



**Statement of
Performance Expectations**

**Tauākī Whāinga
Whakatutuki**

2022/2023



**Reserve Bank
of New Zealand**
Te Pūtea Matua



Reserve Bank of New Zealand Statement of Performance Expectations 2022/23, presented to the House of Representatives pursuant to section 237(3) of the Reserve Bank of New Zealand Act 2021.

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The Reserve Bank of New Zealand – Te Pūtea Matua acknowledges its working partnership with Te Roroa, who support the Tāne Mahuta narrative and continue as stewards of the kauri in the Waipoua Forest.



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Foreword

Kupu whakataki

At Te Pūtea Matua, the Reserve Bank of New Zealand, we are kaitiaki (guardians) of New Zealand's financial system, working to enable economic wellbeing and prosperity for all New Zealanders – Toitū te Ōhanga, Toitū te Oranga.

Ko tā tēnei Tauākī Whāinga Whakatutuki (SPE) ina pānuitia i te taha o tā mātou Tauākī Whakamaunga Atu (Sol) he taki he pēhea ā mātou mahi e whakatinana ai i tēnei aronga, he pēhea hoki mātou e arotake ai i te ahunga whakamua, me te whakapakari tonu i ngā mahi.

Mā tēnei puka ka āhei mātou kia whitikia e te rā, kia pūhia e te ao i mua i te titiro a te iwi, mō te pai o ā mātou mahi hei pēke matua, mō te hunga pupuru pānga me te ao tūmatanui.

E tautokona ana ngā ritenga e tētahi anga whakaroto, me te huhua o ngā puna raraunga, kia aro pūmau ai mātou ki tā mātou aronga, kia horaina hoki ngā āhuatanga i tūmanakotia. E aroturukihia ana, e pūrongotia pūpututia ana ēnei mōhiotanga ki te Poari kia pai ake ai ā mātou mahi, kia arotakea hoki e mātou te pai o ā mātou mahi.

He mea hira kia kaua e aro ki te pūrongo mō te pūrongo te take. He wāhanga whai take tēnei o te pūataata, o te whakahaere me te arotake a te iwi, ā, he wāhi taketake hoki o ā mātou hātepe whakatau take.

Hei whakahokinga kōrero mutunga kore ēnei ritenga me tā mātou whakapūrongo pūputu ki te Tai Ōhanga mō tā mātou tauira whakaruruhau, hei tautoko hoki i tā mātou takahanga i te ara whakatau, whakamahere hoki. Hei whirinakinakitanga ēnei ritenga mō ā mātou whakataunga ripanga kaute, whāngai rawa hoki i roto i te tau, otirā he wāhi hira o tā mātou whakahaere i roto anō i ngā whaitua mōrea nā mātou i whakaae i mua.

Tā te mea koinei tō mātou tau tuatahi i whakaputaina he Tauākī Whāinga Whakatutuki, ka noho hei kahupapa e taea ai te aromatawai i ā mātou mahi ā ngā tau e heke mai nei. Ko tā mātou tūmanako kia whanake tonu, kia whakapikia hoki tā mātou whakapūrongo mahi hei whakaata i ngā tikanga mahi pai, i runga anō i ngā tūmanako kāwanatanga, me ngā tikanga whakapūrongo o ngā hoa o tāwāhi.

Hei te tau hou, ka tākina tā mātou ahunga whakamua me te pai o ngā mahi i runga anō i ēnei whāinga, i roto i tā mātou Tauākī Mahi i Tutuki.

This Statement of Performance Expectations (SPE), when read alongside our Statement of Intent (Sol), outlines how our activities deliver on this purpose and how we monitor our progress and make continuous improvements.

This document enables us to be transparent and accountable on how we are performing as a central bank to our stakeholders and the public.

The measures reported are supported by an internal framework and a range of data sources to ensure we are focused on our purpose and deliver as expected. This information is monitored and regularly reported to the Board to ensure we are getting better at what we do and are being held accountable for our performance.

It is important to note that reporting is not an end in itself. It is an effective part of transparency, management and accountability and is key in our decision-making processes.

The measures and our regular reporting to the Treasury provide a continuous feedback loop for our governance model and inform our decision-making and planning cycle. They also inform our budgeting and resource allocation decisions throughout the year and, importantly, ensure we operate within our agreed risk appetite.

As this is our first year of producing the SPE, it provides a base against which our performance can be assessed in future years. We expect to continue to develop and improve our performance reporting to reflect best practices in line with government expectations and the reporting standards of our international peers.

Next year, our Statement of Performance will outline our progress and performance against these targets.



Professor Neil Quigley
Chair

11 October 2022



Adrian Orr
Governor

11 October 2022

Purpose

We enable economic wellbeing and prosperity for all New Zealanders – Toitū te Ōhanga, Toitū te Oranga

Objectives

Economic objectives

Achieving and maintaining stability in the general level of prices over the medium term; and supporting maximum sustainable employment.

Financial stability objective

Protecting and promoting the stability of New Zealand's financial system.

Central bank objective

Acting as New Zealand's central bank. This includes managing foreign reserves, meeting the cash needs of the public, providing liquidity facilities, providing and operating payment and settlement systems for New Zealand's financial institutions, and liaising and cooperating with other central banks and relevant institutions.

Vision

Our vision is Great Team, Best Central Bank – Matangirua ki Matangireia

Tāne Mahuta

The interconnected parts of the financial system and our role as kaitiaki:



Ngā Pūtaka/Roots

Represents our legislation and balance sheet.



Te Tariwai/ Vascular system

Represents the payment and settlement systems.



Te Toto/Sap

Represents money, cash and foreign reserves.



Ngā Pekanga/ Branches and leaves

Represents the regulated entities – banks, insurers and NBDTs.



Kaitiakitanga/ Guardianship

Reflects our role as guardians of New Zealand's financial system.

Values

Our values are our core principles, the standards that guide our decision-making and signal what is important to us at Te Pūtea Matua. They enable us to be better kaitiaki and meet the diverse needs of New Zealanders now and in the future:

Wānanga/Innovation

Innovation stems from knowledge gained through our diverse perspectives.

Tauira/Integrity

Integrity is sustained through self-reflection and modelling our shared principles.

Taura/Inclusion

Inclusion binds our individual strengths together enabling our resilience and collective success.

Statement of responsibility

Te tauākī haepapa

This SPE is presented to the House of Representatives in accordance with section 229 of the Reserve Bank of New Zealand Act 2021.

The SPE sets out our financial forecast for the financial year 1 July 2022 to 30 June 2023. It has been prepared in line with the Reserve Bank of New Zealand Act 2021 and should be read together with our Sol.

The forecast statement of comprehensive revenue and expense has been prepared in accordance with generally accepted accounting practice.

The Reserve Bank is responsible for the preparation and content of this SPE, including the forecast statement of comprehensive revenue and expense and the assumptions on which it is based, the non-financial measures and the judgements that are used for them.



Professor Neil Quigley
Chair

11 October 2022



Adrian Orr
Governor

11 October 2022



Our approach and how our performance will be assessed

He pēhea ā mātou mahi e arotakea ai

We have structured our performance measures around our objectives outlined in the Reserve Bank of New Zealand Act 2021 (the Act).

As this is our first year producing the SPE, we have mapped our operations and subsequently established a number of baseline performance measures against these objectives. This will enable us to establish baseline performance measures to build on over the coming years.

We will continue to build and develop our performance framework over the next three to five years to ensure we continue maturing our approach and developing our baseline performance measures to be more granular and specific. This year, we will assess our performance measures on whether we have 'achieved' or 'not achieved' our intended outcomes.

All of our targets are set to 'achieved' because many of our targets are multifaceted and interdependent in nature, measured by a broad range of quantitative and qualitative data sources and influenced by a range of external variables. This means that defining specific targets may simplify our intentions and focus on individual outputs rather than the intended outcomes of our activities. We also need to balance transparency and discretion so that we avoid unintended consequences or signalling confidential interventions.

The performance measures outlined in our SPE track our performance and provide an overall impression of our objectives and functions. We have described these in a

transparent and simplified manner so that we can engage with our stakeholders.

We report on these performance measures throughout the financial year to the Treasury in a consistent manner – outlining assumptions, how we have compiled information and the factors and circumstances that support any opinions. We are committed to working with the Office of the Auditor-General and the Treasury as our monitoring agency to ensure we reflect best practice in line with government expectations and reporting standards of our international peers.

At the end of the financial year, the Board will assess whether we have achieved or not achieved each performance measure. A summary of this assessment will be published in our Statement of Performance at the end of the financial year. If we are unable to achieve any of our performance measures' targets, we will provide an explanation of the reasons and outline the follow-up actions taken to ensure we will be able to meet them moving forward.

We want to ensure our performance measures effectively measure and report on our operations in a meaningful and informative way. To support this, we will continue to review and refine our performance measures and targets against the six criteria stated in the Service Performance Reporting Standard (PBE FRS 48).¹

TABLE 1: CRITERIA FOR REFINING OUR PERFORMANCE MEASURES

Characteristic	Description
Relevance	Our performance measures provide relevant information for decision-making purposes.
Understandability	Our performance measures are simple and clear for users to understand.
Faithful Representation	Our performance measures are faithfully represented and are complete, neutral and free from material error.
Timeliness	Our performance measures are reported in a timely manner and are useful for accountability and decision-making purposes.
Comparability	Our performance measures are comparable over time against our strategic intentions and intended outcomes.
Verifiability	Our performance measures have clear assumptions and transparency, are verifiable through independent verification and exclude unsubstantiated claims.

¹ PBE FRS 48 – XRB

Performance measures

Ngā inenga mahi

This section describes our core functions and how we will measure our performance.

TABLE 2: SPE PERFORMANCE MEASURES

Output class	Description
1. Monetary policy	This output details how we support the Monetary Policy Committee (MPC) ² to formulate monetary policy and how we manage our balance sheet to support our economic objectives and the stability of financial markets.
2. Financial stability and prudential regulation and supervision	<p>This output is about the work we do to protect and promote the stability of New Zealand's financial system. We achieve this by:</p> <ul style="list-style-type: none"> • acting as a prudential regulator of banks, insurers, non-bank deposit takers, and other financial institutions under prudential legislation and the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act); and • monitoring the financial system through collecting, analysing and publishing relevant information.
3. Stewardship of money, cash and payments	<p>This output is about the work we do in issuing and managing banknotes and coins, including monitoring and maintaining their distribution and quality and monitoring the needs of the public for banknotes and coins. This includes the work we do to ensure New Zealand's money, cash and payments system continues to be fit for purpose and builds towards a sustainable future.</p> <p>It also covers our work providing New Zealand dollar settlement accounts to financial institutions and the New Zealand Government, and providing securities settlement and depository services, mainly to financial institutions.</p> <p>Our objective is trust and confidence in New Zealand's money, cash and payments system so everyone is able to make safe and efficient payments and complete day-to-day financial transactions.</p>
4. Engaging with stakeholders and cooperating with regulatory agencies and other relevant institutions	<p>This output is about cooperating and engaging with our stakeholders and providing, or facilitating, the provision of information relevant to our objectives. It includes:</p> <ul style="list-style-type: none"> • maintaining meaningful relationships with our stakeholders; • providing, or facilitating the provision of relevant information about our objectives and functions; and • liaising and cooperating with other central banks and relevant international institutions.

² Monetary Policy Committee – Reserve Bank of New Zealand – Te Pūtea Matua (rbnz.govt.nz)

OUTPUT ONE: Monetary policy

PUTANGA TUATAHI: Ngā kaupapa here ā-pūtea

This output details how we support the MPC to formulate monetary policy and how we manage our balance sheet to support our economic objectives and the stability of financial markets.

The Act requires us to advise the Minister of Finance at least every five years on whether the MPC's Remit and Charter should be replaced, amended or remain in force.³ This regular process of review ensures that the operational monetary policy framework remains fit for purpose in a changing world.

TABLE 3: SPE MEASURES FOR OUTPUT ONE – MONETARY POLICY

Measure	2022/23 target
SPE 1 We monitor and assess the MPC against the Remit ⁴ , Charter and Code of Conduct, with a formal review on an annual basis.	Achieved
SPE 2 We have provided MPC with high quality research, forecasts and analysis to ensure monetary policy decisions are made in a fully informed manner consistent with the MPC's remit.	Achieved
SPE 3 We are transparent and effective in our communications on monetary policy to media, the public, government and market participants.	Achieved ⁵
SPE 4 We conduct operations in financial markets and provide standby facilities to implement monetary policy and ensure that short-term market interest rates are within our Board approved tolerance ranges.	Achieved
SPE 5 Our foreign reserves are effectively managed within the range set by the Minister of Finance to support economic objectives and to ensure markets operate in an orderly fashion.	Achieved ⁶
SPE 6 We monitor and manage the level of banking system settlement cash to be within target ranges to facilitate the settlement of day-to-day financial transactions, and provide emergency liquidity assistance in extraordinary circumstances.	Achieved ⁷

³ Monetary Policy Framework – Reserve Bank of New Zealand – Te Pūtea Matua (rbnz.govt.nz)

⁴ In pursuing the operational objectives of the remit, the MPC shall:

- have regard to the efficiency and soundness of the financial system; and
- seek to avoid unnecessary instability in the economy and financial markets; and
- discount events that have only transitory effects on inflation; and
- assess the effect of its monetary policy decisions on the Government's policy to support more sustainable house prices.

⁵ Communications support understanding and the outcomes that result in financial conditions that support delivery of the monetary policy remit.

⁶ We maintain foreign intervention capacity within specified limits. Foreign intervention capacity is measured through a Foreign Currency Liquidity metric, and we manage the associated risks within Board approved risk appetite.

⁷ A key measure of our success is the level of settlement cash in the system to facilitate payment and settlement flows and usage of our standing facilities. We measure these facilities daily and report usage and risks to our Assets and Liabilities Committee monthly.

The role of monetary policy

Monetary policy plays an important role in supporting the Government's economic objectives, promotes the economic prosperity and wellbeing of New Zealanders, and contributes to a sustainable and productive economy.

It contributes to public welfare by reducing cyclical variations in employment and economic activity while maintaining price stability over the medium term – creating conditions that promote full employment as stated in the Act and maintains the purchasing power of money into the future.

These conditions are defined in the MPC Remit, the current version requires us to:

- keep future annual inflation between 1 and 3 percent over the medium term, with a focus on keeping future inflation near the 2 percent mid-point; and
- support maximum sustainable employment, considering a broad range of labour market indicators and taking into account that maximum sustainable employment is largely determined by non-monetary factors.

The MPC is the decision-making committee at the Reserve Bank responsible for making monetary policy decisions in Aotearoa New Zealand.

The MPC is chaired by the Governor and consists of Reserve Bank staff (internal members) and independent external members. The internal members, together with the Governor, must be a majority of the membership of the MPC and all members must follow the Code of Conduct.

The Board is responsible for nominating all MPC members.

A representative from the Treasury also attends MPC meetings as a non-voting observer. The Treasury observer has the same rights to attend and speak as a member but has no right to vote on any question before the MPC and is not subject to the duties that apply to members.

The Board is responsible for regularly reviewing the performance of the MPC and MPC members in accordance with the Act. Each year the Board publishes a statement in our Annual Report on whether, in their opinion, the MPC has adequately discharged their respective responsibilities during the financial year.

The MPC is subject to a monetary policy Remit, Charter and Code of Conduct that together form the Monetary Policy Framework under which the MPC operates and makes decisions. The Minister of Finance sets the operational objectives for monetary policy through the Remit. The Remit provides the MPC with its operational objectives, and the Charter provides directions on decision-making procedures, transparency and accountability. The Code of Conduct sets out minimum standards of ethical and professional conduct to which members must adhere. The Board assesses MPC's performance against all three of these documents.

How we support the MPC to formulate monetary policy

We support the MPC in following the MPC Charter which outlines how they must make decisions.

This includes ensuring members have access to appropriate decision-making material including research and analysis on economic developments, academic papers, and minutes from relevant internal meetings associated with formulating policy advice.

We provide policy advice for the MPC to consider when formulating monetary policy. This advice covers all matters relevant to the goals of monetary policy and its interaction with the stability of the financial system. We also ensure our people, processes and technology are set up to support the decision-making processes and the functioning of the MPC.

We communicate MPC's decisions, considerations and strategy through publishing Monetary Policy Statements which set out the reasoning for the current policy decision in terms of the MPC's published strategy. The current MPC strategy has three main components: inflation forecast targeting, trade-off between inflation and employment, managing risk and uncertainty.

We review the settings of our monetary policy tools seven times a year – four times at the release of the Monetary Policy Statement, and three times at the Monetary Policy Review.⁸

These support activities ensure the transparency of decisions and aids the effectiveness of monetary policy.

⁸ Monetary Policy Statement – Reserve Bank of New Zealand – Te Pūtea Matua (rbnz.govt.nz)

How we implement monetary policy decisions

We implement monetary policy decisions through setting the Official Cash Rate and undertaking financial market activities through our balance sheet. We also have access to a range of additional monetary policy tools to provide sufficient stimulus to the economy if needed such as forward guidance, term lending programmes, and large scale asset purchase programmes.

We use a constant feedback loop to ensure we fully understand the implications and performance of our balance sheet on our business objectives. It is essential that our business objectives are well understood, and information related to the decisions that we make is readily available. We publish a snapshot of the financial position of the Reserve Bank's balance sheet each month to ensure transparency and accountability to all our stakeholders. Our activities are governed by our Statement of Financial Risk Management.⁹

This helps to ensure all New Zealanders have confidence that the Reserve Bank can act swiftly to deliver on its core objectives.

Our financial market activities enable us to protect and promote the stability of the financial system, which in turn facilitates the smooth functioning of the banking system, both on a day-to-day basis and in times of crisis.

The Act requires us to develop a Foreign Reserves Management and Coordination Framework to provide greater transparency of our management and use of foreign reserves. The framework will set out expectations of us in our management, use, and measurement and performance of foreign reserves, as well as the agreed levels of foreign reserves to be maintained.

The first Foreign Reserves Management and Coordination Framework must be agreed by the Minister of Finance and our Board by the end of 2022. The Reserve Bank and the Treasury must review the operation of the framework at least every five years.

How we measure monetary policy effectiveness

We assess monetary policy's effectiveness over a multi-year period rather than annually because monetary policy decisions influence economic outcomes with a lag i.e. decisions taken today have their biggest effects one to two years in the future. The length of this lag varies as the structure of the economy changes.

The Act requires us to review the effectiveness of monetary policy decisions made by the MPC at least every five years.

The five-yearly timeframe enables the MPC's decisions to be implemented and the effects of those decisions to be fully understood. It also allows the MPC to respond to new information and adjust its strategy if required.

This enables us to determine whether monetary policy has achieved its remit goals, identify the reasons for any variances, and identify learnings and areas for future improvement. This longer-term evaluation process ensures that monetary policy decisions are assessed in a meaningful way, drawing on all relevant information available.

The review of our recent performance in conducting monetary policy, including the use of additional monetary policy tools is planned to be completed by the end of 2022. We are undertaking this review alongside the MPC Remit Review which will see us advising the Minister of Finance in 2023 on the operational framework for monetary policy and whether any changes are required to the Remit or Charter.

⁹ Statement of Financial Risk Management – Reserve Bank of New Zealand – Te Pūtea Matua (rbnz.govt.nz)



OUTPUT TWO: Financial stability and prudential regulation and supervision

PUTANGA TUARUA: Te tūtika ahumoni, me te whakarite ture, āta tiro tiro whai whakaaro

This output is about the work we do to protect and promote the stability of New Zealand's financial system. We achieve it by:

- acting as a prudential regulator of banks, insurers, non-bank deposit takers, and other financial institutions under prudential legislation, and the AML/CFT Act; and
- monitoring the financial system through collecting, analysing and publishing relevant information.

TABLE 4: SPE MEASURES FOR OUTPUT TWO – FINANCIAL STABILITY AND PRUDENTIAL REGULATION AND SUPERVISION

Measure	2022/23 target
SPE 7 We identify, monitor and assess financial stability risks and promote public awareness and understanding of these risks and our responses.	Achieved ¹⁰
SPE 8 We supervise regulated entities and investigate instances of non-compliance with sectoral legislation, policy and standards; take action when required to ensure non-compliance is rectified; and, if appropriate, bring enforcement action against non-compliant entities. ¹¹	Achieved
SPE 9 We develop, adapt and implement prudential regulatory tools, taking action when appropriate to address identified opportunities, risks and gaps. ¹²	Achieved

¹⁰ Achieving this target means we identify and inform the public and regulated institutions about risks to the financial system in an approachable manner and our actions are understood in context with our core objectives. This includes publishing a range of documents including the Financial Stability Report, bank and insurer stress tests, thematic reviews, and analyses of any issues relevant to financial stability.

¹¹ Our approach to prudential regulation, supervision, enforcement and resolution is outlined in our Statement of Prudential Policy. In addition, in relation to enforcement matters, our Enforcement Principles and Criteria Guidelines describe the fundamental considerations for the enforcement framework that we will work through and weigh when deciding on the appropriate enforcement response.

¹² This includes regular and ad hoc data collections, engagement with peer domestic and international regulators, and regularly reviewing our policy settings. We are clear and transparent when making any regulatory changes, and changes are subject to consultation and regulatory impact analysis.

Why financial stability and prudential regulation and supervision matter

As kaitiaki of the financial system of Aotearoa, we work to protect and promote the stability of New Zealand's financial system.

We are the prudential regulator and supervisor of Ngā Pekanga, the regulated entities – banks, insurers, non-bank deposit takers, and financial market infrastructures – in New Zealand. We act in a way that enables and supports a sustainable and productive economy, contributing to economic prosperity and wellbeing. This gives the public confidence in our regulated entities and enables New Zealanders to participate in the New Zealand economy.

We carry out our role by establishing regulatory frameworks, undertaking our supervisory and enforcement and resolution roles, and monitoring the financial system. We review our regulatory policies on a regular cycle and take into account a number of factors including changes in international standards and best practice, emerging risks or trends and our engagement with industry.

We take a risk-based approach to our supervision and enforcement activities that is proportionate, collaborative and consistent. We have published our Statement of Prudential Policy,¹³ which provides for transparency in how we act, or propose to act, when performing our functions as a prudential regulator and supervisor. It is important we are transparent on these matters, and promote awareness and understanding of our activities and operations under prudential legislation.

We prioritise regulatory work based on our assessment of benefits of any particular proposal, risks to the financial system, the importance of the work relative to our objectives, its urgency and the availability of our resources. When setting prudential strategic intentions or making significant policy decisions on how to achieve those intentions or issuing or reviewing standards, the Board must have regard to the Financial Policy Remit¹⁴ issued by the Minister of Finance. This document sets out matters the Minister of Finance considers desirable for the Reserve Bank to have regard to in achieving the financial stability objective, furthering the objectives of the prudential legislation or performing our functions as prudential regulator and supervisor.

The Financial Policy Remit issued on 1 July 2022 emphasises the desirability of a strong, efficient and inclusive financial system, with low incidence of failure of regulated entities. It also signals the importance of proportionality, the importance of new investment and innovation, the allocation of financial resources relative to sustainable long-term economic growth, and Government priorities in the areas of housing, climate change, financial inclusion and cyber resilience. We report on how the Board has complied with its duty to have regard to the Financial Policy Remit in our Sol, Annual Report and, in respect of specific policy proposals, in our Regulatory Impact Assessments.

The Deposit Takers Bill was introduced to Parliament on 22 September 2022, and is expected to come into force after receiving Royal Assent in 2023. The Bill's objectives are to protect consumer deposits and increase the stability of our financial system. The two key programmes to be enabled by the Bill are the creation of a Depositor Compensation Scheme – to protect consumer deposits held in banks and non-banks, and strengthening the supervisory and enforcement powers of the Reserve Bank to increase the stability of our financial system. A significant work programme over several years will be required to implement the new prudential framework for deposit takers.

Working with others

We actively collaborate with and consult other regulators and government agencies, domestically and internationally, while undertaking our work on financial stability and prudential regulation and supervision. This includes the Minister of Finance, the Treasury and the Council of Financial Regulators on strategic, legislative, policy development and financial stability matters. We also work with the Financial Markets Authority on the regulation and supervision of financial market infrastructures.

¹³ Our Statement of Prudential Policy – Reserve Bank of New Zealand – Te Pūtea Matua (rbnz.govt.nz)

¹⁴ Our Financial Policy Remit – Reserve Bank of New Zealand – Te Pūtea Matua (rbnz.govt.nz)

OUTPUT THREE: Stewardship of money, cash and payments

PUTANGA TUATORU: Te kaitiakitanga o te moni, o te ukauka me ngā whakapaunga

This output is about the work we do in issuing and managing banknotes and coins, including monitoring and maintaining distribution and quality and monitoring the needs of the public for banknotes and coins. This includes the work we do to ensure New Zealand's money, cash and payments system continues to be fit for purpose and builds towards a sustainable future.

It also covers our work providing New Zealand dollar settlement accounts to financial institutions and the New Zealand Government, and providing securities settlement and depository services, mainly to financial institutions.

Our objective is trust and confidence in New Zealand's money, cash and payments system so everyone is able to make safe and efficient payments and complete day-to-day financial transactions.

TABLE 5: SPE MEASURES FOR OUTPUT THREE – STEWARDSHIP OF MONEY, CASH AND PAYMENTS

Measure	2022/23 target
SPE 10 Our payments and settlement systems meet or exceed 99.95% availability on an annual basis and a minimum of 75% of our customers rate our service as satisfactory or better in our annual customer survey.	Achieved
SPE 11 We monitor and maintain an efficient, resilient and sustainable cash system that meets the public's needs. ¹⁵	Achieved
SPE 12 We explore the future of money and payments to ensure they are reliable, efficient and support innovation and inclusion. ¹⁶	Achieved

¹⁵ This includes ensuring that cash distribution is resilient, inclusive, efficient and lower carbon and set up to meet the public's needs, and considers the public benefits and the increasing cost, efficiency and security challenges of providing cash. In the next 12 months we will be developing an Emission Reduction Plan for currency operations that will cover scope, current activities to reduce (e.g. banknote waste recycling), existing supplier reduction plans, and limitations and opportunities over the longer term.

¹⁶ This includes developing the policy and technical aspects of the central bank digital currency work programme, including through a proof of concept. We will continue to explore the options for a Central Bank Digital Currency in New Zealand through further policy, research and experimentation, and completing proof of concept work. For more information, please visit <https://www.rbnz.govt.nz/notes-and-coins/future-of-money>

Why stewardship of money, cash and payments matters

Money, cash and payment services are essential to protect and promote the stability of the financial system that works for all.

We ensure that the supply and integrity of Te Toto – our currency and physical cash along with the system that moves and stores it – meets the public’s needs, is economically viable and resilient and enables the social and financial inclusion of all New Zealanders. This includes designing, printing and distributing cash, and exercising sound stewardship of the New Zealand cash system.

We are undertaking a multi-year review of the money and cash system and considering whether any significant changes are needed to ensure New Zealanders can enjoy safe and reliable ways to pay and save. The review is looking at:

- the potential of a central bank digital currency;
- new rules or arrangements in the systems that provide cash;
- new rules or service requirements for banks and/or retailers; and
- new rules for providers of new types of private money.

This will ensure that money and cash continue to do their jobs in light of significant changes affecting how New Zealanders pay, receive and save money. This work is a key part of our stewardship role.

We also provide the people of Aotearoa New Zealand with Te Tariwai – the payment and settlement systems for banks and key financial market participants – and oversee these and supporting infrastructure to ensure that the systems are efficient, flexible and robust. These systems protect and promote the stability of the financial system and support the smooth functioning of the economy.

The key systems are the Exchange Settlement Account System and the NZClear system. They are crucial components of New Zealand’s financial architecture and enable transactions between major financial institutions to be cleared and settled. We monitor these systems closely to ensure they are robust and resilient. A safe and efficient payment system is critical to supporting day-to-day financial transactions in the economy.



OUTPUT FOUR: Engaging with stakeholders and cooperating with regulatory agencies and other relevant institutions

PUTANGA TUAWHĀ:

Te tuitui me te hunga whai pānga, me te tautuku ki ngā hinonga whakarite ture, me ētahi atu hinonga hāngai

This output is about cooperating and engaging with our stakeholders and providing, or facilitating the provision of, information relevant to our objectives. It includes:

- maintaining meaningful relationships with our stakeholders;
- providing, or facilitating the provision of, relevant information about our objectives and functions; and
- liaising and cooperating with other central banks and relevant international institutions.

TABLE 6: SPE MEASURES FOR OUTPUT FOUR – ENGAGING WITH STAKEHOLDERS AND COOPERATING WITH REGULATORY AGENCIES AND OTHER RELEVANT INSTITUTIONS

Measure	2022/23 target
SPE 13 We undertake a range of engagements with both domestic and international stakeholders to support an understanding of our objectives and key decisions and learn and collaborate on longer-term strategic challenges.	Achieved
SPE 14 We engage effectively with regulated entities and target at least 75% of respondents rating us as a minimum of 4 out of 5 or equivalent in our annual relationship charter survey. ¹⁷	Achieved
SPE 15 We take a systemic approach and contribute to a sustainable, inclusive and productive economy through our own activities and effective and coordinated partnerships with stakeholders. ¹⁸	Achieved
SPE 16 We operate in a financially responsible manner by managing our expenditure in line with our funding agreement as approved by the Minister of Finance.	Achieved

¹⁷ We assess our effectiveness in engaging with regulated entities using the Annual Relationship Charter (the Charter) survey. The Charter commits the Reserve Bank and the financial sector to a mutual understanding of appropriate conduct and culture and is underpinned by the principle of 'te whakatōpū' the combined stewardship of an efficient system for the benefit of all.

¹⁸ This includes having capacity and a credible work programme that enables us to explore Māori access to capital in the New Zealand economy, take action to understand and help mitigate the risks of climate change to the financial system, and understand our role in improving financial inclusion and maintaining financial sector diversity in New Zealand. We do this through strong relationships with domestic and international stakeholders, including through the Council of Financial Regulators, the Trans-Tasman Banking Council, the Executives' Meeting of East Asia Pacific Central Banks and the Network for Greening the Financial System.

Why we engage and cooperate with our stakeholders

Our role is primarily one of guardianship – or kaitiakitanga – of New Zealand’s financial system. We strive to deliver on our responsibilities to all stakeholders reliably, transparently and inclusively, with integrity and with innovation.

We operate within an ever-changing economic, social, political and cultural environment and must always be listening and learning. This is key to ensuring that we continue to deliver on our purpose and contribute to a sustainable, inclusive and productive economy for New Zealand.

Today, more than ever, there are a number of clear and significant risks and challenges that can impact our effectiveness. Some of these are global, some are unique to New Zealand and some are specific to the financial system or to individual sectors.

As kaitiaki we must remain vigilant to these challenges and cooperate with peer agencies and other institutions where there is joint stewardship (te whakatōpū) of a stable and resilient financial system that benefits all New Zealanders.

As Aotearoa’s full-service central bank, we engage widely with a diverse range of stakeholders – from financial institutions and markets, to the media, academics, the general public, and other regulatory agencies within Aotearoa and internationally. We are committed to working together with all our stakeholders to deliver on our vision and support our learning. Engaging and collaborating effectively with our stakeholders is vital to our performance and we continually look to develop new ways to keep our stakeholders informed on our work. Maintaining meaningful relationships enables us to access the insights we need and cooperate on achieving our shared strategic goals.

One of our key relationships is with our regulated entities. We use our Relationship Charter¹⁹ to guide our behaviour and communications with the firms that we license and supervise.

We also cooperate and coordinate with the other guardians of the financial system through our ongoing commitment to Kaunihera Kaiwhakarite Ahumoni – the Council of Financial Regulators²⁰ – which is made up of five agencies:

- Reserve Bank
- Financial Markets Authority
- Commerce Commission
- Ministry of Business, Innovation and Employment
- The Treasury

We continue to build strong relationships internationally, including with other central banks and through relevant international institutions such as the Bank for International Settlements, the Financial Action Task Force, the Trans-Tasman Banking Council, the Executives’ Meeting of East Asia-Pacific Central Banks and the Network for Greening the Financial System.

These relationships enable us to support initiatives that provide benefits for the global and regional economies, as well as New Zealand, and to learn from and respond to international standards and best practice.

¹⁹ Relationship Charter – Reserve Bank of New Zealand – Te Pūtea Matua (rbnz.govt.nz)

²⁰ Kaunihera Kaiwhakarite Ahumoni | Council of Financial Regulators (cofr.govt.nz)



**Forecast financial
statements**
**Ngā matapae
tauākī pūtea**

Forecast statement of comprehensive revenue and expense

for the year ended 30 June 2023

TABLE 7: FORECAST STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2023

	2023 Budget
For the year ended 30 June	\$M
Operating revenue	
Net investment income	263
Other revenue	23
Total operating income	286
Operating expenses	
Staff expenses	86
Property related expenses	16
Net currency-issued expenses	7
Other operating expenses	60
Total operating expenses	169
Surplus/(Deficit)	117

Net expenditure budget

for the year ended 30 June 2023

TABLE 8: NET EXPENDITURE BUDGET FOR THE YEAR ENDED 30 JUNE 2023

	Operating Revenue	Operating Expenses	Surplus / (Deficit)
For the year ended 30 June	\$M	\$M	\$M
Monetary policy	263	48	215
Financial stability and prudential regulation and supervision	1	50	(49)
Stewardship of money, cash and payments	21	53	(32)
Engaging with stakeholders and cooperating with regulatory agencies and other relevant institutions	1	18	(17)
Total	286	169	117

Monetary policy operating revenue relates to net investment income. Foreign exchange and Fair Value movements are not projected and therefore not included in the projected financial performance of 2022/23.

The budget is based on the key assumptions outlined on page 21. It is important to note that the Reserve Bank's assets and liabilities are sensitive to changes in interest rates and exchange rates, and that actual financial results could differ materially from those budgeted. These figures include ancillary service areas which support the delivery of outputs. They include Digital Solutions and Security; Finance and Commercial Operations; Information, Data and Analytics; Risk Compliance and Legal Services; Strategy, Governance and Sustainability and Transformation, Innovation, People and Culture.

As at 31 May 2022, a 10 percent appreciation in the value of the New Zealand dollar would reduce our comprehensive income by \$304 million, and conversely a 10 percent depreciation in the value of the New Zealand dollar would add \$372 million to our comprehensive income. A 1 percent increase in market interest rates for all terms would reduce comprehensive income by about \$107 million, and a 1 percent reduction in market interest rates would increase comprehensive income by about \$105 million. Interest rate sensitivities for the Large Scale Asset Purchase programme are nil due to the indemnity from the Crown offsetting any unrealised bond revaluation gains or losses.

Statement of significant assumptions

Our accounting policies and standards are described in our Annual Report and are in accordance with section 244 of the Act and Tier 1 Public Benefit Entity Accounting Standards, issued by the New Zealand Accounting Standards Board, and comply with generally accepted accounting practice.

Table 7 outlines our budgeted income and expenditure for 2022/23. The key assumptions underlying the budget for the year ended 30 June 2023 are that:

- We are expecting continued growth and investment in our people, our capabilities and our systems.
- Balance sheet growth is expected to slow down as the forecast uptake in the Funding for Lending programme is expected to be partially offset by the commencement of bond close-outs in the Large Scale Asset Purchase programme.
- Foreign exchange rate movements have not been forecast with the Reserve Bank taking a neutral stance on any foreign exchange movements.
- Market interest rate projections are applied to the forecast and are independent of any internal Official Cash Rate expectations.
- There is no change in the creditworthiness of the Reserve Bank's counterparties.



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Reserve Bank
of New Zealand
Te Pūtea Matua

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