



# RESERVE BANK

O F N E W Z E A L A N D

WHAT IS

## THE RESERVE BANK OF NEW ZEALAND?

The Reserve Bank of New Zealand is New Zealand's central bank. It was established in 1934, and although not a government department, has been wholly owned by the government of New Zealand since 1936. Like most central banks, the Reserve Bank is primarily a policy organisation, and has three main functions:

- operating monetary policy to maintain price stability;
- promoting the maintenance of a sound and efficient financial system; and
- meeting the currency needs of the public.

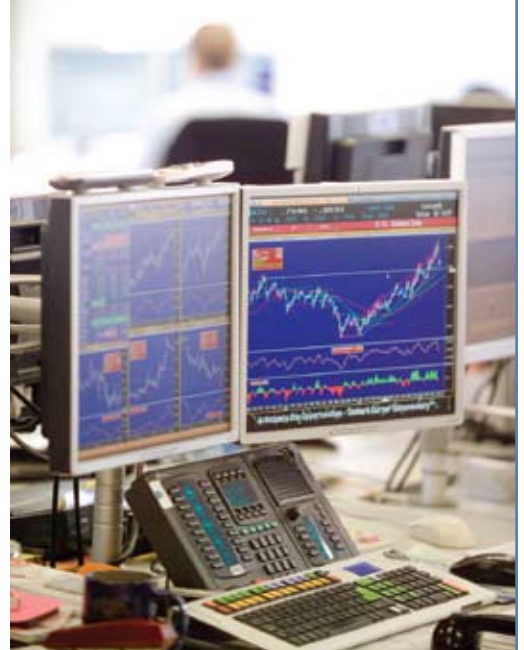
These functions are specified in the Reserve Bank Act 1989, which also gives the Reserve Bank statutory independence to carry them out. Aspects have since been refined by a variety of amendment acts.

To fulfil these functions, the Bank carries out a wide range of tasks, from operating monetary policy to monitoring and supervising the health of the financial system, maintaining foreign reserves, operating in the financial markets if necessary, and issuing currency as required. The Bank has the sole right to produce currency in New Zealand.

New Zealand's monetary policy framework is conventional by current international standards, designed around an overall goal of price stability. Price stability itself is defined by a Policy Targets Agreement, which at the time of writing required the Bank to keep CPI inflation between 1 and 3 percent on average over the medium term.

The Reserve Bank's role in the New Zealand financial system has developed over the years, and includes a requirement that banks must be registered with the Reserve Bank. Registered banks must meet certain criteria with regard to their financial position, and only organisations formally registered with the Reserve Bank are entitled to use the word 'bank' in their names. In late 2007 the decision was taken by government to extend the Bank's regulatory oversight to finance and insurance companies, building societies and credit unions.

The Reserve Bank also operates New Zealand's wholesale payment and settlement systems, which the registered banks use to complete their transactions with each other, and which handle approximately \$40 billion in transactions per day. These systems are not only vital to the New Zealand economy, but also allow the Bank to implement its monetary policy settings.



Top: Reserve Bank exterior, 2 The Terrace. Above: Dealing room computer monitors.

To meet these tasks the Reserve Bank is structured around an economics department, which conducts research into the economy and provides advice on monetary policy; two departments associated with financial stability, oversight and financial markets operations; and a currency department responsible for the design and wholesale issue of notes and coins. There are several support departments, including a Financial Services Group, Knowledge Services Group, communications department, an internal audit unit, and a human resources department. The Bank also operates a small public museum. The Bank employs approximately 240 staff and operates from a purpose-built office building on The Terrace in Wellington.

The brochures and fact sheets listed below provide further detail on the Bank's functions and role. Additional information is available in the Reserve Bank Museum, from our website [www.rbnz.govt.nz](http://www.rbnz.govt.nz), and from the Reserve Bank Knowledge Centre.

### BROCHURES

- Explaining Currency
- Explaining New Zealand's Monetary Policy
- The Reserve Bank and New Zealand's Economic History

### FACT SHEETS

- What is the OCR?
- What is inflation?



*Top right: Knowledge Services Group corridor. Right: Front entrance. Bottom right: detail of Punatoto, The Life Force, carving in the Reserve Bank foyer. Below: Reserve Bank museum. Photographs by Stephen A'Court.*

