

2020-25 Funding Agreement

Between

The Minister of Finance

And

The Governor of the Reserve Bank of New Zealand

1. This Agreement is between the Minister of Finance and the Governor of the Reserve Bank pursuant to section 159 of the Reserve Bank of New Zealand Act 1989 ("the Act") and supersedes the Agreement signed on 26 May 2015.
2. The Agreement takes effect from the date that it is ratified by Parliament.

It is agreed that:

3. The amount of the Bank's income to be applied in meeting the operating expenses incurred in carrying out the functions and exercising the powers specified in section 159(1) of the Act, excluding the direct net currency issue expenses incurred in carrying out the functions and powers specified in section 25 and section 26 of the Act is the sum of:

\$111,700,000 for the year commencing 1 July 2020
\$109,900,000 for the year commencing 1 July 2021
\$120,200,000 for the year commencing 1 July 2022
\$115,400,000 for the year commencing 1 July 2023
\$118,300,000 for the year commencing 1 July 2024

4. The amount of the Bank's income to be applied in meeting the direct net currency issue expenses incurred in carrying out the functions and exercising the powers in section 25 and 26 of the Act is:

\$11,100,000 for the year commencing 1 July 2020
\$12,500,000 for the year commencing 1 July 2021
\$12,500,000 for the year commencing 1 July 2022
\$13,500,000 for the year commencing 1 July 2023
\$14,500,000 for the year commencing 1 July 2024

5. For the purposes of this agreement, as provided for in section 2 of the Act, it is agreed that "operating expenses" exclude expenses, costs or losses, if any, from or on these activities:
 - a. the Reserve Bank Staff Superannuation and Provident Fund (actuarial losses and actuarial gains);
 - b. litigation expenses;
 - c. property management expenses;
 - d. Security Custodian expenses;
 - e. bank and broking fees; and
 - f. provision of ESAS and NZClear services.
6. Pursuant to section 159 (1)(f) of the Act, operating expenses incurred under this agreement shall include:
 - a. net operating expenses incurred in dealing in foreign exchange; and
 - b. net operating expenses incurred by the Bank in connection with its functions and powers under the Insurance (Prudential Supervision) Act 2010.

7. Pursuant to section 160 (c) and (d) of the Act, this agreement does not provide for the following potentially material expenses:
 - a. operating expenses or other costs that may have been incurred or might be incurred in future by the Bank in response to the COVID-19 Pandemic for which further agreement might be needed in future to give effective oversight of the Bank's operating costs (in addition to any indemnity protection that the Bank may already have obtained for that type of cost and expense); and
 - b. upgraded physical property and system assets to provide optimal cash storage and distribution.
8. Pursuant to section 160 (c) of the Act, the Bank shall notify the Minister of Finance if and when the Bank considers that this agreement should be varied because of an anticipated material increase in the total of the Bank's operating expenses over the full five year term of this agreement (the Full Term Operating Expenses). Pursuant to section 161 of the Act, no such variation will be effective unless and until it is ratified by a resolution of the House of Representatives.
9. Pursuant to section 160 (d) of the Act, the Bank shall include explanations in its annual report of:
 - a. the reasons for any material overspend of operating expenses in the year of the report;
 - b. the likely impact of that overspend on the Full Term Operating Expenses; and
 - c. if appropriate, what additional steps the Bank proposes to take so that the Full Term Operating Expenses are not materially exceeded.

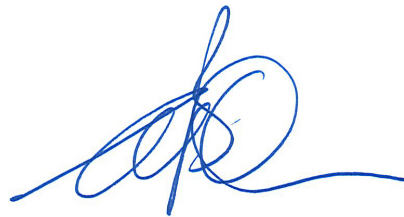
Signed by:



Hon Grant Robertson

Minister of Finance

16/06/2020



Adrian Orr

Governor, Reserve Bank of New Zealand

16/06/2020