

The Treasury

Reserve Bank Dual Mandate Change Information Release

February 2024

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Cabinet Document Details

Title: **Cabinet Paper: CAB-23-SUB-0488 (Summary): Reserve Bank of New Zealand (Economic Objective) Amendment Bill: Approval for Introduction**

Date: **11 December 2023**

Creator: **Cabinet Office**

No information has been withheld

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Cabinet

Summary

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Reserve Bank of New Zealand (Economic Objective) Amendment Bill: Approval for Introduction

Portfolio	Finance
Purpose	This paper seeks approval for the introduction of the Reserve Bank of New Zealand (Economic Objective) Amendment Bill (the Bill).
Previous Decisions	On 4 December 2023, Cabinet agreed to remove the dual mandate from the Reserve Bank of New Zealand Act 2021, by removing from the Act the economic objective to support maximum sustainable employment (MSE) [CAB-23-MIN-0469].
Proposal	<p>The Bill gives effect to the above decisions.</p> <p>This paper also provides Cabinet with:</p> <ul style="list-style-type: none"> • a copy of the new Monetary Policy Committee (MPC) Remit that the Minister of Finance intends to issue under section 122 of the Reserve Bank of New Zealand Act 2021 (the Act), attached as Appendix 1; • a copy of the new Charter that the Minister agreed with the MPC, attached as Appendix 2.
Impact Analysis	Regulatory impact analysis was completed and provided to Cabinet when agreement was sought to the policy change to remove the dual mandate.
Compliance	A departmental disclosure statement is attached.
Timing Matters	The Bill is proposed to be introduced on 11 December 2023, and for it to receive its first, second and third readings the same week. It is intended that the Bill will be accorded urgency, and not be referred to a select committee.
Communications	The MPC Remit is market sensitive, so there should be no communication of its content prior to it and the MPC Charter being formally issued. Publication of the new Remit and Charter will take place ahead of, or alongside, the Royal assent of the Reserve Bank of New Zealand (Economic Objective) Amendment Bill.

Consultation Paper prepared by The Treasury (Finance). Reserve Bank of New Zealand (Finance) and DPMC (Prime Minister) were consulted.

The Minister of Finance recommends that Cabinet:

- 1 note that on 4 December 2023, Cabinet agreed its intention to pass the Reserve Bank of New Zealand (Economic Objective) Amendment Bill (the Bill) in 2023 [CAB-23-MIN-0469];
- 2 note that the Bill will remove from the Reserve Bank of New Zealand Act 2021 the economic objective to support maximum sustainable employment;
- 3 approve the Reserve Bank of New Zealand (Economic Objective) Amendment Bill [PCO 25936/2.0] for introduction, subject to the final approval of the Government caucuses and sufficient support in the House of Representatives;
- 4 agree that the Bill will be introduced on 11 December 2023;
- 5 note that Cabinet agreed that the Bill be accorded urgency in the House so that it may be enacted ahead of the February 2024 Monetary Policy Statement [CAB-23-MIN-0469];
- 6 agree that the Government propose that the Bill be passed through all stages in the week of 11 December 2023, without reference to a select committee;
- 7 note the new Monetary Policy Committee (MPC) Remit, attached as Appendix 1 to the submission under CAB-23-SUB-0488, to be issued by the Minister of Finance;
- 8 note the new MPC Charter, attached as Appendix 2 to the submission under CAB-23-SUB-0488, that has been agreed between the Minister of Finance and the MPC;
- 9 note that the new MPC Remit and Charter will come into effect on the day after the date of Royal assent of the Bill;
- 10 note that the Minister of Finance and Associate Minister of Finance (Hon David Seymour), will jointly consider advice on whether to define the “medium term” more clearly in the MPC Remit before bringing any potential subsequent recommendations to Cabinet.

Vivien Meek
for Secretary of the Cabinet

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