The Treasury

Reserve Bank Act Review Phase 2 Submission Information Release

October 2019

This document has been proactively released by the Treasury on the Treasury website at

https://treasury.govt.nz/publications/information-release/reserve-bank-act-review-phase-2-proactive-release

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

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

TE TAI ŌHANGA
THE TREASURY

RESERVE BANK
OF NEW ZEALAND
TE PŪTEA MATUA

SAFEGUARDING THE FUTURE OF OUR FINANCIAL SYSTEM

Submission form for consultation document 2A

The role of the Reserve Bank and how it should be governed

To have your say on these important issues, please answer the questions below and send this form by email to rbnzactreview@treasury.govt.nz by 5pm on 16 August.

To get more information on these topics and the wider Reserve Bank Act Review, see the full consultation document at treasury.govt.nz/rbnz-act-review.

Chapter 1

Should prudential regulation remain with the Reserve Bank?

No follow-up questions for Chapter one.
Please use “any other comments” section to provide feedback in this section.

Chapter 2

What financial policy objectives should the Reserve Bank have?

2.A What other objectives should the Reserve Bank have?

- Which of the objectives discussed in Chapter 2 should feature in the Reserve Bank Act, and why?
- Are there any other objectives not covered in Chapter 2 that should be considered?

2.B Should the Reserve Bank be given a more explicit climate change objective? If so, what would be your preferred mechanism for achieving this?

2.C Where in the legislative hierarchy should any additional objectives sit – as ‘secondary objectives’, or as ‘considerations’ that the Reserve Bank must look at?

2.D How should the Reserve Bank’s objectives be specified? Do you see a role for a ‘financial policy remit’? If so, what should it include?

2.E What is your view on creating a new ‘Deposit Takers Act’ that combines material from the NBDT Act with the Reserve Bank Act’s banking regulation material?

2.F Looking at the example of the Reserve Bank’s objective set, which elements do you support and which would you change, and why?

(1) The scope and objectives of the Bank's financial policy (and other) functions should be defined to give effect to the overarching purpose of the Reserve Bank Act of New Zealand 1989, set out in section [1A].

- As currently drafted, the purpose of the Act is "to promote the prosperity and wellbeing of New Zealanders and contribute to a sustainable and productive economy by providing for the Reserve Bank of New Zealand, as the central bank, to be responsible for the following functions…"

- Section 1A could be further defined in the legislation and/or through guidance to the Bank. Ideally, the mandates of other financial market policy makers and regulators would be aligned. "Prosperity", "wellbeing" and a "sustainable" economy should be interpreted in line with New Zealand's climate change and broader (social and environmental) sustainability goals and commitments and the Government's Wellbeing Framework, and informed by a Te Ao Maori perspective.

- A long-term horizon and broad (multi-capital/stakeholder) lens should be applied, and achievement measured in terms of both financial and non-financial outcomes. It should be a whole system value creation model that puts people and planet first, recognising that economic and financial systems ultimately depend upon the functioning and prosperity of the social and environmental systems and must operate within those boundaries. (Note: consistent with this model, references in the consultation document to sustainable economic "growth" should be amended.)

- Climate change (mitigation and adaptation) should be identified, in the primary legislation, as a strategic priority: i.e. supporting a timely, managed and just transition to a zero-carbon and climate-resilient economy - one that meets national and international goals and targets, enables the economy and financial system to adapt and respond optimally, and deals proactively with employment and other distributional impacts.

- The long-term resilience, strategic positioning and prosperity of the economy and financial system depends on this. Moreover, global consensus says this is the path that society MUST go down to survive and thrive.

(2) A sustainable economic transformation will require financial system transformation, involving the redirection of public and private capital on a massive scale over a relatively short period of time.

- Unleashing the power and potential of the financial system, through allocation of risk and capital, to shape the economy and to drive the necessary transition to a sustainable economy.

- Currently, financial markets in New Zealand – and globally - are largely misaligned with climate change and other sustainability imperatives. There is a capital misallocation, due to issues ranging from market short-termism, asset mispricing, lack of information and awareness across financial markets and a number of other systemic issues and barriers.

- The Bank has an important role to play in the design and delivery of a sustainable financial system in New Zealand (and globally) - through its own core functions and balance sheet management as well as collaboration with other financial market regulators, policy-makers, stakeholders and peers on broader system change.

- Promoting alignment of the financial system with climate/sustainability goals and commitments, and with evolving stakeholder values. And harnessing of the financial system to deliver a sustainable future. Including mobilising and re-directing public and private capital towards sustainable, climate-compatible investments at the necessary pace and scale.

- Around the world (including the EU, UK, Canada, China, Australia), we are seeing the development of sustainable finance roadmaps and action plans. In NZ, the Aotearoa Circle's 'Sustainable Finance Forum' is developing recommendations tailored to the local market.

- The Bank has already shown leadership with the release of its Climate Change Strategy last year, and participation in the global Network for Greening the Financial System. But needs a clear mandate that it is fit-for-future-purpose and enables the Bank to play its full potential role.

(3) The Bank's future purpose and mandate should incorporate promoting and contributing to a sustainable financial system.

- There are different ways to make provision for this in the legislation. For example: (1) adding a reference to 'sustainable financial system' in section 1A; (2) adding a new, cross-cutting responsibility of the Bank (i.e. something to be achieved or considered in the exercise of all its functions, as relevant); (3) explicitly incorporating it into the objectives for the Bank's existing responsibilities; or (4) a combination of these.

- In defining a 'sustainable finance system' (and 'sustainable finance' – see below), the Government/Bank should draw upon the work of the NZ Sustainable Finance Forum as well as international initiatives in this area (including the EU green finance taxonomy). As above, climate change (mitigation and adaptation) should be identified as a priority.

- In essence, a sustainable financial system should serve the goals in section 1A of the Act (the prosperity and wellbeing of New Zealanders and a sustainable, productive economy). Suitable principles or characteristics include: aligned (with a sustainable economy - see above); resilient; inclusive; equitable; transparent; and legitimised.

(4) Climate change and other sustainability challenges are relevant to achievement of the Bank's existing financial policy (and other functions') objectives. But sustainability should be applied as a stand-alone objective in its own right, across the Bank's functions (including balance sheet management), and extend to contributing positively to the transition to a zero-carbon, climate-resilient, sustainable economy.

- Currently, the Bank's responsibilities are defined, and measured, in terms of financial and economic objectives (financial stability, price stability, employment etc). Where climate change/sustainability is considered, the focus tends to be on the relevance and implications FOR achievement of those objectives, and from a risk perspective.

- This is very important, but not sufficient to meet the overarching purpose of the Act (see above). We also need to consider how the exercise of these functions impacts ON the climate/environment/society (negatively or positively), and how they can be applied in a manner that contributes positively to a sustainable economic transition, which in turn presents value-adding opportunities. (Recognising that this is also the best and only enduring path to achieving financial system stability etc.)

- Sustainability should be applied across the Bank's core functions - explicitly, within the primary legislation, to ensure political durability. It should be a primary (or even paramount) objective; not a secondary, subordinate or discretionary consideration. The Bank (and regulated entities) should be assessed in terms of climate/sustainability performance – i.e. alignment with and contribution to a zero-carbon, climate-resilient, sustainable economy – in addition to other metrics. And required to report on this. (Note the French Energy Transition Law, for example.)

(5) Across its functions (including balance sheet management), and through other available levers, the Bank should be: (1) required to integrate consideration and management of climate change and other sustainability related risks, opportunities and impacts; AND (2) required, or at least empowered, to promote and facilitate the scaling up of sustainable finance. The Bank should require or at least encourage the same from Bank-regulated firms.

- In theory, financial markets will align with a sustainable economy by integrating and pricing sustainability-related factors. In practice, there is a risk that this won't happen at the necessary pace and scale. Markets will be constrained by the pace and ambition of public policy (although consumer and civil society pressure is becoming a powerful driver in its own right). There are also various barriers to market internalisation and to implementing positive investment strategies, including: data and methodological challenges; unallocated risks, costs and benefits; and access to and commercial viability of low-carbon investment options, plus additional structural and behavioural barriers in the financial system. Disclosure is an important enabler of integration, but not a panacea.

- Given the urgency, critical importance and public interest, there is a case for directional intervention or steering of the market. See below for examples of how the Bank could promote sustainable finance (based on latest international thinking, debate and experimentation in this area) - including integration of climate-change/sustainability-related criteria into the Banks' own asset purchasing or lending decision making as well as prudential requirements.

1. Deliberate use of the Bank's balance sheet towards achievement of the Government's zero-carbon/sustainable economy objectives – e.g.
- 'Green monetary policy': removing any high-carbon asset bias and purchasing green assets, as part of any QE LSAP programme introduced.
- 'Green central bank financing': similarly, applying a climate change/sustainability screen to collateral frameworks for liquidity borrowing from central banks – i.e. the list of eligible assets that FIs can pledge to borrow liquidity from the central bank, as well as the amount that they can borrow against those assets.
- 'Green foreign reserves management': applying a climate/sustainability screen.

2. Regulated entities:
- Clarification/reform of governance and fiduciary duties – mandatory integration of sustainability factors plus [demonstrating] alignment with sustainable economy; mandatory disclosure.
- Adjusting capital requirements based on climate change riskiness/impact of portfolios - 'brown penalty factor', 'green supporting factor'.
- Imposing green lending [/investment] quotas or targets - a minimum proportion of bank lending [/insurance company investment] in sustainable assets.
- Encouraging green bond issuance by regulated entities.
- Green product standards, labelling and disclosure
- Providing guidance to regulated entities on green lending/investment.
- Corporate carbon footprint reduction targets for regulated entities.

3. Nurturing the development of green financial products and markets:
- Collaboration with stakeholders on green bonds, green lending, green mortgages, green insurance products – esp. NZ and Asia-Pacific region.
- Work with Treasury/DMO on NZ Government green sovereign bond issuance

- Integrating climate change-related factors into the RBNZ Financial Strength Dashboard

4. X-cutting – green taxonomy (international work on this – adopt/adapt)

Chapter 3

How should the Reserve Bank be governed?

3.A What factors are most important for achieving the establishment of an effective governance board with responsibility for all the Reserve Bank's decisions outside of monetary policy?

3.B What is the appropriate degree of delegation from the board to the Governor? Are there any decisions that should be reserved for the board?

3.C What approach should the Treasury adopt in monitoring the Reserve Bank? What should the Treasury's monitoring responsibilities be? Should the Treasury's monitoring responsibilities be different for the MPC?

3.D Do you think there is merit in reclassifying the Reserve Bank as an independent Crown entity?

3.E For the new governance board:

- what should the split of executive and non-executive members be?
- what skills and expertise should non-executive members have? Is there merit in having representation from the FMA and/or the Treasury?
- how should members be appointed and removed? Should the board be able to appoint the Governor as CEO?

3.F Are there any aspects of the board's operation would benefit from legislative clarity or guidance?

Sustainability is core to the purpose of the Reserve Bank, and as set out above, should be explicitly embedded across the Bank's functions. The Bank has already issued a climate change strategy.

Accordingly, this should be reflected in the governance Board's (and MPC's) composition, accountability and incentives, policies, processes and practices, skills and training.

There should be leadership on, and accountability for, sustainability (including climate change) issues at Board (and MPC) level. The Board (and MPC) should include – or at least have access to – specialist climate change/sustainability expertise.

Chapter 4

How should the regulatory perimeter be set?

4.A What is the appropriate definition of 'deposit taker'? Do you agree that the definition should be framed around entities that take retail 'deposits' and lend? If not, what approach do you consider would be preferable?"

4.B Should the Reserve Bank's ability to monitor non-licensed entities be enhanced, for example through increased data reporting requirements? What do you consider would be the costs and benefits of such an approach?

4.C Should the Reserve Bank be given discretion to extend the perimeter within clearly specified parameters to avoid regulatory arbitrage (such as designating in entities with business models economically similar to deposit takers)? Do you agree that changes that are more significant may be more suited to legislative change, supported by pre-positioning?

4.D Should tools that are not linked to licensing have a different perimeter? For example, it is common internationally for non-bank lending institutions to be subject to macro-prudential lending tools, even though they do not take deposits.

Click or tap here to enter your answer. Text box expands as you type

Chapter 5

Should there be depositor protection in New Zealand?

5.A Are the interactions between depositor protection and the other parts of the financial safety net set out in Part I of Section 2 described appropriately?

5.B What objectives should the depositor protection regime in New Zealand have? Should its objectives be:

- to protect depositors from loss?
- to contribute to public confidence and financial stability?
- both of these?
- something else?

5.C The Minister has made an in-principle decision that the depositor protection regime should have a limit in the range of $30,000-$50,000. Given your answer to 5.B, what coverage level would be best within this range?

5.D How would your preferred limit affect depositor wellbeing, public confidence, and depositors' responsibilities for their financial choices?

5.E Do you think the New Zealand depositor protection regime should be supported by a preference for insured depositors? How would this affect the costs and benefits of a depositor protection regime in New Zealand?

Click or tap here to enter your answer. Text box expands as you type

Any other comments?

Click or tap here to enter your answer. Text box expands as you type

SAFEGUARDING THE FUTURE OF OUR FINANCIAL SYSTEM

Details of submitter

For individuals

Name:	Justine Sefton
Contact number:	[1]
Contact email:	[1]
Region/country:	[1]

For organisations

Name of organisation:	
Contact person:	
Contact person's position in organisation:	
Contact number:	
Contact email:	
Region/country:	

Confidentiality request

If you want all or part of your submission to be kept confidential and not uploaded onto the Treasury's website, please mark the applicable box below:

Entire submission confidential	☐
Part of submission confidential[1]	☐
Name only confidential	☐

[1] The text that you do not want published must be clearly marked in the submission

TE TAI ŌHANGA
THE TREASURY

RESERVE BANK
OF NEW ZEALAND
TE PŪTEA MATUA

SAFEGUARDING THE FUTURE OF OUR FINANCIAL SYSTEM

Submission form for consultation document 2B

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

To have your say on these important issues, please answer the questions below and send this form by email to rbnzactreview@treasury.govt.nz by 5pm on 16 August 2019.

To get more information on these topics and the wider Reserve Bank Act Review, see the full consultation document at treasury.govt.nz/rbnz-act-review.

Chapter 1

What prudential regulatory tools and powers should the Reserve Bank have?

1.A Do you agree that the broader Reserve Bank Act model strikes an appropriate balance between primary legislation and delegated powers? If not, why not?

1.B Are there any areas of the Reserve Bank Act where changes to the model are required, such as the introduction of greater safeguards?

1.C 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?

1.E What do you see as the costs and benefits of introducing enhanced process rights for administrative decisions? If you consider there is a case to introduce these rights, how should they be framed?

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?

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

1.H If so, which of these models would be most effective in doing so, and why?

See JUSTINE SEFTON submission on Consultation Document 2A.

On climate change:
- The Bank will need to:

(1) Develop an analytical framework (metrics, indicators, methodologies and modelling tools) for assessing NZ financial system exposure and resilience to climate change-related risks and opportunities, at macro and micro levels, and the implications for financial stability. (Note: climate change factors present a potential risk multiplier for the existing key risk areas identified in the Bank's recent FSR reports.)
(2) Build consideration of climate change risks, opportunities and impacts into the prudential requirements of regulated entities (including governance, capital requirements and disclosure), and provide them with guidance/support on integration and analysis at the portfolio/asset level.
(3) Consider scope for using prudential regulation to promote sustainable finance. For example, through applying a climate screen to capital requirement, green lending quotas, and non-financial performance objectives as part of governance and fiduciary duties.

- Following international best practice (and TCFD recommendation), (1) and (2) should include future scenario-based stress testing by the Bank and regulated entities. Re financial system risk analysis: the mandate and work plan for NGFS Workstream 2 provides some guidance. Re regulated entity level analysis: the Bank could potentially specify, or work with stakeholders to agree on, a set of common scenarios to be applied, to ensure comparability. On transition risks, it could seek to partner with global think-tank, 2° Investment Initiative, for example, on development of scenario analysis tools that are tailored to corporate and household lending and extend to the land-use sector.

- The Bank should consider the full spectrum of climate change-related risks, opportunities and impacts (physical and transition). And distinguish between individual asset/entity specific risk and systemic risk. Transition risks can include green (as well as brown) asset related risks. Analysis could be extended to consideration of climate performance – i.e. contribution to and/or [mis]alignment with financing a low-carbon pathway – i.e. applying both financial system risk/resilience and 'climate impact' lenses (interrelated).

- As a starting point, it makes sense to begin with: obvious priority research areas, such as those identified in the Bank's Climate Change Strategy; engagement with regulated entities, and a stock-take of current awareness, integration and disclosure practices and barriers (potentially extending to the managed funds sector, in collaboration with the FMA); and engagement and collaboration with peers and other stakeholders on approaches and tools. The Bank could also input to broader financial market processes and initiatives looking at investor duties and corporate governance.

- On disclosure, note the Productivity Report's final recommendations; consider the TCFD framework. Also, the French Energy Transition Law which requires investor disclosure on climate risk exposure AND contribution to achieving national clean energy transition goals.

- The Bank could also provide information to the market on climate change riskiness/performance of regulated entities. Including through integration of climate change factors into the RBNZ's Bank Financial Strength Dashboard (and extending this to the insurance sector) – working with ratings agencies and regulated entities as necessary.

Chapter 2

What role should the Reserve Bank play in macro-prudential policy?

2.A Does the Reserve Bank's framework document (Ovenden, 2019) present its expected macro-prudential strategy in enough detail to allow monitors to ensure the Reserve Bank is following the strategy and predict future macro-prudential actions?

2.B What are your views on the conduct of macro-prudential policy in the past five years? It may be useful to read the recently released framework document (Lu, 2019) and the sub-questions below:

- Are there any lessons to be learned from New Zealand's experience with loan-to-value ratios (LVRs) to date?
- Do you think LVR policies that have greater impacts on certain buyers (e.g. investors) or regions than on others are appropriate?
- Has the Reserve Bank's 'speed limit' approach reduced risks without affecting too severely buyers who may need high LVR loans owing to special circumstances?
- Would a greater use of macro-prudential tools other than LVRs have been appropriate during the recent housing boom?

2.C Is it appropriate to regulate lending standards (e.g. LVRs)? How broad should these powers be (should they include other tools such as debt-to-income restrictions)?

- Should lending standards apply only to deposit takers or to all lenders?
- Should there be special governance arrangements for these tools?
- Should the Reserve Bank reconsider its view that these tools should only be applied temporarily?

2.D Other than lending standards, when the Reserve Bank makes time-varying use of standard prudential tools such as capital ratios, are there any concerns or reasons for wider political oversight?

See JUSTINE SEFTON submission on Consultation Document 2A and see above re Chapter 1.

Macro risks could include countries potentially being disadvantaged or penalised in global trade and financial markets (including sovereign bond purchase) if judged to be a laggard on climate/sustainability.

Chapter 3

How should the Reserve Bank supervise and enforce prudential regulation?

3.A What do you think are the strengths and weaknesses of the Reserve Bank's current approach to supervision and enforcement?

3.B Do you think that the Reserve Bank's planned approach to the supervision and management of climate change-related risks is appropriate and adequate? Do you think that the Reserve Bank's approach to climate change would be different if it was given a more explicit climate change objective, as considered in question 2B of Consultation Document 2A?

3.C In what areas do you think the Reserve Bank could improve its approach to supervision and enforcement? How could this be best achieved (e.g. through legislative change, resourcing, relationships with regulated entities)?

3.D Do you think the Reserve Bank should take a more intensive approach to verifying supervisory information? If so, which verification model do you favour?

3.E What are the appropriate enforcement tools for the Reserve Bank? Which tools in particular should be added to the toolkit?

3.F Is the Minister's role in issuing directions and deregistration appropriate?

See JUSTINE SEFTON submission on Consultation Document 2A and see above re Chapter 1.

The Bank's future purpose and mandate should incorporate promoting and contributing to a sustainable financial system. In essence, a sustainable financial system should serve the goals in section 1A of the Reserve Bank Act (the prosperity and wellbeing of New Zealanders and a sustainable, productive economy) – with climate change (mitigation and adaptation) identified, in the primary legislation, as a priority.

Across all its functions, as relevant, the Bank should be: (1) required to integrate consideration and management of climate change and other sustainability related risks, opportunities and impacts; AND (2) required, or at least empowered, to promote and facilitate the scaling up of sustainable finance. The Bank should require or encourage the same from Bank-regulated firms.

On climate change:
- Building on its current Climate Change Strategy, the Bank should look at what else it could do - through exercise of its core functions, own balance sheet management or otherwise – to contribute positively to climate change mitigation and to a successful low-carbon transition (i.e. discouraging high-carbon investment and encouraging/facilitating low-carbon investment – by the Bank regulated entities and broader financial market). Drawing upon the work of the NZ Sustainable Finance Forum and international developments in this area. This could include integration of climate-change related criteria into the Banks' own asset purchasing and lending decision making as well as prudential requirements.

Chapter 4

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

4.A Should more detailed principles for the Reserve Bank's LoLR function be set out in legislation? Do the principles and governance considerations in Chapter 4 seem appropriate? Would you add others?

4.B If the Reserve Bank were to launch an asset purchase programme (quantitative easing), do you believe it should be able to make its own decisions to purchase government debt, but require ministerial consent to purchase other assets? Are there other implementation issues around asset purchase programmes that should be considered?

4.C How much power should the Minister have in determining the scope and objectives of the Reserve Bank's foreign exchange interventions? Should the current arrangements – which will give some decision-making power to the Minister, the MPC and the new Reserve Bank governance board – be broadly retained, or should the Reserve Bank's autonomy be increased?

4.D Do you have any other comments on the balance sheet functions described in Chapter 4?

See JUSTINE SEFTON submission on Consultation Document 2A and see above re Chapter 1

The Bank's asset purchasing and lending decisions should be aligned with a zero-carbon, climate-resilient and sustainable economy.

A climate screen should be applied to any QE LSAP programme – i.e. removing any high-carbon asset bias and purchasing green assets.

Chapter 5

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

5.A What are the most important objectives for New Zealand's resolution authority? Should they be ranked in order of importance? Would the objectives suggested above strike the right balance between providing guidance and accountability for the Reserve Bank and flexibility for the Reserve Bank to deal effectively with a crisis?

5.B Is the proposed resolution authority function for the Reserve Bank specified appropriately? Do you see any alternatives to the Reserve Bank as resolution authority??

5.C Should the current requirements for ministerial consent be replaced with an ability for the Minister to direct the Reserve Bank when public funds could be at risk? Are there additional circumstances in which the Minister should be able to direct the Reserve Bank on a resolution if public funds are not at risk?

5.D Should the Reserve Bank, as the resolution authority, have resolution powers (instead of only statutory managers having these powers)?

5.E In principle, should the Reserve Bank have the power to 'bail in' specified categories of unsecured liabilities (with details of eligible liabilities to be determined and subject to creditor property rights safeguards – see below) in order to recapitalise a failing large bank after its owners have absorbed maximum losses, and to minimise the need for taxpayer support? Alternatively (or in addition), should the recapitalisation of a failing large bank be funded through industry-wide levies?

5.F Do you agree with the proposal to allow continuous disclosure-to-market requirements to be suspended temporarily, subject to conditions and safeguards? Are the suggested conditions and safeguards appropriate, or should there be others?

5.G Should the resolution authority always be required to respect property rights (including the hierarchy of creditors in liquidation)? Or should it have discretion to override property rights as long as compensation is made available to creditors left worse off than they would have been in a liquidation? Or should no change be made to the protection of creditor property rights?

5.H Should an industry-funded resolution fund be established (alongside any deposit insurance scheme fund)?

5.I Do any other aspects of cross-border resolution need to be considered in the design of New Zealand's crisis management framework?

Click or tap here to enter your answer. Text box expands as you type

Chapter 6

How should the Reserve Bank coordinate with other agencies?

6.A What do you see as the main pros and cons of the existing coordination arrangements, and why?

6.B What would you change about current arrangements, and why?

6.C Which, if any, of the options above for enhancing support for status quo coordination arrangements do you consider would be desirable, and why?

6.D Do you think that a high-level coordination objective would be an appropriate way to ensure that the Reserve Bank is coordinating with non-financial sector agencies (for example on climate change)?

6.E Which is your preferred option for the structure of CoFR and why?

6.F Do you agree with the analysis of the pros and cons of the different options?

6.G Are there any other specific coordination mechanisms, bodies, or transparency requirements that the Review should consider?

The Bank should champion climate change/sustainability in the NZ market; learn from peers; and contribute to wider stakeholder efforts, domestically and as part of the global community.

The Bank should also play a leadership role within, and promote more strategic use of, the Council for Financial Regulators on climate change/sustainability across the NZ financial market. Its members should have harmonised mandates. Climate change, in particular, is a system wide problem and requires a system-wide response.

Consider enduring, independent (system-wide) architecture to promote sustainable finance – e.g. the Green Finance Institute in the UK.

Chapter 7

How should the Reserve Bank be funded and resourced?

7.A Do you agree with the potential issues identified in the current funding model? Are there any additional issues with the current funding model?

7.B How should the Reserve Bank report its funding and spending? Do you have any comments on the transparency of, or accountability for, the Reserve Bank's funding and spending, including the possible channels to strengthen arrangements?

7.C Given the in-principle decisions to change the Reserve Bank's governance framework as outlined in Consultation Document 2A, what role should the Minister have in the Reserve Bank's funding model? Should it be different for prudential and non-prudential functions?

7.D Should the Reserve Bank continue to be fully funded from revenue (seigniorage and investment income) and fees, or should other funding sources be considered? In particular, should the Reserve Bank have the option to introduce an industry levy to fund the Reserve Bank's prudential supervisory function?

7.E Do you have any comments on the illustrative options in Figure 7C and Table 7B? Are there other options, combinations, or additional design features that should be considered?

Click or tap here to enter your answer. Text box expands as you type

Any other comments?

See JUSTINE SEFTON submission on Consultation Document 2A and see above re Chapter 4.

Across all its functions, as relevant, the Bank should be: (1) required to integrate consideration and management of climate change and other sustainability related risks, opportunities and impacts; AND (2) required, or at least empowered, to promote and facilitate the scaling up of sustainable finance. The Bank should require or encourage the same from Bank-regulated firms.

Climate change
- For monetary policy, the Bank should assess the implications of climate change factors for achieving current monetary policy objectives and metrics, and the interaction with financial system stability. Relevant impacts could stem, for example, from physical climate change impacts and related re-direction of labour and capital to adaptation or disaster recovery efforts, as well as structural change in the economy. Note the link with ensuring a "just [low-carbon] transition" (Paris Agreement). The Bank could collaborate with other stakeholders on a study to identify the most negatively-impacted industries and communities in NZ, and develop a transition strategy - noting similar work on affected coal mining/power generation communities in Australia. Research and analysis could also be done on the 'green jobs' landscape/potential in NZ.
- The Bank should also assess the (negative/positive) impact of the current monetary policy framework on the climate and on NZ's low-carbon transition goals and climate change adaptation needs. And consider the scope for using monetary policy to help achieve these goals and support the associated labour market transition.

SAFEGUARDING THE FUTURE OF OUR FINANCIAL SYSTEM

Details of submitter

For individuals

Name:	Justine Sefton
Contact number:	[1]
Contact email:	[1]
Region/country:	[1]

For organisations

Name of organisation:	
Contact person:	
Contact person's position in organisation:	
Contact number:	
Contact email:	
Region/country:	

Confidentiality request

If you want all or part of your submission to be kept confidential and not uploaded onto the Treasury's website, please mark the applicable box below:

Entire submission confidential	☐
Part of submission confidential[1]	☐
Name only confidential	☐

[1] The text that you do not want published must be clearly marked in the submission