The Treasury

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Personal submission for second round of consultation on NZRB reform phase two
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1. Introduction

My expertise is on the governance of financial-sector issues more than on the technical detail, with a particular focus on where public / political accountability is required. This submission reflects that expertise and outlook. My primary concern in engaging with this reform process is to take a citizen perspective and ask 'which issues require public buy-in / political control and would benefit from public scrutiny?'

I am generally pleased with the way the reform process is going. The consultation documents for this stage were thorough and well-written. The right issues are up for debate and discussion and I welcome many of the Minister's in principle decisions.

However, I have two major issues that I want to ensure receive proper attention. I also want to emphasise the seriousness of my concern ('as a citizen') around current prudential supervision but do so more tentatively as it is less central to my expertise.

The first issue is one of *the general approach to governance* that is emerging from the consultation documents and Minister's decisions to date. I was mildly disappointed by the decision not to have an FPC and to move closer to a 'crown entity' model for the NZRB. I don't think this is disastrous but it could naturally lead to a bureaucratic procedural form of accountability at the expense of the public scrutiny and debate that I would argue are required to secure the legitimacy of some of the most important decisions the Bank needs to make.

I think it is possible to deal with those issues within the governance structure that is emerging but it is important to do so explicitly. I propose:

- A process of regular public debate on financial stability issues, at least annually and ideally more frequently
- In which the Reserve Bank is required to review and justify its broad policy settings (macroprudential settings, capital requirements, emerging issues in financial markets that might required particular scrutiny such as emerging fintech) in the light of the Minister's financial stability remit
- Which should involve the Treasury Select Committee, to provide a very public challenge to NZRB views as a focus for public debate

The second major concern is the looming issue of the zero lower bound. Although I can see the rationale in the documents for discussing this as an issue of balance sheet management and asset purchases, it is much more prevasive. If we think of QE in isolation it make look like a better idea than when we compare it to the alternatives (particularly fiscal policy, or perhaps a radical approach to negative interest rates).I therefore have a large section discussing QE and how to manage it. I conclude by suggesting a similar form of accountabiliity, designed to get sensitive decision-making into the public sphere so the political choices being made are explicit and therefore subject to some democratic accountability.

2. Governance and 'crown entity plus'

In the introduction, I said that I had some concerns that the 'crown entity' model of accountability was 'too corporate' for some of what the Reserve Bank is doing. Here I explain what I mean by that, drawing on the evidence we have from, for example, the Productivity Commission report on crown entity monitoring (first section) and then go on to suggest one mechanism for remedying this concern.

2.1 Governance choices and the nature of prudential regulation

In this section I want to particularly emphasise the rule-setting aspect of 'prudential regulation', which is conceptually very different from an ongoing 'supervision' function (I'm happy that supervision should be thought of as an independent function, externally evaluated).

Whilst the right questions are on the table and nothing in proposed structures means they *can't* do their job, I think the 'natural' operation of a Board + Treasury Monitor type system of governance (the Crown Entity Model) will not be appropriate for prudential rule-setting.

Prudential *rule-setting* does not fit comfortably with the way a corporate Board works (a) because performance cannot be assessed positively on the basis of results (b) because there is a strong public-interest element at stake.

Rather than sanctions-based accountability related to performance, the major route for accountability must be *discursive* – the requirement to justify choices made, relative to Ministerially defined goals, based on the best evidence and analysis available. That kind of accountabilty is best created through public debate, rather than incentives-based sanction.

Corporate governance, meanwhile, works quite differently. There's a reaonsably measurable goal (shareholder value, perhaps over the medium-term) that underpins debate. The Board's job is to ask some hard questions but there's some space to 'trust the CEO' so long as procedural requirements are met and external governance requirements honoured. Monitoring is more of a technical/conduct focussed exercise.

In that context, the Crown Entity model looks quite inadequate, particularly given what we know about a tendency to 'monitor' through tick-box compliance (see the Productivity Commission report). Indeed, when Treasury Monitoring is discussed in the current documents, we are explicitly told that it should not involve 'second guessing Monetary Politicy Decisions', yet if the monitor isn't going to assess the quality of decisions made, who is? The current RBNZ Board may be generally regarded as weak but at least it did provide a second view of decisions made which was even, on occaision, fed into public debate via political parties' review of Board minutes[1]. If the Treasury is presumably also not going to 'second-guess' prudential rule-setting decisions as part of its monitoring, someone else should be doing so in a way that can create public challenge and deliberation.

That need is particularly pressing given what we know about the political economy of prudential regulation. The most well-organised, sophisticated stakeholder (the Banking sector) has a vested interest in watering down regulation much of the time (even if banks are careful, they have structural incentives to be less careful than the public interest would warrant because they don't bear the full costs of their own failure (Brunnermeier, Corckett, Goodhart, & Persaud, 2009)) . Meanwhile a public counterweight is very difficult to mobilise given each individual citizen's small stake in outcomes, the technical complexity of the issues and the infrequency of crisis (Culpepper, 2011) . Transparency cannot ultimately fix these problems but it is still the best rememdy we have to facilitate citizen-centred scrutiny.

To be explicit, if we look at the SOI model, for example, what we get is a very bland 'corporate mission statement' type document. That seems like a good template for general Treasury monitoring of the type envisaged in the documents. It provides an overview of the what the Bank is doing; ought to give some view of governance issues and quality; and might provide a way of identifiying things the Bank should be doing that it is not. I'm entirely happy for the Bank's personnel policies and use of funds to be evaluated in that way.

When it comes to its core policy functions, though, a more public, deliberative, expert and argumentative form of accountability is also required. In particular, the very brief statements on actual policy issues in the SOI do nothing to allow an assessment of why the Bank is making the concrete policy decisions it is and to scrutinise that decision-making in the public interest.

2.2 Substitute for an FPC

In the Bank of England model, the FPC's role is to consider systemic risk, make its judgements publicly known and publicly defend them in front of parliament (in the form of the Treasury Select Committee). It is a place where systemic risk issues are dicussed in on on-going fashion and the conclusions reached scrutinised regularly by, for example, the UK Treasury Select Committee along withe wider media and commentators. I note that some very authoritative commentators suggest the identification and prioritisation of systemic risk should in fact be entirely a government function, leaving how to legislate in response to the central bank (Balls, Howat, & Stansbury, 2016). I'm not sure it makes sense to go that far in New Zealand but I do think the legislature (and therefore, potentially / indirectly, the public) should be regularly involved in scrutiny and debate.

[1] The example I have in mind is Russel Norman's Green party. His advisors have told me they found Board documents extremely useful in providing information they could draw on to develop a (constructive?) critique of RBNZ policy. I don't by any means agree with all of Norman's critique but it did trigger some public discussion of the RBNZ's role of a kind that may have boosted public understanding of the Bank (at least at the margins). The RBNZ should welcome that kind of debate and engagement.

It seems to me that a reformed financial stability report and / or stress testing report could act as cataylsts for this type of exercise.

However, the current 'financial stability report' format doesn't seem to require the Bank to be clear about: how risks identified relate to the Bank's responsibilities; what it is doing in response to those risks; and what those risks mean for a variety of regulatory setting that the Bank should be constantly monitoring. The current format is nice and accessible, which is positive but that accessibility tends to obscure rather than highlight: places where there might be legitimate reasons to disagree about policy; how the Bank has made decisions in those areas; and what evidence it has used to make those decisions. Inclulding that kind of content would create a framework to invite some robust critical questioning from outsiders, requiring the Bank to have carefully thought through its reasoning and allowing others to understand it. The Bank should welcome that kind of stimulus to improve both its reasoning and its communications.

I note that, to date, MPC minutes are also conspicuously silent at exactly the points where we could most do with information about how the Bank is making difficult decisions (for example *why* we recently saw a 0.5% cut in the OCR – the point is not whether this was right or wrong but rather than we don't get enough information on how different points of view were evaluated and how we got to the ultimate outcome). Referring to Table 3F on p.69 of Document 2A, I would prefer a model involving the middle column of this table – ie. A range of views with no attribution and permission for individual speeches to be made, so long as approved by the Board.

I would like to see the Finance and Expenditure Select Committee as a venue for scrutiny and debate of FSRs and Stress tests because of its transparency, publicity (allowing external experts to speak if desired), and distance from the RBNZ. The Treasury Select Committee in the UK performs this role effectively in monitoring the Bank of England. Select Committee hearings could also create a focus for media scrutiny and broader public engagement. The RBNZ would remain independent but would be 'beseiged' by public opinion in a way that required it to justify and explain the basis of its policy choices.

I envisage a process in which the financial stability report included a justification of some key regulatory settings. It should not only identify and assess financial risks but also explicitly explain how the Bank has dealt with those risks in its regulatory settings with as much of the reasoning behind decision-making as possible. Whenever stress-testing has been carried out, the way the results of stress-tests have fed into settings should also be explicitly stated.

That should include, particularly:

- Overall capital requirements
- Macro-prudential settings
- Any emergent issues – stability of fintech providers etc.

The most immediate audience for the report should then be the Finance and Expenditure Select Committee. They should also have the power to request the Bank to explain its approach to what they see as emergent issues.

Arguably the Finance and Expenditure Select Committee might have broader powers to summon NZRB Executives to explain policy settings or raise issues.

3. Balance sheets, quantitatve easing and fiscal coordination the ZLB/ELB

In chapter four, the document discusses what procedures should be put around the RBNZ's balance sheet management. I will not comment here on foreign exchange, but simply look at asset purchases and quantitative easing.

I am concerned to make sure that this issue is not treated in isolation ('is QE better than no QE'?) but rather relative to possible alternative policies, notably negative interest rates and some kind of fiscal policy and can't be considered independently of the broader question of fiscal-monetary coordination.

Asset purchases become relevant as the OCR reaches 0%. There are good reasons to think this is likely during the next recession (typical easing is about 5% and we only have 1% to go at present). There is a well-documented international literature seeking to explain low interest rates (Summers on secular staganation and his critics) but for now it is simply important to note that most people think they are here to stay and the 0 or slightly negative constraint will bite a considerable part of the time.

There seem to be three broad options on the table when this happens:

(1) Negative interest rates
  a. This is an attractive approach because, although it is counterintuitive to much of the public, it fits with the pre-existing division of labour between fiscal and monetary policy. The problem is that (Adrian Orr's 'reassuring' commentary notwisthstanding) there is widespread consensus that one can't get *much* below zero (without some radical measures – though some of these have been proposed, see Michael Reddel's blog and elsewhere)

(2) Quantitative easing / asset purchases
  a. The RBNZ 'creates' money to buy assets. Its purchases alter market prices so as to encourage investment and spending, rather than saving.
  b. QE does seem to produce some stimulus. It is better than nothing.
  c. The problem is that it overlaps with fiscal policy
    i. First because it creates potential NZRB liabilities that the taxpayer might have to pick up
    ii. Second because it interferes with Treasury's normal oversight of the government debt, particularly debt maturities

iii. Third because it has a very strong distributional element. Once the RBNZ 'creates money' it has to choose how to spend it
    1. To date, the standard approach is to buy long-term bonds
    2. This seems to have some effect on demand but has also boosted asset prices
    3. 'Assets' include property, which is a vexed issue in NZ. They are also much more unevenly distributed than income. A general economy-wide increase in asset prices benefits the rich much more than the poor.
    4. The BoE argues UK QE left the asset distribution much as it was before *but* that effectively means rich asset holders gained much more than poor debtors
    5. The 'public money' QE creates could be used for any many of other stimulatory purposes....for example it could be put in a specific ear-marked account for Treasury to spend on a temporary reduction in the lowest rate of tax via PAYE or a cheque delivered to every household (See Balls et al and Bernanke 2016).
    6. In other words, QE is effectively a *distribution of public money*

(3) My argument here is that QE is not conceptually distinct from fiscal policy – from deficit financing. So why not use democratically controlled fiscal policy If QE is to be allowed.
    a. Here the potential difficulties are:
        i. that there are questions about the mechanics of fiscal policy (can it create stimulus fast enough, can it be withdrawn once it's created?)
        ii. that recent evidence suggests an intellectual lag in which too much of the public / politicians and policy-makers are stuck in the debates of the 1970s (see Balls et al for a discussions of why this problem might be 'structural')
        iii. There is therefore danger that fiscal stimulus won't materialise when needed

The ZLB situation is deeply disruptive of the settled consensus about how to do macroeconomic policy. Rather than cling to that consensus in different circumstances, we should be thinking about the principles that underpinned the consensus, accepting the ZLB presents special circumstances, and come up with a plausible new consensus.

Ball et al suggest, broadly, that:

(1) The Central Bank should be in charge of initiating and ending the fiscal-monetary coordination process (including, for example, an explicit 'inflation knock out' for any helicopter-drop type spending). The Central Bank thus remains in charge of the broad macro-economic stane.

(2) Treasury should decide how to spend the stimulus (though, of course, there are overlaps here as different spending patterns will produce different degrees of

stimulus). Treasury, then, maintains choice over the distributionally-significant choices.

(3) This process should only be allowed to take place when the OCR reaches 0

A possible mechanism, might look something like this:

- Once the OCR hits 0.5%, the RBNZ writes a quarterly open letter to government setting out the magnitude of fiscal stimulus it believes is required for stabilization purposes
- The government would be under a duty to publicly respond, either detailing new spending or explaining its disagreement (either because it thinks there is no need or because of, for example, trade-offs with debt sustainability
- (Note that, even if we stick with just 'classic' QE asset purchases, the Central Bank and Treasury still need to coordinate to ensure that Treasury's debt management and the RBNZ's asset purchases don't pull in opposite directions – as they did in the US for a while).

This process is not cast-iron but at least it ensures that the choices being made are as transparent as possible.

BRIEFER RESPONSES TO CONSULTATION QUESTIONS IN ORDER

Document 2A

Much of what I want to say is contained in section 2 above.

For operational and procedural matters, I am happy with Treasury monitoring.

Losing a publicly visible external Board, though, leaves the governance arrangements discussed potentially insufficiently public-facing for the kind of role the RBNZ is tasked with. That is why I would like to see some 'set-piece' accountability to the Treasury Select Committee to replace that aspect of the existing Board's role.

In terms of the composition of the Board, expertise in prudential regulation and risk management will be paramount if the Bank's stance on supervision is to become more intrusive. The Board should definitely have a majorty of non-executive members, otherwise there would be little point in having such an entity. Ideally, some members of the Board would also have a relative distance from the financial sector and consider their role as one of 'ordinary citizens' (albeit, ideally, with extraordinary abilities and judgement).

I don't think the Board should necessarily appoint the Governor but I do think it should be able to initiate some sort of procedure to encourage serious consideration of his or her removal.

However, it would also be good to have someone on the Board with a broad public-interest focus. Beyond that, I'm fairly ambiguous on the details of appointments.

Document 2B

<u>Chapter 1</u>

1.A Does the current Reserve Bank Act does strike an appropriate balance between (very minimal) primary legislation and (very wide) delegated powers.
1.B Are any changes required such as extra safeguards

I don't think it does. However, I think a combination of proposals in this consultation would improve matters.

A clear ministerial remit combined with requirements for public justification (as discussed in s.2.1 above) would provide the NZRB with incentives to constantly review and amend rules in the light of criticism and for those who feel disadvantaged by rules to publicly challenge (though not overturn) them.

1C Does the chapter appropriately identify the key issues with the current framework for setting prudential rules? If not, what is missing?
1.D What are your views regarding the potential options proposed for setting the core prudential instrument? Are there any other changes to the rule-making framework that should be considered?

The issue of the form that rules take straddles questions of public accountability and questions of regulatory practice / compliance sanctions which I'm more tentative about, given limited practical experience.

Whether prudential instruments should look more like 'standards' or 'rules' really depends on how enforcement operates. T

There are advantages in standards in that they are outcomes focussed and allow banks some flexibility in implementation and allow regulators to deal with new issues under the cover of longer-standing principle. However, because of their ambiguity, they would imply a more substantial engagement between regulators and bans. If we're going to have a 'standards' approach, we need something much more substantive than the current attestation process and we need to ensure that the NZRB has the ability to interrogate banks' claims to be 'meeting standards'. At the very least, banks would need to provide a reasonably extensive set of documentation explaining *how* they comply with requirements.

(It might be that standards would also need to be supplemented with some sort of 'explanatory guidance' in the inerests of transaprency/certainty to deal with the IMF's concerns about limited transparency)

On the other hand, a rules-based system risks gaming in which formal compliance is circumvented or rules need to be updated regularly to deal with changing financial sector practice. Given the relatively small size of the NZ banking sector and enforcement resources it probably doesn't make practical sense to try to set out a complete rule-book deaing with every possible eventuality.

In terms of public accountability, rules are theoretically preferable because they are more transparent. Better still, rules with some sort of possible (but unlikely) parliamentary veto.

However, in practice, producing rules for parliamentary scrutiny would be time-consuming and I'm not sure who would actually have the time to read, digest and scrutinise the detail of large sections of legislation.

Overall, then, I would lean toward standards with some scope for RBNZ discretion. But that would require safeguards in the form of regular scrutiny of standard setting and assurances that standards were being backed by appropriately intrusive and skilled regulatory oversight (see below).

1.E Process rights

All I would say here is that there should be some recourse in case of grossly unfair decision-making but redress would ideally be compensation after the fact, rather than an injunction against immediate directions, so that speedy action in a crisis could not be delayed.

1.F Is there a case to change the breach reporting and liability models that apply to regulated entities in the Reserve Bank Act? If so, what models would be preferable?

YES - See notes on Chapter 3 below.

The current system seems to be based on the view that directors will do their attestations properly because of fear of criminal sanction. It seems to me that criminal sanction is something of a 'nuclear option'....as a result, it's deterrance for minor infractions, 'pushing the boundaries' of appropriate regulation, is likely to be fairly limited. Equally, it seems to me that annual attesation provides incentives to 'kick the tires' once a year and then forget about the issues.

It would be better to give the RBNZ had a sliding scale of measures from stern private warnings, through public warnings (which might create reputational damage) through a fairly wide range of fines that could include very large fines, reflecting the financial capacity of the institutions concerned. That would give it more scope to indicate the seriousness of its concerns and would make sanctions more credible. (I generally like the idea of a sliding scale of escalating sanctions along the lines of those proposed elsewhere in the consultation for dealing with breaches of capital requirements).

1.G Is there a need to increase executive accountability?

Personally, I'm a bit negative about executive accountability, except for fraud etc. I'm not convinced it would alter executive's motivation significantly ex ante and am not a big fan of punishment ex post in the interests of public vengeance.

I would rather Boards were incentivised to think about compliance because doing so was business-critical, which is better dealt with by a more effective supervision regime and the possibility of stiff civil penalties for the Bank.

Chapter 2

I'm generally pretty comfortable with macroprudential regulation, so long as it is embedded in a robust and transparent system that allows scrutiny and debate around the RBNZ's assessment of financial risk and how that is translating into the current macroprudential settings (see section 2.2 above.)

Q2.C
LVRs seem totally appropriate to me. (I would also be happy with some sort of debt to income measure). They should be applied to all lenders. Wholesale lending is, after all, just as likely to damage the credit cycle and, if on a large enough scale, could create systemic risk. If only deposit takers are regulated, lending might shift to wholesale lenders that were, effectively, using deposits anyway via inter-bank markets.

I think the are advantages in having, say, a counter-cyclical capital buffer applied permanently as that provides space for easing restraints as well as tightening them.

It would be good to have a transparent mechanism for the RBNZ to request additional tools, which would also require the Minister to explain any refusal to grant new tools with a full justification including what other measures the Minister believes might be used instead to deal with the identified risk.

It would be much better to have the procedures for using macro-prudential regulation in legislation, rather than the MoU.

Chapter 3

A serious issue, at least of perception, with current supervisory practice

I am not enough of a technical expert to judge how well or badly NZ banks are performing on risk management.

However, from a political / citizen perspective, the available evidence is potentially very damning. Imagine we had experienced a major systemic crisis in 2019. It would not take long for the NZ press to tell a story that looks something like this:

1. The regime for regulating banks relies on Directors promising that they're doing everything right. Although there is potentially serious sanction for inaccurate promises (criminal liabliity), that sanction is in fact so severe it is unlikely to be invoked.

   And the issue is not just theoretical. We know that ANZ was not compliant on its risk model *for five years*. The risk model underpins the calculation of its entire capital adequacy requirements (since Central Banks have moved toward allowing banks to do their own risk modelling) and that banks stand to profit (in the short-term at least) from lax internal assessments. What does that say about the ANZ Board's level of concern for the NZ regulatory framework? In turn, what kinds of incentive structure are operating? (See also box in consultation document on implementatoin

   There is little point in producing a complex and sophisticated set of regulatory requirements if there is apparently no plausible effort made to enforce them

2. I would expect the press to go on to say that the ANZ discovery should not have been a surprise when the most significant international peer review exericse (the 2016 FSAP) found the New Zealand regime '*materially* non-compliant' with more of the Basel Core Principles than it was compliant with.

3. The most recent Bank appointed Academic Fellow's (rather short) submission to the first round of consultation on RBNZ reforms was primarily focussed on non-compliance with international standards.

Others are better placed to judge the substance of supervision but the *appearance* at least is one of an institution that does not take regualting banks seriously, leaving the RBNZ wide-open to devastating criticism in the event of a crisis. A principle benchmark for the achievements of the reforms canvassed in this second document will be a demonstrable change in the RBNZ's attitude to supervision so that its regulatory role is seen to be taken as seriously as its monetary policy role (I note promising signs here, see for example Geoff Bascand's Auckland speech 26th June but, without legislative change, there is nothing to stop the RBNZ reverting to previous practice).

I am less well placed to propose an alternative framework, except to say that it needs to look and be much more robust.

Chapter 4

See extensive comments above around asset purchases above.

I think LoLR is perhaps better thought about in the context of a crisis management package (see Chapter 5 below).

I will leave exchange rate management to others.

Chapter 5

Crisis management is extremely difficult to legislate for in advance.

In particular, the usual categories we use to determine rights and appropriate treatment often become blurred. Most notable, banks' status as illiquid or insolvent may be highly unclear in a context of rapidly changing asset prices and may well be dependent on government action including government decisions about other financial institutions.

I'll start by making my point with an illustrative example that is particularly related to passages in the document about creditor rights and then make some general observations about crisis management at the end.

Bail-ins and creditor rights become extremely complex in a crisis situation. Normal market processes are, almost by definition, suspended and the value of any assets becomes highly uncertain.

I felt the language in the chapter about creditors getting 'at least the same rights as they would have under insolvency' was a little ambiguous when one considers the case of a government bail-out.

Imagine a systemically important institution that is certainly illiquid and probably insolvent. At that point, creditor's 'rights' may be fairly clear but the value of their remaining interest in the institution may already be deeply uncertain, since they would naturally be determined on insolvency.

Now imagine the government decides that it needs to bail-out the institution for systemic reasons, using taxpayer's money. What are creditors rights in this new context?

Do we think about the rehabilitated institution as simply the same entity that happened to benefit from an 'angel investor'.....so creditors suddenly expect to recoup the full nominal value of their loans? In that case, creditors are getting a straight tax-payer funded subsidy. After all, they've already been remunerated for the apparent risk of their investment during the life of their loan and, suddenly, that risk disappears at tax-payer expense. I would argue creditors would be receiving a great deal more than they had contracted for.

Alternatively, do we consider creditors' rights as simply what they would have got if the government hadn't stepped in – that their loans could be written down to expected value on insolvency? That would be very difficult to assess but would seem more reasonable.

I would argue that, in the context of a bail-out, creditors should be left somewhere in-between these two situations.

(Another way to make that point would be to imagine that the government really was a private sector 'angel investor'. Surely they would be in a position to demand creditors write down their debts somewhat as the price for their intervention to save the bank. The standard of what a fantasy private sector angel investor would demand might also be a good counterfactual in theory, albeit hard to implement in practice. The government, of course, should be more willing to compromise than the private sector angel because of the weight systemic risk plays in its utility function. If possible, though, creditors shouldn't be able to benefit from that, except in their capacity as market participants that will benefit from economic recovery).

So, creditor rights where possibe and certainly some kind of backstop would be good to prevent 'convenient expropriation' but I would want it to be very clear that creditors should be bailed-in where the value of their loans is only maintained because of public sector subsidy.

In terms of the more general point, I am not sure exactly what the appropriate arrangement should be between the Reserve Bank and government but I would err on the side of more government involvement rather than less. In New Zealand, the danger of political bias driving how differnet banks are treated would seem to me less of a risk than the danger that the RBNZ would be unable or unwilling to consider the broader distributional issues at stake in the resolution of a complex crisis. The GFC experience suggests that, generally speaking, financial sector actors did quite well, relative to the scale of social cost bank failures inflicted.

Chapter 6

I find coordination difficult to judge as a relative outsider.

Coordination is quite difficult to mandate through legislation unless it is very clear what the sanctions might be for non-coordination, who gets to decide what counts, and who sets the terms in the event of conflict.

My main intervention on this theme is set out above in my discussion of quantitative easing, where I think mandatory coordination between the NZRB and Treasury is required.

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