

The Treasury

Additional Documents Related to Phase 2 of the Reserve Bank Act Review - December 2019 to April 2021 - Proactive Release

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- [7] 6(e)(ii) - to prevent serious damage to the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the regulation of banking or credit
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- [29] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment
- [36] 9(2)(h) - to maintain legal professional privilege
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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LENDING STANDARDS: Panel View 17 March 2021

Members of the Review Team briefed the Panel on alternative proposals for lending standards and their implications

There seems to be broad agreement that the RBNZ's powers with respect to lending standards should be subject to greater ministerial oversight than other aspects of prudential policy such as capital standards. The question is how best to achieve that while still allowing the RBNZ adequate flexibility and independence to respond to developments.

The specific questions we are being asked to give a view on are at points (a) - (d) in the Executive summary of the 11 March Joint Report to the Minister of Finance on Lending Standards. The Review Team explained that these involve a choice between options proposed by the Treasury and the RBNZ.

The Panel's view is that the most suitable balance is through adopting options (a) and (d).

The Panel notes that the economic effects of lending standards can impact different sectors in different ways. Therefore, the system needs to retain some flexibility to enable the RBNZ to act in an agile way. Too much prescription in regulation may inhibit that.

The (a) and (d) options will enable oversight/influence, support independence and also support flexibility and agility in the use of policy to respond to different events and effects impacting the stability across different markets.

This would allow a relatively expansive scope for RBNZ standard setting while giving greater ministerial power over future changes in scope and hence would help to promote accountability and certainty. It would also ensure that the Minister's knowledge about the current context of the financial sector can be incorporated into final decision making, including advice received from the RBNZ.

It would also enable the system to be responsive to different sectors. To further support accountability, the Panel recommends incorporating a specific role for consultation with the Council of Financial Regulators when changes in this area are being considered.