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# Reserve Bank of New Zealand Bulletin

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# Editor's Note

In May last year, the Government initiated a review of the New Zealand monetary policy framework. Professor Lars Svensson of Stockholm University was appointed to conduct the review. Professor Svensson's report was released on 28 February and the executive summary and recommendations of the report are published in this edition of the Bulletin. A copy of the complete report can be accessed on the Reserve Bank's website.

Among the recommendations made by Professor Svensson, are that:

- a committee of five persons (all Bank staff) be assigned responsibility for monetary policy, replacing the existing structure whereby the Governor is the sole decision-maker, to take effect from the end of the Governor's current term of office (in August 2003);
- the Policy Targets Agreement be amended to provide for a point target of 1.5 per cent, with explicit reference to it being a medium-term target, again, to take effect from the end of the Governor's current term of office;
- the Board comprise only non-executive directors and be chaired by a non-executive director (rather than by the Governor, as at present).

The Government has announced that it expects to make decisions on the recommendations made by Professor Svensson by the end of May.

In addition to publishing extracts from Professor Svensson's report, this Bulletin also includes a copy of the papers

prepared by the Reserve Bank and the Bank's Non-Executive Directors, sent recently to the Minister of Finance in response to the Svensson Report.

As part of the global emphasis on the importance of sound corporate governance and transparency practises, increasing focus has been placed on the sound management of central banks. This Bulletin features an article on these issues. The article, '*Central bank corporate governance, financial management and transparency*', discusses issues relating to the management of central banks, focusing in particular on corporate governance arrangements, financial and risk management, and transparency. In this context, the article summarises the Reserve Bank's approach to corporate governance, risk management, planning and budgeting, and financial disclosure.

In addition to this article, the Bulletin also contains a brief piece summarising a recent Reserve Bank discussion paper on the subject of interest rate smoothing, and two speeches given recently by the Bank's Governor.

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