

---

## Volume 67 No. 1, March 2004

### Contents

Editor's Note	3
<b>Articles</b>	
Impact of the exchange rate on export volumes <i>Mark Smith, Economics Department</i>	5
The Reserve Bank of New Zealand Amendment Act 2003 <i>James Twaddle, Financial Stability Department</i>	14
Designation of payment systems - new Part VC of the Reserve Bank of New Zealand Act 1989 <i>Loretta DeSourdy, Financial Stability Department</i>	21
<b>Speeches</b>	
Asset prices and monetary policy <i>Alan Bollard, Governor, Reserve Bank of New Zealand</i>	27
<b>For the record</b>	
Discussion Papers	35
Recent news releases	36
Publications	42
Articles and speeches in recent issues of the Reserve Bank of New Zealand Bulletin	43

This document is also available on the Reserve Bank's website (<http://www.rbnz.govt.nz>)

© Reserve Bank of New Zealand

ISSN 1174-7943



---

## Editor's Note

The Reserve Bank of New Zealand Amendment Act 2003 came into force in August 2003. It introduced a number of changes, including to the Reserve Bank's governance framework, banking supervision and payment system oversight. This quarter's *Bulletin* looks closely at aspects of the amended Act.

The first article, however, is on a different topic and reviews our understanding of how export volumes are influenced by the exchange rate and other factors. It argues that, according to recent analysis, the real trade-weighted exchange rate has a small but not insignificant effect on export volumes, and that export sectors respond differently to the same exchange rate movement. Volumes of services, including tourism, are found to be more exchange-rate sensitive than export volumes from the agricultural sector.

The second article looks at the main features of the Reserve Bank of New Zealand Amendment Act 2003. This Act alters several aspects of the Bank's operations. Changes fall into three broad categories. The first is governance, and under the amendment the Governor is no longer the chair of the Reserve Bank Board, deputy governors are no longer members, and the Board is required to publish an annual report with their assessment of the performance of the Governor.

The second main aspect of the changes relate to banking supervision, recognising the need to continue to evolve the approach of the Bank to meet the changing environment. Under the amended Act, the restrictions on the use of the word 'bank' have been tightened, the Reserve Bank must give its approval for any significant changes in bank ownership, and crisis management powers are streamlined. The amended Act also formalises the Reserve Bank's responsibility for payment systems by giving the Reserve Bank authority to obtain, publish and audit information on payment systems, and gives the Reserve Bank power to designate payment systems.

This last aspect is considered in more detail in the third article of this *Bulletin*. This article looks at the new powers under Part VC of the Act, which provides for the designation of payment systems by Order in Council for the purpose of providing greater legal certainty to payments executed through designated payment systems.

We conclude this issue of the *Bulletin* with a speech by the Governor of the Reserve Bank, Alan Bollard, and our usual listings of recent publications, media releases, and discussion paper abstracts.

Geof Mortlock

Editor

*Reserve Bank of New Zealand Bulletin*

Reserve Bank of New Zealand

P O Box 2498

Wellington 6001

New Zealand

Telephone 64 4 471 3949

Facsimile 64 4 471 3800

