

Hon Grant Robertson

MP for Wellington Central

Minister of Finance

Minister for Sport and Recreation

Associate Minister for Arts, Culture and Heritage



25 FEB 2019

Prof Neil Quigley
Chair
Reserve Bank of New Zealand
PO Box 2498
WELLINGTON 6140

Dear Neil

I am writing to provide you with my expectations for the Board of the Reserve Bank of New Zealand (the Board). The Board has a critical role in holding the Bank accountable for its performance and I wish to extend my appreciation for the Board's work in this respect.

The recent amendments to the Reserve Bank of New Zealand Act 1989 (the Act) change the role of the Board. In light of this, the purpose of this letter is to update you with my specific expectations and interests as Minister of Finance with respect to the Board's activities. It is intended to help inform the Board's focus and future engagements with me. It is not intended in any way to prescribe or limit the Board's duties, as set out in section 53 of the Act.

The primary role of the Board is to monitor and advise me on the Bank's performance in meeting its responsibilities under the Act. My specific interests for this monitoring role are for the Board to undertake the following:

- **Support implementation of changes to the Reserve Bank of New Zealand Act.** The recently passed amendments to the Act involve significant change for the Bank. I expect the Board to support and take a close interest in the progress of the Bank in implementing these changes. I am particularly interested in ensuring that the full benefits of the monetary policy objectives, Monetary Policy Committee (MPC), and Treasury observer are realised.
- **Monitor the performance of the MPC and its members in carrying out its objectives, as set out in the Act and remit.** I expect the Board to continuously monitor and regularly inform me on the MPC's performance in carrying out its duties, as set out in the Act and remit. The amendments to the Act change the

requirements of the Board and so the Board should consider how it can best carry out this monitoring role. The Board should consider the appropriateness of the processes and procedures used by members of the MPC in reaching their monetary policy decisions. The Board should also provide me with clarity on how it develops the framework it uses to assess the performance of the MPC.

- **Contribute to phase 2 of the Reserve Bank Act Review where appropriate.** Wherever appropriate, the Board should assist the Review Team and the Independent Expert Advisory Panel in their development of changes to the Bank's legislation. In particular, I expect the Board to provide input in the development of the broader governance arrangements of the Bank.
- **Assessing the performance of the Bank in promoting the maintenance of a sound and efficient financial system.** I expect the Board to articulate how it judges performance with respect to this statutory objective. I am particularly interested in how the objectives of soundness and efficiency are promoted and balanced, and that a close interest is taken in the supervisory role.
- **Monitoring the Bank's regulatory policy processes.** The Bank has important regulatory responsibilities. I expect the Board to take a close interest in the robustness of regulatory policy development and to articulate how it judges performance with respect to this function. In particular, I expect the Board to test the Bank's thinking on regulatory policy developments and be satisfied that the Bank has reasonably addressed any alternative perspectives from other relevant parties (eg, the Government, the Treasury, the Council of Financial Regulators, Australian stakeholders, the financial sector and the wider public through consultation).
- **Monitoring the Bank's relationships.** The Bank has a number of important stakeholder relationships – with me, with the Treasury, with regulated entities and with other agencies. I would expect the Board to keep under review how these relationships are operating in practice and whether the principles set out in the Relationship Charter are being achieved. I am particularly interested in ways the Bank can use its expertise to engage more broadly within government on the economic challenges facing New Zealand.
- **Monitoring of operational functions.** The Bank has a range of operational functions, including those related to payment systems and currency. I expect the Board to monitor the performance of the Bank's operational functions and risks, particularly with regard to the use of the Crown's resources and wider economic efficiency.
- **Organisational strategy and financial management.** The Bank is a complex organisation with a large balance sheet. I expect the Board to take a strong interest in the Bank's strategy and financial management. The Board should closely monitor the Bank's performance against the Statement of Intent (SOI). The Bank

intends to undertake a review of its balance sheet practices and I expect the Board to monitor this.

- **People and Culture.** The Bank's people and culture are important in ensuring that the Bank can fully achieve its objectives. I expect the Board to take an interest in the Bank's efforts to enhance its performance culture, leadership capabilities, and employee wellbeing. I also expect the Board to monitor the Bank's plans for increasing diversity in leadership positions, in particular the number of women.

The Board is also responsible for keeping under review the performance of the Governor and deputy Governor of the Bank. I expect to discuss your assessment of their performance when appropriate. Your communications on their performance should not be limited to the narrow criteria described in section 53 as I hope those circumstances would apply rarely, if ever.

The annual Board report, as required under the Act, is the formal document that sets out the Board's assessment of performance of the MPC, Governor, and the deputy Governor. I expect that report to provide enough detail to enable me and the wider public to understand how the Board has undertaken its monitoring role and the framework used to assess performance.

I expect the Board to continue with its quarterly reports on the Bank's performance. In addition, I will ask my office to work with you to ensure that we meet once a year, with additional meetings should they be required. In advance of those meetings, I invite you to share any other documents regarding the Bank's performance which would support the discussion. I also welcome any other suggestions you may have to promote greater visibility of the Board's activities throughout the year.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Grant Robertson', written in a cursive style.

Hon Grant Robertson
Minister of Finance