



Reserve Bank of New Zealand
Board Charter
19 September 2019

Reserve Bank of New Zealand

Board Charter

1. Introduction

- 1.1 The role of the Board of the Reserve Bank of New Zealand (the “Bank”) is to operate as an advisory board, bringing an independent, external viewpoint to the work of the Bank and providing guidance to the Governor. The Board also provides oversight of the performance of the Bank, the Governor, the Deputy Governor and the Monetary Policy Committee (“MPC”).
- 1.2 The purpose of this Charter is to provide clarity as to the respective duties and responsibilities of the Board and the Governor. It gives an overview of the Board’s statutory duties, the governance requirements of the Board and the Board’s processes.
- 1.3 This Charter should be read in conjunction with the Reserve Bank of New Zealand Act (the “Act”) and in particular, Part 3. Nothing in this Charter takes precedence over the relevant provisions in the Act.

2. Duties and Responsibilities

- 2.1 The Governor has the exclusive right to manage the Bank and carry out its statutory functions other than those functions reserved for the MPC and the Board.
- 2.2 The Board’s primary duties are to keep under constant review:
 - a) the performance of the:
 - i. Bank in carrying out its functions under the Act.
 - ii. Governor and the Deputy Governor in discharging their responsibilities.
 - iii. MPC and each member of the MPC, in discharging their responsibilities under the Act.
 - b) the use of the Bank’s resources.
- 2.3 Directors are expected to:
 - a) use their best endeavours to attend Board meetings in person;
 - b) carry out their duties in an efficient, competent and ethical manner and to a high standard of performance;
 - c) be adequately prepared to participate in meetings, including by reading any meeting papers supplied;
 - d) contribute actively to and participate in meetings, treating others’ contributions with respect at all times;
 - e) exchange ideas freely on the subject matter discussed;
 - f) continually seek to improve the effectiveness of their contribution;
 - g) engage constructively with each other to achieve informed and timely decisions;
 - h) have regard to diverse opinions that reflect the directors’ unique professional experiences and educational backgrounds; and
 - i) respect each other’s contributions and embrace differences in views as a benefit of a diverse Board.

3. Relationship between the Board and the Governor

- 3.1 The Board may give advice to the Governor on any matter relating to the performance of the Bank's functions and the exercise of its powers. Although not required to act on the Board's advice, the Governor will have regard to it.
- 3.2 The Governor is expected to consult the Board and provide it with the opportunity to give advice on significant matters, for example, matters affecting a substantial portion of New Zealand's financial markets; matters likely to attract considerable public attention; issues relating to significant investigations or enforcement action and matters that establish an important policy position on the part of the Bank.
- 3.3 The Board will normally provide advice on the direction, strategies, priorities, and objectives of the Bank as well as on key accountability documents and arrangements. The Board will normally also review and advise on the integrity and effectiveness of the Bank's internal controls and management systems, the identification and management of risks which could impact on the Bank's ability to fulfil its regulatory responsibilities and whether the Bank is performing its regulatory functions in accordance with all applicable laws and regulations.
- 3.4 The Board will maintain a record of any formal Board advice given to the Governor on matters of significance, having first discussed the matter with the Governor in a Board meeting.
- 3.5 Where practicable and appropriate, before advising the Minister of Finance (the "Minister") of any concerns the Board may have in relation to the Bank or the Governor, the Board will consult the Governor on the nature of its concerns and give the Governor a reasonable opportunity to address those concerns.
- 3.6 The Board shall develop and adopt a risk appetite statement to guide its decision making and shall review it on an annual basis.

4. Relationship between the Board and the Minister

- 4.1 As required by the Act and having regard to the Minister's Letter of Expectations, the Board must prepare, for each financial year, a report setting out the Board's assessment of the following matters:
 - a) the performance of the Bank in carrying out its functions under the Act;
 - b) the performance of the Governor and Deputy Governor in discharging their responsibilities;
 - c) the performance of the MPC and each member of the MPC, in discharging responsibilities under the Act; and
 - d) the use of the Bank's resources.
- 4.2 The Board, or delegated members of the Board, will seek to meet with the Minister annually to brief the Minister on the Board's assessment of the Bank, the Governor, the Deputy Governor, the MPC and its members. They will also seek any views the Minister may have in relation to the performance of the Bank's functions and the Board's performance of its duties. This meeting will normally take place shortly after the release of the Board's annual report.

5. Membership and Composition of the Board

- 5.1 The Board consists of the Governor and between five and seven non-executive directors appointed by the Minister.
- 5.2 The desired composition of the Board is such that it contains an appropriate blend of subject matter expertise, diversity of perspective and ability to express opinions frankly. The Board will develop and maintain a skills and competencies matrix to offer advice to the Minister as required on the desired qualifications, knowledge, skills and experience of appointees to the Board, including the Chairperson and Deputy Chairperson.

6. Chairperson and Deputy Chairperson

- 6.1 The responsibilities of the Chairperson include:
- a) providing leadership to the Board;
 - b) ensuring the efficient organisation and conduct of the Board;
 - c) approving the agenda, in consultation with the Governor;
 - d) facilitating Board discussions to ensure core issues facing the Bank are addressed;
 - e) facilitating the effective contribution and ongoing development of all directors;
 - f) promoting consultative and respectful relations between directors and the Bank;
 - g) ensuring that all Board decisions are accurately recorded in writing via the minutes of the Board; and
 - h) periodically monitoring Board performance.
- 6.2 In the absence of the Chairperson, the Deputy Chairperson will fulfil the Chairperson's role.

7. Board Committees

- 7.1 The Act empowers the Board to establish Board committees. Currently, the Board has resolved to maintain an Audit Committee.
- 7.2 In establishing any committee, the Board will specify the committee's purposes, functions, membership, chairing arrangements, and obligations to report to the Board.

8. Information and Resources for Non-Executive Directors

- 8.1 The Governor will ensure that the Board has access to information, Bank staff and other resources that the Governor, in consultation with the Chairperson, considers the Board may require to perform its functions effectively.
- 8.2 The Chairperson will ensure that any requests from non-executive Directors for further access to information, Bank staff or resources are reasonable. Directors shall not approach Bank staff without consulting the Chairperson first.
- 8.3 The Board may commission independent advice if it requires it.

9. Review of Performance of the Board and Directors

The Board will carry out an internal assessment and review of the performance of the Board, its committees and individual directors on an annual basis. Once every 3 years this review shall be carried out by an independent third party.

10. Ethical Standards

- 10.1 Directors are expected to observe the highest standards of ethical behaviour.
- 10.2 The Board supports and encourages policies within the Bank such as the *Code of Conduct* which require directors and employees to observe high standards of personal integrity and display honesty in their dealings.

11. Conflicts of Interest

- 11.1 Directors are expected to avoid any action, position or interest that conflicts with an interest of the Bank, or that gives or may give the appearance of a conflict.
- 11.2 A director that has a personal interest in a matter that relates to the affairs of the Bank must give the Board notice of such conflict of interest. The Board shall agree on how the conflict of interest will be managed which may include any of the following actions:
- a) the conflicted director is not entitled to vote on a resolution that relates to the matter;
 - b) the conflicted director is not counted for the purpose of determining quorum when the matter is being discussed; and/or
 - c) the conflicted director is required to withdraw from the meeting when the matter is being discussed.
- 11.3 The Board Secretary will maintain a register of declarations of interest by directors and report the register to the Board at each Board meeting.
- 11.4 For further detail refer to the *Conflict of Interest Guidelines for Directors*.

12. Gifts and Hospitality

- 12.1 Directors will not accept any gift or hospitality offered to them by virtue of the directorship which is valued at more than \$100 without the prior approval of the Chairperson. Any such gifts accepted by directors must be notified to the Board Secretary for recording in the Bank's gift register.
- 12.2 For further detail refer to the *Gifts and Fees (including Koha) Policy*.

13. Performance Review of the Bank and Use of Bank's Resources

- 13.1 The Board, in consultation with the Governor, will determine, and document as appropriate, the basis on which the Board will perform its duties, including the frequency and scope of its reviews.

14. Appointment and Performance Review of the Governor and Deputy Governor

- 14.1 The Board recommends to the Minister who should be appointed as Governor and, following consultation with the Governor, who should be appointed as Deputy Governor.
- 14.2 The conditions of appointment of the Governor (including remuneration) are determined by agreement between the Minister and the Governor following consultation with the Board. The conditions of appointment of the Deputy Governor are determined by the Board following consultation with the Minister.
- 14.3 The Board shall carry out an annual review of the performance of the Governor and of the Deputy Governor.

15. Appointment and Performance Review of MPC and its Members

- 15.1 The Board recommends to the Minister who should be appointed as the internal and external members of the MPC.
- 15.2 The Board is also responsible for approving the code of conduct for the members of the MPC.
- 15.3 The Board is to have regard to the *Framework for the Monitoring by the Board of the Performance of the MPC and its Members in Discharging their Responsibilities* when reviewing the performance of the MPC and its members.

16. External Communications

- 16.1 The Governor has sole responsibility for the external communications of the Bank.
- 16.2 The Chairperson (or, in the absence of the Chairperson, the Deputy Chairperson) will be the sole public spokesperson for the Board.
- 16.3 In any public remarks regarding the Bank, directors shall draw on the Bank's official communications. Any non-public remarks regarding the Bank must be consistent with the Bank's official communications.
- 16.4 Wherever practicable, directors shall, in advance of speaking in public on matters which might relate to the Bank, confer with the Governor or the Chairperson with the objective of advising their intention to do so.

17. Review of Charter

The Charter will be reviewed by the Board every two years or as required.