

The Treasury

DEV-23-SUB-0169: Financial Arrangements for the Reserve Bank of New Zealand Information Release

September 2023

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Cabinet Economic Development Committee

Minute of Decision

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Financial Arrangements for the Reserve Bank of New Zealand

Portfolio **Finance**

On 16 August 2023, the Cabinet Economic Development Committee:

Capital contribution

- 1 **agreed** to issue a capital contribution of up to \$1,300.000 million to the Reserve Bank of New Zealand to ensure the Bank can manage a range of current and future costs and risks related to achieving its objectives;
- 2 **agreed** to establish the following new appropriation:

Vote	Appropriation Minister	Appropriation Administrator	Title	Type	Scope
Finance	Minister of Finance	The Treasury	Capital Contribution to the Reserve Bank of New Zealand - Current and Future Risk Management	Non-Departmental Capital Expenditure	This appropriation is limited to a capital contribution to the Reserve Bank of New Zealand for the management of current and future costs and risks in support of its objectives.

- 3 **approved** the following changes to appropriations to give effect to the policy decision in paragraph 1 above, with no impact on net debt:

Vote Finance Minister of Finance	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears
Non-Departmental Capital Expenditure: Capital Contribution to the Reserve Bank of New Zealand - Current and Future Risk Management	1,300.000	-	-	-	-

- 4 **noted** that the Minister of Finance may elect to provide a lower level of capital than \$1,300.000 million, in particular upon considering the Reserve Bank's forthcoming dividend proposal;

- 5 **agreed** that the change to appropriations for 2023/24 above be included in the 2023/24 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 6 **noted** that providing the Reserve Bank additional financial backing does not directly create an additional cost to the Crown or directly impact net debt, because the Bank is consolidated within the Crown balance sheet, but that any additional risk the Bank takes would flow through to the Crown;

Indemnity

- 7 **noted** that, subject to further advice including the public interest test, the Minister of Finance intends to provide the Reserve Bank with an indemnity under section 65ZD of the Public Finance Act 1989 for up to NZD\$5 billion to cover potential losses from interventions the Reserve Bank may need to undertake to support financial stability;
- 8 **noted** that the Minister of Finance intends to terminate the existing remaining indemnity for the Large Scale Asset Purchase (LSAP) programme, following the establishment of the new indemnity;
- 9 **noted** that the Minister of Finance no longer intends to issue a direction under section 208 of the Reserve Bank of New Zealand Act 2021.

Janine Harvey
Committee Secretary

Present:

Hon Dr Ayesha Verrall
Hon Damien O'Connor
Hon Andrew Little
Hon David Parker (Chair)
Hon Peeni Henare
Hon Kieran McAnulty
Hon Ginny Andersen
Hon Dr Deborah Russell
Hon Rachel Brooking
Hon Jo Luxton

Officials present from:

Office of the Prime Minister
Officials Committee for DEV