

The Treasury

Reserve Bank Act Review Phase 2 Review Update Proactive Release

March 2020

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-review-update-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:

- [26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
- [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

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [39] appearing where information has been withheld in a release document refers to section 9(2)(k).

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.

Reference: T2019/3964

MC-1-7-3-1-13

Date: 4 December 2019

To: Minister of Finance
(Hon Grant Robertson)

Deadline: None

Aide Memoire: RBNZ Act Review - Final Cabinet Papers

This briefing provides you with final versions of the Cabinet papers on Phase 2 of the Reserve Bank Act Review (the Review), a Regulatory Impact Assessment, and the Review Update for lodging with the Cabinet Office.

On 20 November, you were provided with draft Cabinet papers and associated documents for further consultation with your ministerial colleagues [TR2019/3569].

The Cabinet papers and associated documents have been amended following further analysis by the Review Team, your decisions and comments, and ministerial consultation. Material amendments to the documentation are described below:

The Cabinet paper on the Institutional Act

- Temporary absence of the Governor: currently, if the Governor is absent, then the Deputy Governor will act as Governor. As the Governor will now act on delegation of the Board, we consider it is no longer necessary to provide a person that will act as Governor in the case of temporary absences. The Governor will, however, retain a statutory duty to act as Chair of the Monetary Policy Committee (MPC). The paper has been amended to recommend that the Board would be required to nominate an internal member of the MPC who would act as Governor in the case of temporary absences of the Governor. Additionally, the Institutional Act will continue to provide for the appointment of an interim Governor if the office of the Governor is vacant.
- Term of the funding agreement: the term of the funding agreement will be five years (the status quo). The previous recommendation was that the funding agreement would be set every six years to align with every second Statement of Intent (SOI). However, an SOI may be replaced at any time, meaning that the time between every second SOI may not be every six years. Linking the funding agreement to the SOI process would therefore create uncertainty as to the timing of the funding agreement, which in retrospect we consider undesirable.
- Climate change: we have included a recommendation to “note that the Bank’s decision-making principles will require the Bank to consider longer term risks such as those associated with climate change”. This addition was made to ensure consistency between the paper and the recommendations.

The Cabinet paper on the Deposit Takers Act and Depositor Insurance

- Accountability framework: a number of amendments have been made to reflect your decision to progress policy work on an integrated prudential-conduct executive accountability regime in a process separate from the Phase 2 Review [TR2019/3384].

The Review Update

- A number of amendments have been made to reflect your decision to progress policy work on an integrated prudential-conduct executive accountability regime in a process separate from the Phase 2 Review.

The Regulatory Impact Assessment

- No substantive changes have been made to the Regulatory Impact Assessment.

Minor amendments have been made to the documentation as a result of a quality assurance process.

Next Steps

The Cabinet papers, Review Update and Regulatory Impact Assessment have been amended to reflect these changes and are attached to this briefing. You have agreed that these papers be lodged with the Cabinet Office by 10am on Thursday 5 December to enable them to be considered at the DEV Committee meeting of 11 December.

The key dates are as follows:

Date	Description
5 December	Cabinet papers, Review Update and Regulatory Impact Assessment lodged with the Cabinet Office by 10:00am
11 December	DEV meeting to approve documents
16 December	Cabinet sign off
17 December	Planned release date for documents

Talking points for the Minister for use at the DEV Committee meeting will be provided by 9 December.

James Haughton, Acting Manager, Reserve Bank Act Review, [39]
Tamiko Bayliss, Review Director, Reserve Bank Act Review, [39]