserve Bank have over funding and resourcing decisions?
- Where should the Reserve Bank obtain its funding from?

Propositions

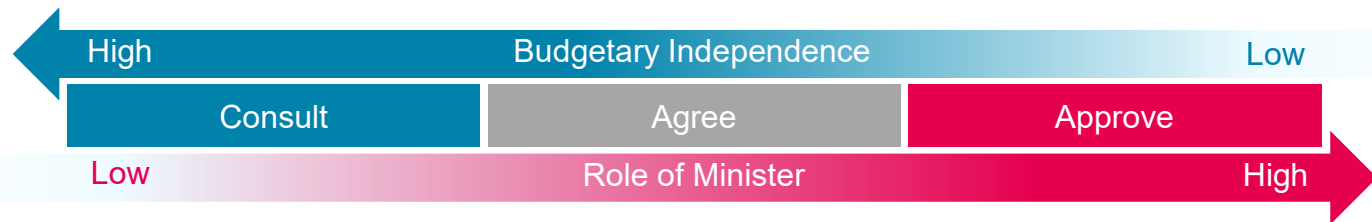
- The appropriate degree of independence for budgetary decisions could vary across functions.
- Potential funding sources include self-generated earnings, fees, and industry levies to cost recover for prudential functions (this would be small and may not be worth the administrative cost).
- All funding options should be accompanied by enhanced accountability transparency arrangements.

Illustrative funding mechanism options



		1	2	3	4	5
		Consult	Hybrid Consult + Agree	Agree (status quo)	Hybrid Agree + Approve	Approve
Role of the Minister	Prudential functions	Consult	Agree	Agree	Approve	Approve
	Other central bank functions	Consult	Consult	Agree	Agree	Approve
Source of funding	Prudential functions	Self-generated earnings + Fees	Prudential Levy + Fees	Self-generated earnings + Fees	Prudential Levy + Fees	Self-generated earnings + Fees
	Other central bank functions	Self-generated earnings + Fees	Self-generated earnings + Fees	Self-generated earnings + Fees	Self-generated earnings + Fees	Self-generated earnings + Fees

How much independence should the Reserve Bank have over funding and resourcing decisions?



Consult: The Reserve Bank would have overall control to set its funding and budget, but be required to consult the Minister. The Minister would convey society's risk preferences by setting expectations and objectives. Accountability for capability and outcomes would rest solely with the Reserve Bank.



Agree (status quo): the Minister and the Reserve Bank would both agree on the funding and budget (both have a veto right). Accountability for capability and outcomes would be shared between the Minister and the Reserve Bank.



Approve: the Minister would have a veto right over the Reserve Bank's funding and sign-off the budget. The Minister and the Treasury (as the Minister's agent) would absorb significant accountability for the Reserve Bank's capability and outcomes, as well as set performance expectations and objectives.

International comparisons

In a sample of 17 central banks:

- **all** sourced funding from self-generated earnings,
- **none** received funding from government, and
- around **50 percent** recovered some costs from industry (through fees or levies).
- **75 percent** of central banks set their own budgets, with the remaining quarter determined by the Minister of Finance.

Sample includes: Australia, Canada, Chile, China, Czech Republic, ECB, Germany, Ireland, Japan, Korea, Mexico, Netherlands, South Africa, Sweden, Switzerland, United Kingdom, and United States.

In a 2011 survey of 141 prudential supervisors¹:

- One third set their budget independently of government, while a quarter can obtain funding without explicit government approval.
- Almost half source funding from industry and one fifth source some funding from government.

¹World Bank Prudential Regulation and Supervision Survey (2011)