

The Treasury

Reserve Bank Act Review Phase 2 Review Update Proactive Release

March 2020

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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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Report: Summary of Stakeholder Submissions for Phase 2 of the Reserve Bank Act Review (Consultation Two) and proactive release

Date:	19 September 2019	Report No:	T2019/2895
		File Number:	MC-1-7-3-1-13

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	<p>Note the summary of submissions for the second round of consultation on Phase 2 of the Reserve Bank Act review</p> <p>Note that the Review team intend to proactively release the summary and individual submissions in the week beginning 7 October</p>	Monday 30 September 2019

Contact for telephone discussion (if required)

Name	Position		Telephone		1st Contact
James Haughton	Acting Manager, Reserve Bank Act Review	[39]	(wk)	[39] (mob)	✓
Bernard Hodgetts	Director, Reserve Bank Act Review	[39]	(wk)	n/a (mob)	

Minister's Office actions

Return the signed report to Treasury.

Enclosure: Yes

Report: Summary of Stakeholder Submissions for Phase 2 of the Reserve Bank Act Review (Consultation Two) and proactive release

Purpose

1. This paper provides you with a copy of the summary of the submissions for the second round of consultation on Phase 2 of the Reserve Bank Act review. It also notes the Review team's intention to proactively release the summary and individual submissions in the week beginning 7 October.

Summary of Submissions

2. A copy of the summary of the submissions for the second round of consultation on Phase 2 of the Reserve Bank Act review is attached as an annex.
3. The second round of consultation ran from 24 June to 16 August (with some tolerance for late submissions). Consultation two received 45 public submissions, of which just over half were from organisations (including representatives of banks and NBDTs) and the remainder were from individuals.
4. Key proposals where there was generally broad support from stakeholders include:
 - a financial stability objective (provided that efficiency continues to be considered);
 - the establishment of the proposed governance board;
 - a single deposit takers regulatory framework;
 - depositor protection in New Zealand (with some concerns that the coverage limit should be higher).
 - a standards-based approach to prudential rulemaking;
 - the Reserve Bank continuing to have responsibility for macro-prudential policy (subject to consultation where the Reserve Bank is considering using more intrusive tools (such as LVRs and DTIs));
 - increased supervisory intensity;
 - Treasury consultation in the event that quantitative easing is proposed;
 - the crisis management regime proposed by the consultation documents;
 - increased information sharing and coordination between agencies; and,
 - increased resourcing for the Reserve Bank.

5. While there was generally broad support for the proposals identified above, some stakeholders expressed concerns, including on the following aspects:
 - a Financial stability objective – some submitters are concerned about the absence of efficiency in the high level financial stability objective, and submit that efficiency still needs to be retained as a consideration.
 - b Depositor insurance – some submitters think that depositor protection should have a higher coverage limit than the proposed \$30,000 - \$50,000 range.
 - c A single deposit takers framework – a number of NBDTs and the Trustee Corporations Association raised concerns about this proposal – primarily around the increased regulatory burden and costs.
 - d Policy coherency – the NZBA, banks and some industry legal practitioners emphasised the need for effective coordination with home authorities (especially Australia) in a cross-border situation; and the need for deposit insurance, crisis management, and capital requirements (which are all parts of the financial safety net) to be considered together to ensure policy coherency.

Proactive release

6. The Terms of Reference for Phase 2, released on 7 June 2018, notes the intention that the Review will be run in an open and transparent manner.
7. The Review team intends to release the summary of submissions, and the individual submissions, in the week beginning 7 October. All individual submissions received will be released unless submitters have indicated to us they do not wish their submission to be released. Releasing this material is consistent with the approach taken to previous Review consultations (including phase 1), and would support a transparent process. It is also in keeping with good practice by allowing interested parties to easily access information, and reduces the need for Official Information Act requests.

Communication risks

8. It is intended that the summary and individual submissions be released ahead of Cabinet decisions in November. This is consistent with the approach taken to previous Review consultations. Not all Cabinet decisions will be consistent with the views of some stakeholders and the recommendations of the Review team, which may create some communication risks once Cabinet decisions are made.
9. However, these risks are present in most policy processes involving public consultation and can be mitigated by reflecting stakeholder views in advice to Ministers. The Review team considers the risks that the Review process is not seen as transparent or consistent as being of greater concern. A consistent approach to the proactive release of Review information reduces this risk.

Next Steps

10. The Review team intends to prepare the summary and individual submissions for release on the Treasury website in the week beginning 7 October.

Recommended Action

We recommend that you:

- a **note** the summary of submissions for the second round of consultation on Phase 2 of the Reserve Bank Act review

Noted

- b **note** that the Review team intends to proactively release the summary and individual submissions in the week beginning 7 October

Noted

- c **indicate** if you would like to meet the Review team to discuss the stakeholder submissions

Yes/No

Bernard Hodgetts
Director, Reserve Bank Act Review

Hon Grant Robertson
Minister of Finance

Annex – Summary of Submissions for the second round of consultation on Phase 2 of Reserve Bank review