The Treasury

Reserve Bank Dual Mandate Change Information Release

February 2024

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Options for the Removing the "Dual Mandate" and Other Changes to the Monetary Policy Regime

Date:	Tuesday 28 November 2023	**Report No:**	T2023/2001
		File Number:	MC-1-3

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Indicate** your preferred approach to removing the dual mandate and considering other changes to the monetary policy regime	N/A

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Hamish Dick	Analyst, Macroeconomic and Fiscal Policy	[39]	[35]	
Simon McLoughlin	Manager, Macroeconomic and Fiscal Policy			
Ben Gaukrodger	Acting Director, Economic System			✓

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report	

Enclosure: No

Executive Summary

Set out in the National-ACT coalition agreement for the 54th Parliament, the Government has committed to "amend the Reserve Bank of New Zealand Act 2021 (the Act) to remove the dual mandate." The Government has also agreed that advice will be taken on the following matters in relation to the Act:

- more clearly defining "medium term" with regards to the economic objective to achieve and maintain medium-term price stability
- removing the role of the Treasury observer to the Monetary Policy Committee (MPC), and
- returning to a single decision maker model for monetary policy (i.e., the approach to decision making prior to the introduction of the Act).

This report sets out two possible pathways for meeting your commitments. You could:

- **introduce a Bill** within 100 days (and subsequently issue a new Remit, upon the passage of the Bill) to amend the Act to remove the economic objective of supporting maximum sustainable employment (MSE), while maintaining the medium-term focus of the price stability objective and the current approach to the Treasury observer and decision making model of the MPC.
    - This approach would allow you to achieve the National Party's pre-election commitment to introduce legislation within 100 days to remove the Reserve Bank's dual mandate. Introducing a Bill as soon as possible to remove the dual mandate would require separate consideration of matters related to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy. Depending on your decisions on these matters, a second Bill may be required.
- **issue in the first instance a new MPC Remit only (recommended)** requiring the MPC to place greater weight on its price stability objective relative to MSE, such that MSE becomes a secondary objective.
    - Issuing a new MPC Remit ahead of a possible Bill would allow you to consider all options for amending the Act in an integrated way, following the consideration of further advice on matters relating to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy. This ensures the Act needs to be amended only once to reflect your desired changes to New Zealand's monetary policy regime. Depending on the nature and timing of decisions, and the detail of advice sought, it may still be possible to introduce legislation within 100 days. Nonetheless, increasing the scope and complexity of possible changes to the Act necessarily increases the time required for Cabinet decision making ahead of a Bill's introduction.

We are supportive of any approach to monetary policy that more clearly prioritises achieving price stability. Regardless, we recommend that a flexible approach to inflation targeting is maintained, whereby the MPC has regard to the impact on the broader economy when determining how quickly to achieve their primary goal specified in the inflation target. Unnecessary short-term volatility in the real economy can have substantial costs, which we consider should be factored into monetary policy decision making. With or without a dual mandate, the impacts of labour market developments will remain relevant to monetary policy formulation, assuming a flexible inflation targeting approach is maintained.

Recommended Action

We recommend that you:

a **note** that the Treasury is supportive of an approach to monetary policy that more clearly prioritises achieving price stability, which could be achieved either through an amendment to the Reserve Bank of New Zealand Act 2021, or a new Remit for the Reserve Bank of New Zealand's Monetary Policy Committee

b **note** that, notwithstanding the value in prioritising the achievement of price stability, the Treasury considers that flexible inflation targeting continues to provide macroeconomic benefits to New Zealand, whereby the impact of monetary policy on the broader economy is considered when determining how quickly to stabilise inflation

c **indicate** your preferred approach to ensuring the prioritisation of the Reserve Bank of New Zealand's price stability objective, to be achieved within the Government's first 100 days:

   i. **Introduction of a Bill** to amend the Reserve Bank of New Zealand Act 2021 to <u>remove</u> the economic objective to support maximum sustainable employment, with subsequent consideration of advice on matters relating to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy.

   ii. **Issuance of a new Monetary Policy Committee Remit** to increase the <u>weighting</u> of the economic objective to achieve price stability relative to the economic objective to support maximum sustainable employment, with consideration of advice on matters relating to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy ahead of the introduction of any Bill to amend the Reserve Bank of New Zealand Act 2021. *[Recommended]*

d **note** that, should you not wish to progress either of the options as set out in recommendation c above, the Treasury can discuss alternative approaches with you.

Simon McLoughlin
Manager, Macroeconomic and Fiscal Policy

Hon Nicola Willis
Minister of Finance

Treasury Report: Options for the Removing the “Dual Mandate” and Other Changes to the Monetary Policy Regime

Purpose of Report

1. The Government, through the coalition agreement between the National Party and the ACT Party for the 54th Parliament, has committed to:

   a narrow the Reserve Bank’s remit, to focus on price stability, and take advice on replacing “medium term” with specific time targets, and

   b amend the Reserve Bank of New Zealand Act 2021 (the Act) to remove the dual mandate and take advice on removing the Treasury observer and returning to a single decision maker model.

2. This report sets out two options for meeting your commitments for monetary policy, either of which may be achieved within the Government’s first 100 days.

   a **Introduction of a Bill** to amend the Reserve Bank of New Zealand Act 2021 to remove the economic objective to support maximum sustainable employment, with subsequent consideration of advice on matters relating to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy. Such matters may, for example, be considered following a broader review of the Monetary Policy Committee’s (MPC’s) conduct and decision making.

   b **Issuance of a new MPC Remit** to increase the weighting of the economic objective to achieve price stability relative to the economic objective to support maximum sustainable employment, with advice provided on matters relating to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy ahead of the introduction of any Bill to amend the Reserve Bank of New Zealand Act 2021. **This is our recommended approach.**

Background

At present, monetary policy must be formulated according to two economic objectives…

3. Section 117 of the Act requires that monetary policy is formulated according to the dual economic objectives of:

   a achieving and maintaining stability in the general level of prices over the medium term, and

   b supporting maximum sustainable employment (MSE).

4. To achieve the policy intentions of your coalition agreement, a new MPC Remit will need to be issued regardless of whether a legislative option is progressed ahead of, or subsequent to, this new Remit. Section 122 of the Act requires that you take all reasonable steps to ensure that a Remit for the MPC is in force at all times.

5. The MPC Remit sets out the operational objectives for carrying out the function of formulating monetary policy. The MPC Remit must therefore not be inconsistent with the economic objectives set out above, although you have scope, under section 123 of the Act, to include in the Remit a target or targets for an economic objective, and to provide a framework for weighting the objectives.

6. The MPC Remit must be reviewed every 5 years, with the first Remit review being completed earlier this year. Nonetheless, you may issue a new MPC Remit at any time (whether or not any Remit advice has been given), although the Reserve Bank must be consulted before any new MPC Remit is issued.

…reflecting New Zealand's flexible inflation targeting approach…

7. Under flexible inflation targeting, the central bank has the primary aim of stabilising inflation in line with the inflation target in the medium term, while having regard to stabilising the real economy in the short term. When the "dual mandate" was introduced, the Treasury saw this as formalising New Zealand's *de facto* flexible inflation targeting regime, which has been in place since at least the mid-2000s and is characteristic of modern central banks. Arguably, the short-run trade-offs of monetary policy have long been recognised, albeit with a shift of emphasis over time.

8. We believe that flexible inflation targeting continues to deliver significant macroeconomic benefits to New Zealand by allowing the Reserve Bank to avoid exacerbating short-term fluctuations in the economic cycle. Moreover, outside of major negative supply shocks, inflation and MSE objectives generally point towards the same broad monetary policy stance (as has been the case over the past few years, with the recent spike in inflation coinciding with employment being above its maximum sustainable level).

…although flexible inflation targeting may be maintained without the dual mandate

9. There are multiple ways that a flexible inflation targeting arrangement can be maintained, without explicitly requiring consideration of MSE. For example, under a single mandate to achieve and maintain price stability, the MPC can still be required to seek to avoid unnecessary instability in economic output, interest rates and the exchange rate, as was the case in many of the Policy Target Agreements agreed under the Reserve Bank of New Zealand Act 1989.

10. In the long run, monetary policy has only a limited impact on the level of employment, though a significant impact on the rate of inflation. As a short-run consideration, MSE should not come at the cost of price stability in the medium term.

11. We are therefore supportive of a model that more clearly prioritises achieving price stability over supporting MSE, as proposed in your coalition agreement.

Key Decision

12. A decision is needed on the pathway by which you will achieve your coalition commitments related to New Zealand's monetary policy regime.

13. Specifically, you could:

    a **introduce a Bill** within 100 days (and subsequently issue a new Remit, upon the passage of the Bill) to amend the Act to <u>remove</u> the economic objective of supporting maximum sustainable employment (MSE), while maintaining the medium-term focus of the price stability objective and the current approach to the Treasury observer and decision making model of the MPC.

This approach would allow you to achieve the National Party's pre-election commitment to introduce legislation within 100 days to remove the Reserve Bank's dual mandate. On the other hand, introducing a Bill as soon as possible to remove the dual mandate would require separate consideration of matters related to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy. Depending on your decisions on these matters, a second Bill may be required.

b **issue in the first instance a new MPC Remit only (recommended)** requiring the MPC to place greater weight on its price stability objective relative to MSE, such that MSE becomes a secondary objective.

Issuing a new MPC Remit ahead of a possible Bill would allow you to consider all options for amending to the Act in an integrated way, following the consideration of further advice on matters relating to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy. This ensures the Act needs to be amended only once to reflect your desired changes to New Zealand's monetary policy regime. Depending on the nature and timing of decisions, and the detail of advice sought, it may be possible to introduce legislation within 100 days. Nonetheless, increasing the scope and complexity of possible changes to the Act necessarily increases the time required ahead of a Bill's introduction.

14. Our recommendation is that your objective to prioritise price stability over MSE is achieved through the issuance of a new MPC Remit alone in advance of the consideration of advice on matters related to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy.

15. In making this recommendation, we have considered:

a **Optionality** – issuing a new MPC Remit now does not restrict your ability to remove the economic objective to support MSE from the Act following your consideration of advice on other monetary policy matters you wish to consider (the medium-term focus of price stability, the role of the Treasury observer, and the decision making model for monetary policy).

b **The achievement of your policy objective** – we believe that, at this time, issuing a new MPC Remit would send a sufficiently clear signal of the importance of price stability for monetary policy. Although MSE is now considered as part of the decision making process, the dual mandate has not made a material difference to the outcomes of monetary policy decisions since its introduction, according to the Reserve Bank. This is largely because the two economic objectives (price stability and MSE) are aligned over time. Similarly, therefore, removing the dual mandate from the Act would unlikely alter the general stance of future monetary policy decisions except for in the rare circumstances where these objectives may be misaligned.

c **Consistency over time** – we put significant weight on the value of a stable and enduring legislative regime for the Reserve Bank.[1] In our view, it is preferable to use the MPC Remit to provide guidance on the economic objectives of monetary policy, rather than for Governments to change the Act. If amending the Act, it is preferable that this is done only once, in a coordinated way.

d **Timing and efficiency of each option** – issuing a new MPC Remit is by far the quickest and least-intensive way to ensure a clear prioritisation of price stability, and ensuring only one Bill is introduced to amend the Act increases the resources available for the delivery of other Government priorities.

[1] A post-implementation review of the Reserve Bank Act 2021 is due by the end of 2027.

e **International best practice** – in recent years, there has been a trend towards the adoption (and retention) of dual mandates for central banks. While a small number of central banks have price stability as their sole economic objective, a larger number of central banks have a dual mandate that equally weights price stability and employment objectives (including the US Federal Reserve) or a dual mandate that sets out employment as a secondary objective. The March 2023 review of the Reserve Bank of Australia, for example, recommended in favour of formalising a dual mandate (as opposed to a triple mandate, which includes "economic prosperity"), and the Bank of Canada is now required to "actively seek the level of maximum sustainable employment when conditions warrant" (although this falls short of a dual mandate *per se*).[2]

16. Although a new Remit may put higher weight on the price stability objective (e.g. by explicitly making the MSE objective "subject to" price stability), the dual mandate cannot be removed entirely through a new Remit alone. Should you wish to more clearly signal your commitment to price stability by removing the MSE objective entirely in the near term (i.e., within the first 100 days of the Government), in order to demonstrate your commitment to the prioritisation of price stability, we recommend that you achieve this through a Bill to amend the Act, and return to matters related to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy after the introduction of this Bill.

Considerations

100-day action: Bill or MPC Remit

17. We believe that there is value in providing clarity to the market as to how monetary policy will be formulated in situations where there are trade-offs between achieving price stability and supporting maximum sustainable employment in the short term. The Reserve Bank shares this view. We believe that this clarity can be achieved either through a Bill to amend the Act to remove the MSE objective, or through the issuance of a new MPC Remit to put greater emphasis on the price stability objective (while keeping the objective to support MSE).

18. There are strong reasons why you might wish to achieve your commitment through the introduction of a Bill. In particular, the MSE objective may not be removed through a new Remit alone. In order to "remove the dual mandate", primary or secondary legislation is required.[3] Introducing legislation to remove the dual mandate will be a more enduring change than a new MPC Remit alone (in the absence of further changes to the Act).

19. Irrespective of the influence that this might have on MPC decision making (relative to issuing a new Remit only), removing the dual mandate from the Act would also provide a stronger signal to the market and public of your Government's intentions with respect to price stability. This could have the benefit of slightly decreasing inflation expectations in a low-cost way, by signalling a heightened focus on ensuring price stability – and this itself could indirectly help to dampen inflation at the margin. It is possible that some market participants will see a return to a single mandate as strengthening the Reserve Bank's focus on price stability, and they may adjust their expectations for inflation and interest rates accordingly.

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[2] Bank of Canada Monetary Policy Framework Renewal December 2021.

[3] This is because section 118 of the Act requires the MPC to formulate monetary policy in a manner consistent with both the MPC Remit and the economic objectives. This means that either primary legislation needs to be passed to remove the MSE economic objective from the Act, or an Order in Council needs to be made under section 125 to suspend the MSE objective.

20. The commercial bank UBS, for example, has suggested that returning to a single mandate "would make it more likely the OCR remains higher for longer in 2024 given the RBNZ's reaction function would likely be less sensitive to a pickup in unemployment" although, in current circumstances, there is no material trade-off between price stability and employment.[4] Likewise, in their October 2023 special topic on inflation and monetary policy, the International Monetary Fund suggests that "the time it takes inflation to get back to target in an economy depends on the formation of expectations and the central bank's objectives" and, if double-weighting inflation relative to welfare losses from the output gap in their model, then the central bank would aim to return inflation to target in about 3 years as opposed to 4 years.[5]

21. Prior to the introduction of the dual mandate, however, a comparison of monetary policy responses of the Reserve Bank and the US Federal Reserve (which has a dual mandate) found that monetary policy in the two economies had, over time, "responded to changes in economic activity and inflation in similar ways."[6]

22. We agree with the Reserve Bank's Remit Review advice, which concluded that across different price stability and MSE weightings, welfare outcomes can be expected to be broadly similar.[7] Largely, this is because the price stability and MSE objectives have not been in conflict over time. Our recommendation that primacy should be given to the price stability objective reflects that fact that, in future, these two objectives may be in conflict (e.g., in the case of a supply shock), so there is still considerable value in making clear the hierarchy of objectives for decision makers.

23. Notwithstanding the possible positive behavioural responses to removing consideration of MSE from the Act, our recommendation is for a new MPC Remit only at this time (at least in advance of the consideration of advice on the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy).

24. A new Remit may be issued to clearly communicate your Government's expectations to the MPC with respect to the prioritisation of price stability over the MPC's objective to support MSE. We believe that a clear prioritisation of the two economic objectives in the MPC Remit will generate a similar market response to a Bill – so we see little benefit in acting more quickly to introduce a Bill to remove the dual mandate ahead of your consideration of other monetary policy matters.

25. Largely, this is because the Act already provides for considerable flexibility when a new MPC Remit is issued. Specifically, section 123 of the Act enables to you to specify or provide for:

    a a target or targets for an economic objective

    b a framework for weighting the economic objectives

    c defining any matters in connection with an economic objective, and/or

    d a requirement for the MPC to have regard to one or more matters in connection with seeking to achieve an economic objective.

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[4] New Zealand Economic Perspectives, 16 October 2023.
[5] October 2023 World Economic Outlook, chapter 2.
[6] AN2018/11 Estimated policy rules for different monetary regimes: Flexible inflation targeting versus a dual mandate (Reserve Bank, November 2018).
[7] Supporting New Zealand's economic stability (Reserve Bank, April 2023).

26. Market participants have therefore signalled to us that they see little difference between a change in the Act to remove MSE and a change in the MPC Remit to prioritise price stability more clearly – as monetary policy decisions will, in practice, be similar under either approach. What matters more than the mechanism by which you achieve your 100-day commitment is the strength of the Government's commitment to ensure that the stance of fiscal policy is supporting monetary policy to dampen inflation and inflation expectations, while maintaining the independence of the Reserve Bank to act robustly to return inflation to target.

27. As such, we consider the issuance of a new MPC Remit in the first instance to be **the most effective, straightforward, and quickest way to prioritise price stability** over MSE while maintaining a flexible inflation targeting regime and minimising the frequency of changes to the Act. Issuing a new MPC Remit now, and returning to options for a Bill only following advice on other monetary policy matters, allows you to consider all options for a Bill in an integrated way that also minimises time required in the House.

28. Should you opt to issue a new Remit only in the Government's first 100 days, we are able to provide further advice on options for the MSE objective in the new Remit, as well as other options you have under section 123 of the Act. At the same time, we will provide advice on whether a new MPC Charter is needed.

Independent review of monetary policy

29. Prior to the election, you indicated an intention to initiate an independent review of monetary policy, focusing on the performance and conduct of the Monetary Policy Committee (MPC) between 2020 and 2022.

30. We are keen to discuss with you your intentions for this review. Any review will have resourcing implications for the Treasury, commensurate to the scope and scale of the review.

31. [33]

32.

Order in Council

33. If you were to delay the introduction of the Bill, you could progress your commitment "to introduce legislation" through an Order in Council, to remove the MSE objective for up to 12 months while advice is being considered and/or a review is being conducted. Section 125 of the Act allows for an Order in Council to be made to direct the MPC to formulate, and the Bank to implement, monetary policy for only the price stability economic objective.[8] Such an Order in Council would apply for a period not exceeding 12 months (though the Order in Council may subsequently and repeatedly be extended if, for example, your review of monetary policy is ongoing).

34. The benefit of using section 125 of the Act to issue an Order in Council is that the MSE objective may effectively be suspended, and your policy objective to "remove" MSE actioned sooner, pending amendment of the Act (i.e., there are fewer procedural steps to go through with an Order in Council). The process to amend the Act necessarily requires scrutiny by Select Committee (unless it is anticipated that this amendment will be passed under urgency) and Parliament.

35. At this time, we recommend against the use of an Order in Council to achieve your policy objectives. Conversations with a number of market participants from commercial banks, as well as with the Reserve Bank, have signalled to us that the use of an Order in Council is likely to be received poorly.

36. Using an Order in Council may highlight to markets the limits of the Reserve Bank's independence and create a precedent whereby the Reserve Bank's objectives are easily overridden (or at least the expectation of such), which could in turn weaken the inflation targeting regime. The practical and perceived independence of the Reserve Bank is seen as highly important to market participants. Use of an Order in Council may also raise concerns among international market participants, many of whom may not fully understand the Reserve Bank's legislative regime, meaning communicating the benefits of an Order in Council could be challenging for the Government.

37. We believe that the view of section 125 as a reserve "emergency" option for the Government is relatively widely held. Although section 125 is a lawful option here and is still a useful section of the Act for when there might be ongoing divergence between the two economic objectives (e.g., a period of stagflation), we believe that the benefits of an Order in Council at this time do not outweigh the risks.

38. Under the previous Reserve Bank of New Zealand Act 1989, successive Governments avoided exercising the option to "override" monetary policy decision makers via Order in Council (section 12 of the Reserve Bank of New Zealand Act 1989). Nonetheless, the 2021 Act is a new Act, and the explanatory note to the Bill indicated that section 125 (clause 121 in the Bill as introduced) recognised the Crown's right to determine economic policy.

39. Should you intend to make an Order in Council in order to achieve your coalition commitment, a careful communications strategy will be needed in order to mitigate these risks. Should you wish, we can provide further advice on using an Order in Council to temporarily suspend the MSE objective, as well as options for how you might communicate such a strategy.

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[8] Section 125 of the Act allows an Order in Council – which is secondary legislation – to be made to amend the Act (i.e., section 9 of the Act is temporarily amended when the Order in Council is in force). This means that, although a new Bill is not introduced, the Government would effectively be temporarily removing the MSE via secondary legislation.

Consultation requirements

40. You may issue a new MPC Remit at any time (whether or not any Remit advice has been provided), though you have a duty to consult the Reserve Bank before issuing any new MPC Remit. If an Order in Council is made to suspend the MSE objective (in advance of a Bill), a new MPC Remit will be required. As noted above, a new MPC Remit will also be required if the Act is amended, meaning there is no option to address your commitment without the issuance of a new MPC Remit.

41. Similarly, given that the current MPC Charter sets out reporting requirements for the MPC with respect to the impact of MSE on monetary policy decisions, it may be prudent to agree with the Reserve Bank Governor a new Charter alongside the issuance of a new Remit. Whenever a new Remit is issued, the Act requires that you and the MPC consider whether it is necessary or desirable to concurrently issue a replacement Charter (section 103). This decision will be dependent on whether the new Remit removes the MSE objective (alongside legislation) or only amends the MSE objective, as well as your intention for other matters set out in the Charter (such as the requirement that the MPC assesses the effects of its monetary policy decisions on the Government's objective of supporting more sustainable house prices).

Next Steps

42. We are happy to meet with you to discuss this report and its recommendations. In particular, a decision is needed on the option you wish to progress in order to achieve the commitments set out in your coalition agreement. Following your decision, the Treasury will progress the next steps necessary for implementation.

    a **Introduction of Bill within 100 days:** The Treasury will prepare the necessary policy Cabinet paper for consultation and approval as soon as possible, and work with the Parliamentary Counsel Office to prepare the drafting of the Bill so that this is ready for introduction within 100 days (the Bill itself will need to be approved by Cabinet, prior to its introduction to the House). A new Remit (and possibly Charter) will only be prepared following the Bill's introduction, to be put in place at the time that the Bill is enacted.

    [33]

    b **Remit within 100 days [Treasury's recommendation]:** The Treasury will, within the next few weeks, prepare a new MPC Remit (and possibly Charter) for your approval and for consultation with the Reserve Bank, to be followed by a paper for Cabinet to confirm the changes. At the same time, the Treasury will work with you to confirm the timing and scope of advice on options for the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy.

Annex 1: Implementing Your Decision

Our next briefing to you on this topic will set out in more detail the key milestones for implementing your initial decision. Table 1 below details, broadly, the implementation process for a new MPC Remit, Order in Council, and Bill, respectively.

Table 1: *Implementing your decision*

Remit	Order in Council	Bill
• A new MPC Remit may be issued at any time, regardless of whether any advice on the Remit has been provided • The Reserve Bank needs to be consulted before a new Remit is issued • Cabinet will need to be informed that a new Remit is to be issued • Once a new Remit is issued, this must be notified in the *Gazette* and a copy presented to the House • Whenever a new Remit is issued, you and the MPC need to consider whether it is necessary or desirable to concurrently issue a replacement Charter	• An Order in Council may be made by the Governor-General, on the advice of the Minister • A Cabinet paper for the policy changes to be approved will need to be prepared as soon as possible following the decisions required by this report • PCO will be provided drafting instructions for the Order in Council by the Treasury • Drafting of Order in Council • A paper for LEG/Cabinet will be drafted by the Treasury • Confirmation is required by LEG/Cabinet, and the Order in Council will then be submitted to the Executive Council for approval • Notification in the *Gazette* • Unless a waiver to the 28-day rule is granted, the Order in Council will come into effect at least 28 days following notification in the *Gazette* • A careful communications strategy would be needed to mitigate the risk that use of an Order in Council is perceived as limiting the Reserve Bank's independence	• Inclusion and prioritisation of Bill in Legislation Programme • A Cabinet paper for the policy changes to be approved – as soon as possible following decisions required by this report • PCO will be provided drafting instructions by Treasury if a legislative option is to be progressed • Drafting of legislation and completion of accompanying requirements (e.g., New Zealand Bill of Rights Act 1990 [BORA] vetting) • A paper for LEG with the Bill • LEG/Cabinet agree to introduce the Bill • Introduction of Bill in the House