

The Treasury

Reserve Bank Act Review Phase 2 Second Consultation Information Release

July 2019

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Memorandum for Ministers attending the Reserve Bank Review workshop on 9 April 2019

Date: 2 April 2019

Title: Material for Ministerial Workshop on 9 April 2019

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Background

1. Phase 2 of the Reserve Bank Act Review (the Review) is focused on the financial policy framework and the broader governance arrangements for financial policy. In November last year, the Review Team released a public consultation document covering key topics that are important to shaping Review outcomes including objectives, prudential responsibilities, deposit insurance and governance. The first consultation closed on 25 January.
2. After considering stakeholder feedback, the Review Team provided recommendations on in-principle decisions needed to confirm the direction of travel for the Review and to enable further work on remaining Review topics (see T2019/80). After consultation with ministers, the Minister of Finance made in-principle decisions on the following topics where there was a broad degree of alignment among agencies and the independent panel:
 - a. Financial Policy Objectives – to replace the Reserve Bank’s ‘soundness’ and ‘efficiency’ objectives with a single ‘financial stability’ objective.
 - b. Governance – to establish a new board of directors, with statutory authority over all Reserve Bank decisions (except those reserved for statutory policy committees). Treasury would be appointed monitor of the Reserve Bank with a role similar to monitors under the Crown Entities Act.
 - c. Regulatory perimeter – that banks and non-deposit takers be regulated under a single prudential regime.
 - d. Responsibility for prudential regulation and supervision be retained by the Reserve Bank.
3. Although there was a broad degree of alignment on most topics, there was a difference in views around the establishment of a financial policy committee (FPC) and deposit insurance scheme, ^[2]

The Reserve Bank and Treasury have undertaken further discussions with the aim of identifying common points of agreement and providing options for reaching in-principle decisions around these topics.
4. In addition, the Review Team plans to release a second consultation document in June covering the remaining topics set out in the Review’s terms of reference.

5. The Review Team is seeking views from ministers on the outstanding topics requiring in-principle decisions and on the remaining consultation topics. In order to help frame the workshop, the Review Team has prepared a power-point presentation structured as follows:
 - a. Outstanding topics requiring in-principle decisions.
 - b. Further consultation topics - key topics to be included in the June consultation.