

# Monetary Policy Committee Code of Conduct

Reserve Bank of New Zealand

Effective from 1st April 2019

Approved by the Board of Directors 19th February 2019

## ***Application***

This code applies to all members of the Monetary Policy Committee (MPC), that is, both internal and external members.

## ***Purpose***

The code of conduct of the MPC sets out minimum standards of ethical and professional conduct that must be adhered to by members of the MPC.

## ***Standards of Conduct***

Members must formulate monetary policy consistent with the economic and operational objectives set out in the Reserve Bank of New Zealand Act (1989) (“the Act”) and the remit respectively, and consistent with the charter.

This code meets the requirements of the Act and is to be read subject to the MPC charter, which also includes expectations of members’ conduct, particularly placing constraints on members speaking in the public domain about the MPC’s activities.

Members must at all times act with honesty and integrity, in good faith, with respect for their colleagues and staff, and with reasonable care, diligence, and skill, having regard to the functions of the MPC.

## ***Promoting participation and preparation***

Members have an obligation to the MPC to:

- Carry out their responsibilities in an efficient and competent manner and to a high standard of performance.
- Contribute actively to and participate in MPC meetings, treating others’ contributions with respect at all times, and exchange ideas freely to promote excellence in the MPC’s deliberations.
- Develop, enhance and maintain expertise in the subject matter of the MPC.
- Continually seek to improve the effectiveness of their contribution.
- Attend all meetings, except where absence is unavoidable and approved by the chairperson of the MPC.
- Be adequately prepared to participate in meetings, including by reading any meeting papers supplied.

### ***Conflict of Interest***

Each member must:

- Act in the interests of the Bank, and not pursue his or her own interests at the expense of the Bank.
- Declare relevant interests through disclosure to the chairperson. The interests will be recorded in a register that will be shared with each member and administered by the MPC secretary.

There is a conflict of interest whenever a member's duty or responsibility to the Bank could be affected by some other duty or loyalty (i.e. the member's "interest") that the member may have. Perception of a potential conflict of interest is as important a consideration as an actual conflict of interest.

In determining whether a conflict of interest exists, members should ask themselves: does their other interest or loyalty create an actual or perceived incentive for them to act in a way that may not be in the best interests of the Bank? Could it undermine public trust and confidence in a member or in the Bank? Would a reasonable outside observer conclude that a conflict of interest existed?

Members should err on the side of caution and treat the interest as a potential conflict of interest situation.

### ***Disclosure of interests***

If a member has an interest, they must disclose the nature of the interest, and the monetary value of the interest (if the monetary value of the interest cannot be quantified, a member must disclose the nature and extent of the interest) in the Interests Register, and to:

- a) the MPC chairperson (i.e. the Governor, or Deputy Governor if the Governor is unavailable) or
- b) the chairperson of the Board, if the MPC chairperson is unavailable, as soon as practicable after the member becomes aware that he or she is interested.

A member may make a standing disclosure (i.e. a disclosure of an interest with ongoing effect). A standing disclosure will continue in effect until the nature of the interest materially alters or the extent of the interest materially decreases.

A member is deemed to have an interest that must be disclosed if the member:

- a) has a personal financial exposure to interest rate movements or foreign exchange trading, and may derive a financial benefit by changing that exposure from information being considered by the MPC ahead of a monetary policy decision ("monetary policy information");
- b) is the spouse, civil union partner, de facto partner, or is responsible for managing the affairs of a person who may derive a financial benefit from the monetary policy information;
- c) is engaged in an employment, professional or consultancy capacity in a role for which monetary policy information is relevant (e.g. a treasury role, an FX trading role, or a role responsible for decisions about matters such as hedging interest rates).

*Mortgages or other significant indebtedness*

Members who have a financial exposure to interest rate movements, for example through home loans or other indebtedness influenced by decisions of the MPC, must record the exposure as an interest on the register. This includes the credit provider and the size of the indebtedness.

Members whose home loans (or other indebtedness influenced by the decisions of the MPC) are subject to fixed interest rates must record the term of the rate, i.e. when the fixed rate is scheduled to expire.

***Consequences of failing to disclose an interest***

The MPC chairperson must notify the Board of any failure by a member to disclose an interest, and of the actions affected, as soon as practicable after becoming aware of the failure.

Failure by a member to disclose an interest does not affect the validity of any decision taken by the MPC.

***Management of conflict of interest***

Having identified and disclosed an interest, the next step is to determine how it can be managed to avoid a conflict of interest. The management of some specific situations of conflict of interest are outlined below. Other situations of conflict of interest are managed as agreed with the chairperson.

*Regular financial markets trading restricted*

Members must not be personally or professionally involved, directly or indirectly, in regular trading in financial markets in which the Bank has, or might have, a significant influence. This includes domestic wholesale money, bond and foreign exchange markets, interest and exchange rate futures, options and swaps markets, instruments linked to such markets, equities listed on New Zealand exchanges, and prediction markets related to those issues in which the Bank might have a significant influence.

If prohibited interests are held by trusts in which the member has a beneficial interest, rather than by the member directly, the code will be breached if the member has material influence over the trust, such as ability to instruct the trustee as to investment choices. Where the trustee acts independently from the member, there is likely to be no conflict.

*Fixed interest rates*

A member must inform the chairperson if the fixed interest rate on his or her indebtedness is due to expire close to the time the MPC is scheduled to make a decision. The chairperson may exclude that member from the decision making at that time, or may, before the scheduled decision, require the member to satisfy the chairperson as to how his or her decision making on the fixed rate will not be influenced by monetary policy information.

*'Blackout' periods*

A member must not place any trade in a FX instrument, purchase foreign exchange in an amount of \$10,000 or more, fix an interest rate on any indebtedness, place or renew a term deposit in an amount of over \$25,000, or purchase or sell any equity or debt instrument listed

on a New Zealand exchange following receipt of MPC briefing papers and prior to the decision being announced, without first informing the chairperson. The chairperson may prohibit such a transaction until after the MPC meeting.

### ***Consequences of a conflict of interest for MPC meetings***

A member who has a conflict interest must not, unless otherwise agreed by the chairperson:

- a) vote or participate in any discussion or decision of the MPC in relation to the matter;
- b) be regarded for the purpose of forming a quorum for the part of any meeting of the MPC during which a discussion or decision relating to the matter occurs or is made.

### ***Confidentiality of information and prohibition on use of inside information***

In the course of discharging their responsibilities as members of the MPC, members will have access to confidential Bank information on economic and financial market conditions, and monetary policy assessments. All such information must be kept confidential and may not be disclosed, or made use of, or acted upon, except:

- a) in the performance of the MPC's functions;
- b) as required or permitted by law; or
- c) to the Chair of the Board, if necessary to comply with the requirement to disclose interests under this code;
- d) as agreed by the MPC (if the disclosure, use, or act will be unlikely to prejudice the MPC).

Members must never act or enable others to act on private information acquired in the course of their work.

Members may act on information in the public arena that may result in a gain or avoid a loss to them or any other person, but it will be their responsibility, if challenged, to demonstrate that their action was not motivated by information acquired in the course of their duties. Perceptions of conflicts are also to be avoided and, if there is a circumstance where there could be a perception of conflict because of the information in the public arena and information acquired in the course of their duties, members should seek advice from the chairperson before acting.

### ***Other ethical standards***

A member must not use his or her position for personal gain. He or she must not solicit or accept gifts, rewards, or benefits which might compromise, or be seen to compromise, his or her integrity or that of the Bank, or be seen by others as either an inducement or a reward that might place the member under an obligation to a third party.

### ***Breaches of the code***

[To be read in conjunction with RBNZ Act Schedule 3, Part 2, clause 19]

Failure to adhere to the code of conduct is grounds for removal as a member. The Board may investigate any allegation of failure to adhere to this code and may recommend removal to the Minister.

**Acknowledgement**

I acknowledge that I have read, understood and agree to adhere to the contents of this code.

-----X

Date:

[Member's name]

Signature

Approved

Date:

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Chairperson

Policy distributed to:

- The Reserve Bank of New Zealand Board of Directors