

Queries around former Governor's restraint of trade obligations

We have received media queries around a payment made to the former Governor, Adrian Orr, in connection with his contractual restraint of trade obligations.

What is the purpose of a restraint of trade clause?

The Reserve Bank may agree restraint of trade clauses with the Governor and other senior staff who receive market-sensitive information as part of their role (e.g. monetary policy, commercially sensitive information about regulated entities such as banks and insurers).

It is usual and standard to agree such clauses with the Governor.

Prior to 2022, such clauses were agreed in terms and conditions of appointment determined by the Minister of Finance under section 42 of the Reserve Bank of New Zealand Act 1989. Since 2021, the Reserve Bank board has agreed terms and conditions of appointment with the Governor under section 85 of the current Reserve Bank of New Zealand Act 2021.

There are two key purposes behind a restraint of trade clause:

- To discourage Governors from moving directly into roles with a regulated entity or engaging in the financial markets. This is to avoid any perception of potential misuse of sensitive information and to provide some "breathing space" while a new Governor settles in.
- To discourage Governors from seeking future employment opportunities while still in office, as their term approaches conclusion.

What restraint of trade clause applied to Mr Orr?

When Mr Orr was appointed by the Minister of Finance as Governor from March 2018, his terms and conditions of appointment were determined by the then-Minister of Finance. When Mr Orr was reappointed from March 2023, these terms and conditions were largely rolled over.

The following clauses were included in Mr Orr's terms and conditions of appointment under the heading Restraint of Trade.

Mr Orr agrees that for a period of six months after Mr Orr ceases in office as Governor, Mr Orr shall keep the Board advised of any activities Mr Orr proposes engaging in and for which Mr Orr's experience as Governor may be, or be perceived, relevant and agrees that the Minister of Finance, after consultation with the Board, may, for that period of six months, restrain Mr Orr from engaging in any activities that he or she judges may give rise to perceptions of Mr Orr making use of privileged information.

During any period where this restraint prevents Mr Orr reasonably from working full time, the Bank will pay Mr Orr compensation to cover any resulting shortfall in remuneration during that period, provided that Mr Orr shall not receive, in total, including any remuneration Mr Orr receives from any source during the restraint period, any more than the equivalent of six months' remuneration at the same rate Mr Orr was being paid by the Bank prior to Mr Orr's departure.

A copy of the terms of Mr Orr's exit agreement is attached. In particular, please see clause 7 which cross-refers to the restraint of trade clauses from his terms and conditions above.

What activities do Mr Orr's restraint of trade clauses apply to?

Please see the restraint of trade clauses above.

The clause states that it applies to activities that the Minister of Finance judges may give rise to perceptions of Mr Orr making use of privileged information. This reference to the Minister appears to have been included in error, based on rolling over the clause from the 2018 terms and conditions.

As noted, from 1 July 2022 terms and conditions of appointment of the Governor are set by the Reserve Bank board. The Minister has not been involved in agreeing the clause or in applying it.

Following his resignation, Mr Orr has been working pro bono. The Reserve Bank is satisfied that these activities have been unremunerated.

Why is the RBNZ releasing the terms of the exit agreement now?

In his provisional opinion to the Reserve Bank of 29 July 2025, reviewing complaints about the Reserve Bank's decisions on Official Information Act requests relating to Mr Orr's resignation, the Chief Ombudsman advised:

RBNZ has publicly released a summary of the exit agreement which details, at a high level, what the terms of the agreement were. This represents a reasonable summary of what the agreement covered. I agree that sections 9(2)(a) and 9(2)(ba)(ii) applies to the agreement [redacted text]. I see that the harm under section 9(2)(ba)(ii) as being strongest. The agreement is clearly subject to an obligation [of] confidence and the release of such an agreement would damage the public interest by harming the ability of public sector agencies to reach exit agreements. This applies to the communications that detail the negotiations between the parties in order to fulfil the terms of the agreements, such as the discussions about the wording of the press release.

The Reserve Bank maintains that it took the correct approach on 11 June when it released the summary of the exit agreement. However, Mr Orr has consented to the full disclosure of the exit agreement and therefore Reserve Bank sees it in the public interest to disclose it.

TERMS OF THE EXIT AGREEMENT BETWEEN ADRIAN ORR AND THE RESERVE BANK

The Parties

1. Adrian Orr (**Mr Orr**)
2. Reserve Bank of New Zealand (**RBNZ**)

Background

- A. Mr Orr is Governor of the RBNZ and serves as a statutory appointee under the Reserve Bank of New Zealand Act 2021 and under terms and conditions of appointment dated 14 June 2022 (the **Terms and Conditions of Appointment**). His term of office is due to expire in March 2028. Mr Orr wishes to finish his term early, and the RBNZ agrees to accommodate this.
- B. The purpose of this agreement is to formalise this process and to recognise Mr Orr's entitlements under the Terms and Conditions of Appointment.

Terms

1. Mr Orr will resign with effect from Monday 31 March 2025 (the **resignation date**).
2. Until the resignation date, Mr Orr will perform such functions of Governor as requested by the board, but will generally work remotely and provide any necessary hand-over requested of him by either Ms Helen Kincaid or Mr Christian Hawkesby.
3. Correspondence between the board and Mr Orr sent on 27 February 2025 is withdrawn by the board.
4. RBNZ and Mr Orr have agreed on the wording for a public statement to advise of his resignation and to acknowledge Mr Orr's achievements and service (**attached**). The announcement will be made at an agreed time, but by no later than 9am on 10 March 2025.
5. Prior to the resignation date, Mr Orr will return any RBNZ property including but not limited to any access cards, laptop, and phone.
6. By no later than Friday, 4 April 2025, RBNZ will pay to Mr Orr by way of direct credit the following sums:
 - (a) all salary owing up to and including the resignation date (less tax); and
 - (b) two months' salary in lieu of notice (less tax).
7. By no later than Friday 17 October 2025, and subject to compliance with the terms of this agreement, RBNZ will pay to Mr Orr by way of direct credit a sum equating to six months of his annual remuneration (less tax) in respect of the period from 1 April to 30 September 2025 and net

of any remuneration Mr Orr receives or is due from any other source in respect of this period (which shall be advised by Mr Orr before the payment is made) in accordance with the restraint of trade outlined in his Terms and Conditions of Appointment.

8. The RBNZ (including board and its individual members) will not disparage Mr Orr, and Mr Orr will not disparage the RBNZ, its board, individual members of the board, the Treasury, the Minister of Finance or the Government generally
9. The fact of and terms of this agreement are confidential between the parties, except that both parties may disclose any information to their professional advisers, or where this is required by law. The RBNZ will take all reasonable endeavours to protect the confidentiality of this agreement and will notify Mr Orr in advance of any proposed release beyond its professional advisers.
10. This agreement will become binding once it is signed by the parties and may be executed by the parties signing emailed counterparts of the agreement which, taken together, are to constitute one agreement.
11. The parties acknowledge the following matters:
 - (a) The terms are final and binding on, and enforceable by, the parties.
 - (b) The parties understand the terms of agreement and have had a reasonable opportunity to take independent advice.