

SAFEGUARDING THE FUTURE OF OUR FINANCIAL SYSTEM

The role of the Reserve Bank and how it should be governed

Have your say

To have your say on these important issues, please answer the questions below and send this form by email to rbnzactreview@treasury.govt.nz

To get more information on these topics and the wider Reserve Bank Act Review, see the full consultation document at treasury.govt.nz/rbnz-act-review.

Please note that some of our responses more than fill the text boxes and scrolling is necessary to see the whole response. Empty boxes mean we have no comment.

C2

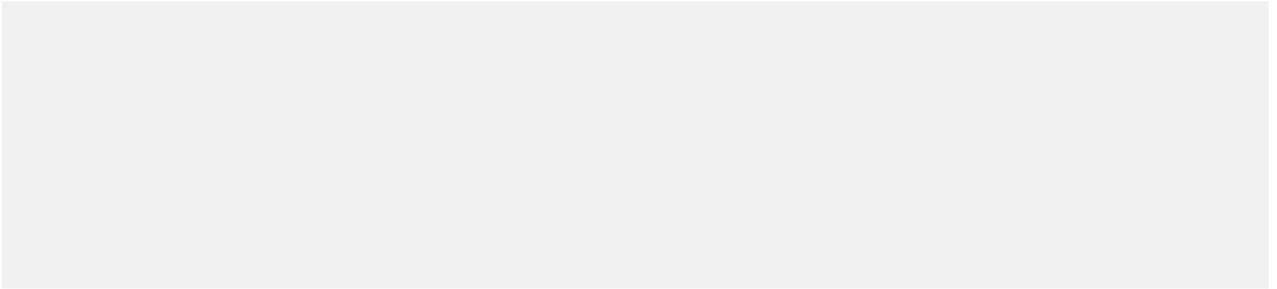
What high-level financial policy objectives should the Reserve Bank have?

1. *Are the Reserve Bank's existing high-level financial policy objectives still appropriate and fit for the future?*

a) Should 'soundness' remain a high-level financial policy objective of the Reserve Bank, or would a 'financial stability' objective be more appropriate?

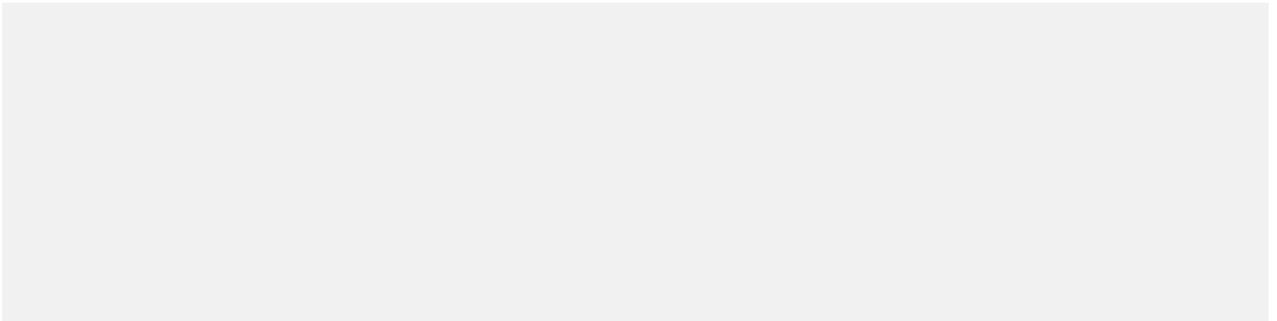
b) What role should the Reserve Bank play in promoting 'efficiency'? Should it have a narrow mandate (e.g. focused on regulatory efficiency) or a broad one (e.g. including allocative efficiency and promoting sustainable growth)?

- c) Should 'efficiency' remain a high-level objective of the Reserve Bank, or should it be demoted to a lower tier of the legislation?

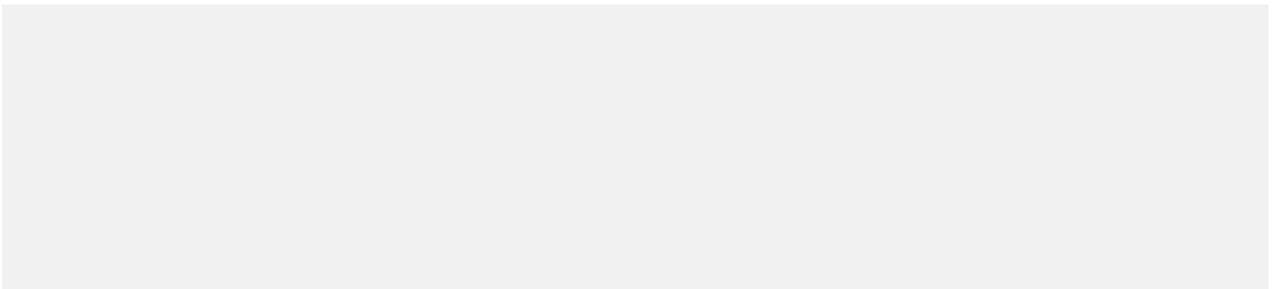


2. Should the Reserve Bank be given additional high-level financial policy objectives?

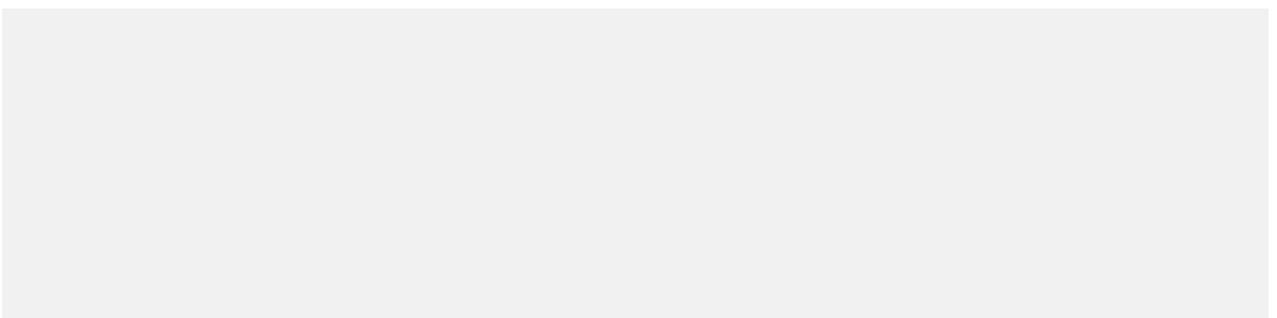
- a) How many high-level financial policy objectives should the Reserve Bank have – are the gains of having multiple objectives worth the costs of lost focus?



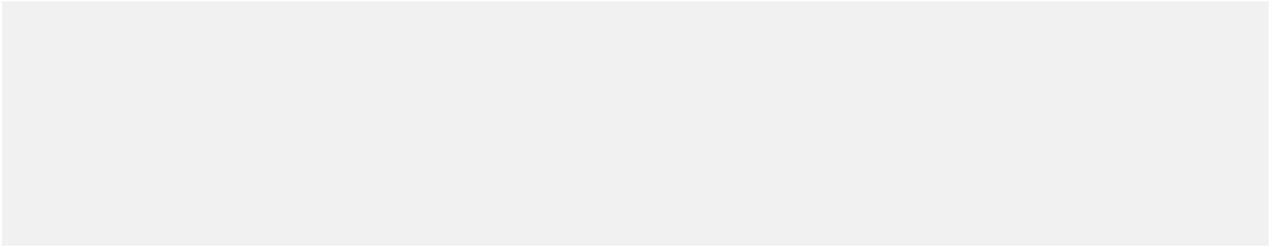
- b) Should 'competition' be promoted to a high-level objective of the Reserve Bank, or should it remain as a lower-tier objective?



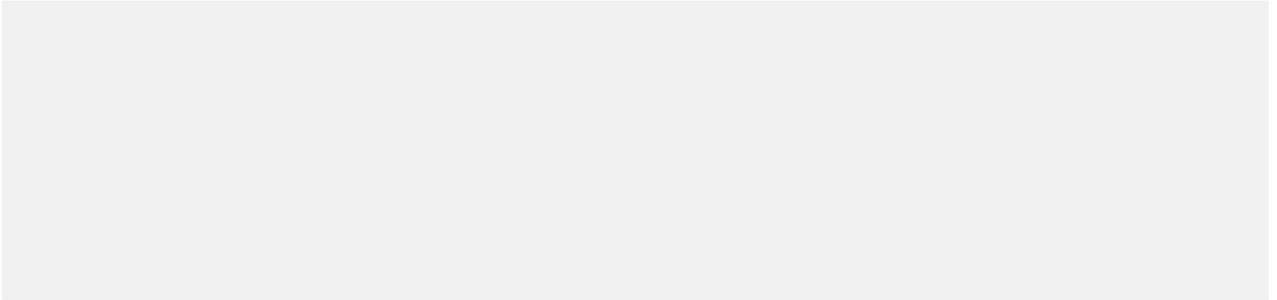
- c) Should 'consumer protection' be added to the Reserve Bank's objectives?



- d) Should 'public confidence (or trust)' be reinstated as a high-level financial policy objective of the Reserve Bank



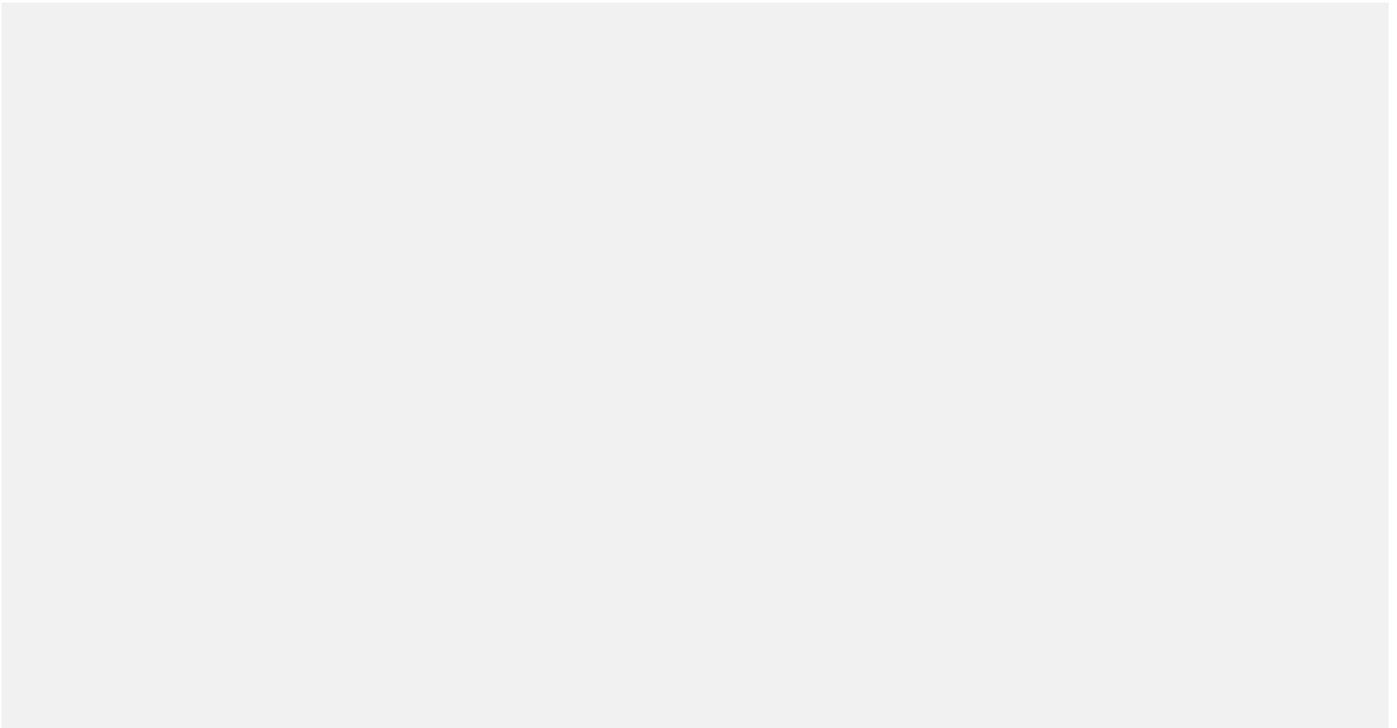
- e) Are there any other objectives you think the Reserve Bank should be given?



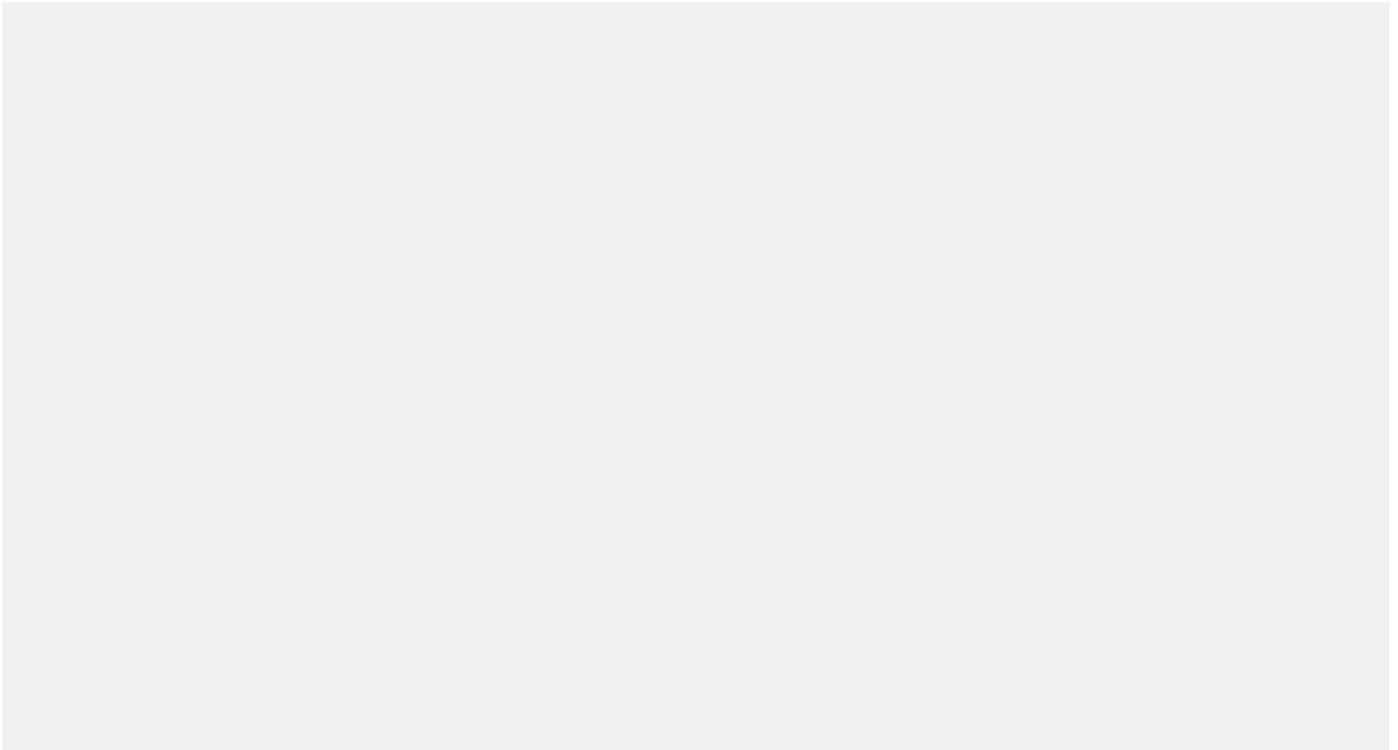
C3

Who does the Reserve Bank regulate and how should the regulatory perimeter be set?

- 3. What are your views on the costs and benefits of moving from the current perimeter to an ADI (authorised deposit-taking institution) type of framework? Based on your views, is this an issue worth pursuing?



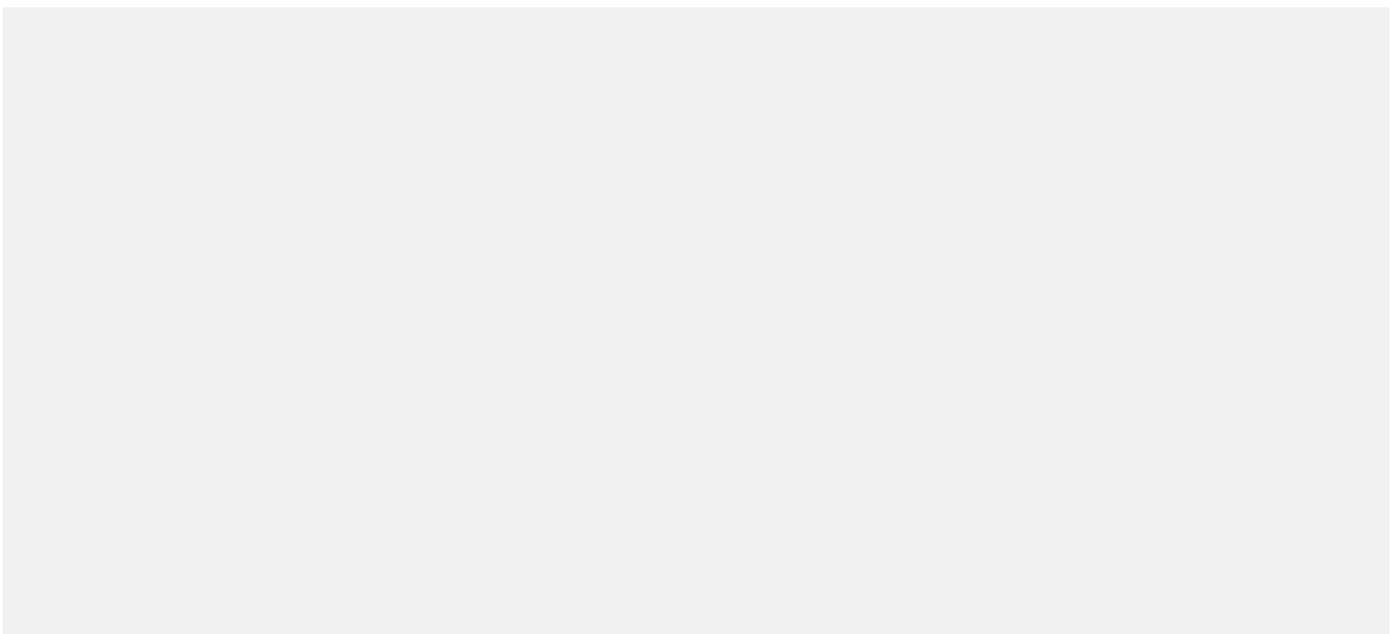
4. Is new legislation the most appropriate way to adjust the prudential perimeter, or could a timelier mechanism be better? What accountability processes would be necessary to accompany any new mechanism?



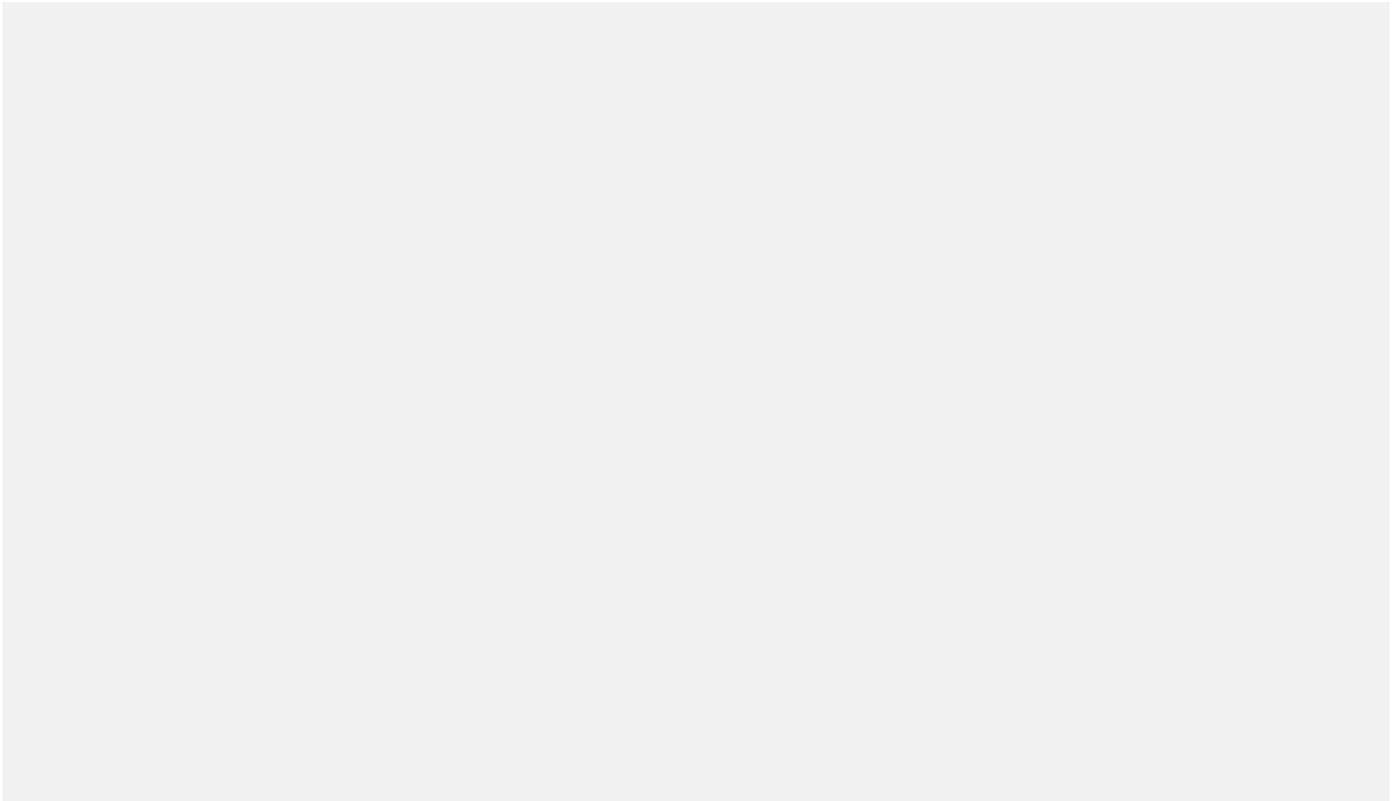
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Should there be depositor protection in New Zealand?

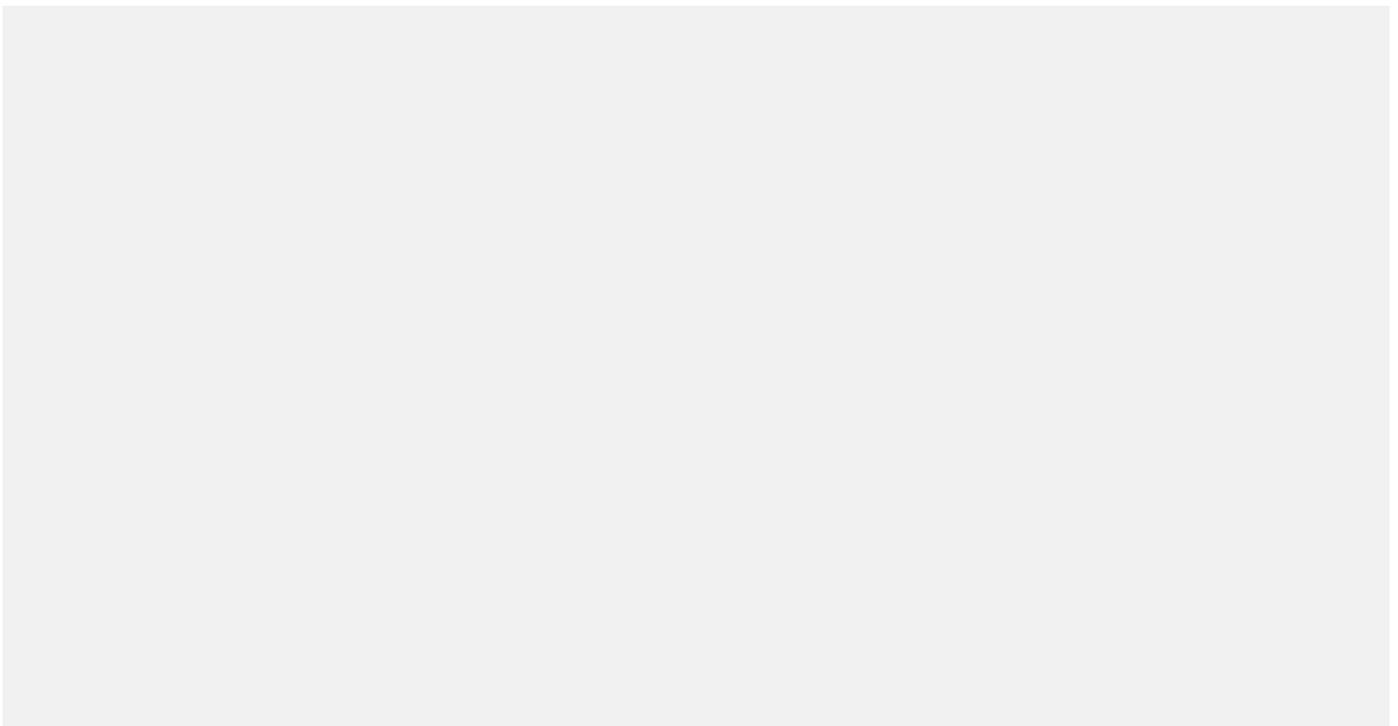
5. Have the key benefits of the status quo and the identified depositor protection options been correctly identified?



6. Is the high-level assessment of the risks and costs under the status quo and the identified depositor protection options reasonable?



7. On balance, do the arguments support a case to progress work on depositor protection in New Zealand? Why or why not? If yes, which protection approach do you prefer and why?



8. (To the extent possible) what are the potential implications of your preferred approach to depositor protection, for depositors, other bank creditors and investors, banks and other financial firms, taxpayers, and the operation of the New Zealand financial system?

9. Are there any alternative protection options, design principles, or complementary policies that could improve outcomes for the stakeholders identified above?

Should prudential regulation and supervision be separated?

- 10.** In your view, have the key conceptual arguments both for and against assigning a prudential role to a central bank been considered? If not, what other important arguments are there?

- 11.** In the New Zealand context, are there any significant problems associated with locating monetary and prudential policy within the Reserve Bank (i.e. the status quo)? If so, how would 'separation' address these problems?

- 12.** Do you agree that the three alternative models for institutional arrangements (a New Zealand Prudential Regulation Authority, a New Zealand Financial Services Authority and an 'enhanced status quo') are the correct options to consider? If not, please suggest any alternative options of institutional arrangements not discussed here. Please indicate your preferred option, and your reasons for preferring it.

- 13.** What do you consider would be the main impact on relevant stakeholders (industry, ordinary depositors etc.) arising from each option?

- 14.** Do you agree with the evaluative criteria and the assessment of the three options? If not, please suggest any evaluative criteria and/or alternative assessment you think should be included here.

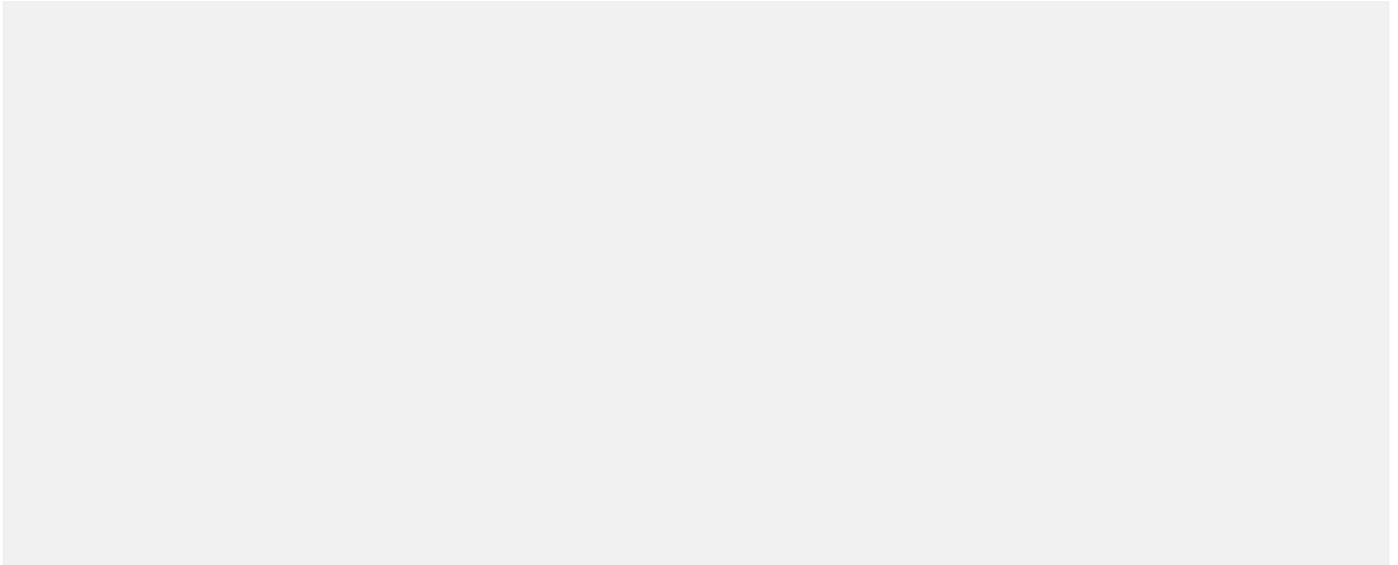
- 15.** If the 'enhanced status quo' is your preferred option, what features of this option are likely to be most important in addressing any problems you might see with current arrangements?

What should be the scope of the Reserve Bank's operational independence?

C7

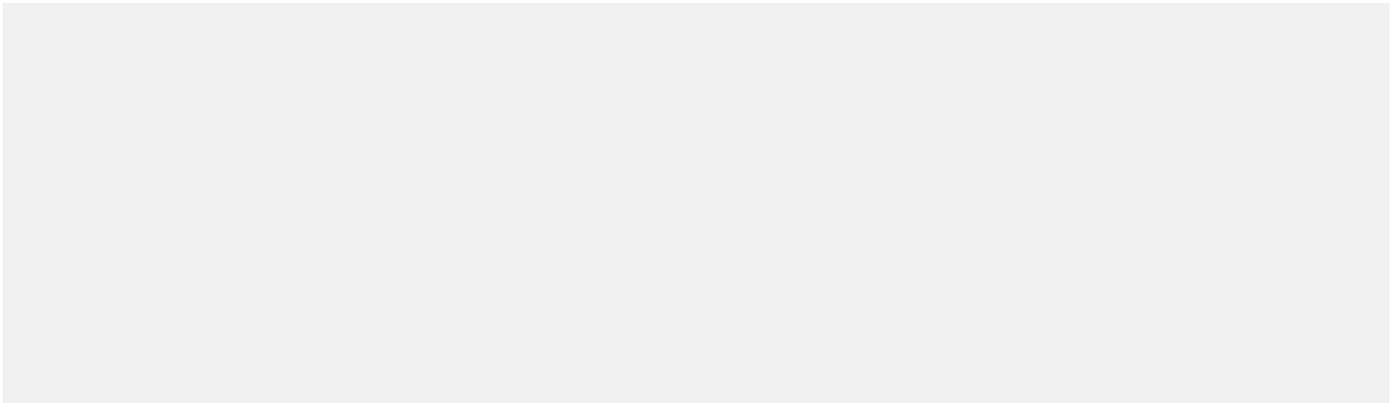
~~Should prudential regulation and supervision be separated?~~

16. Do you consider there is a case for a Ministerial role in clarifying the Reserve Bank's financial policy objectives?

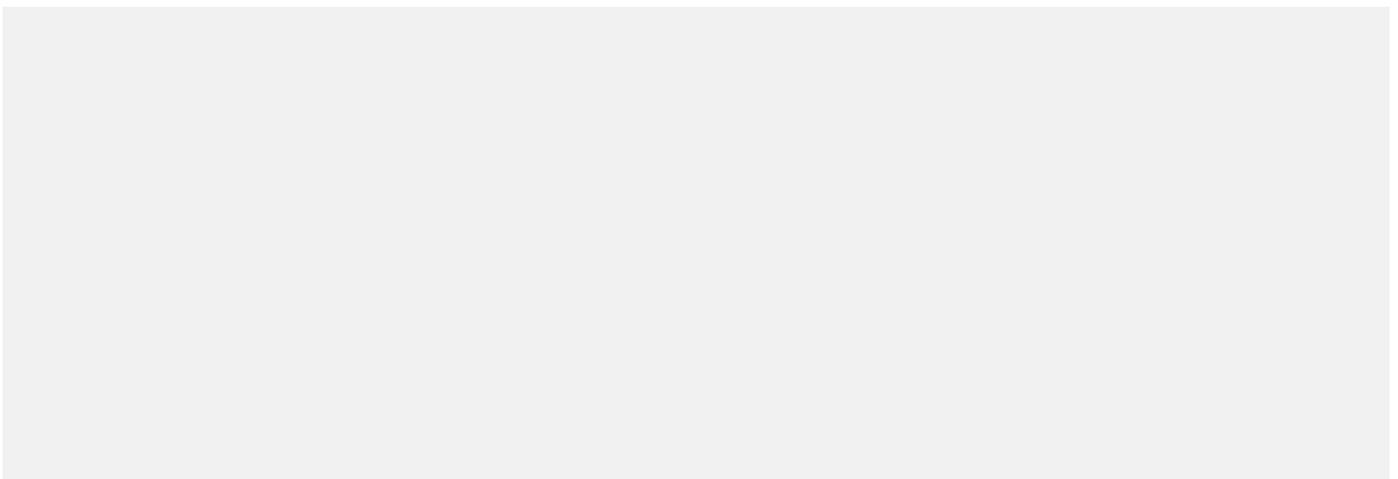


17. If the Reserve Bank's objectives are to be clarified:

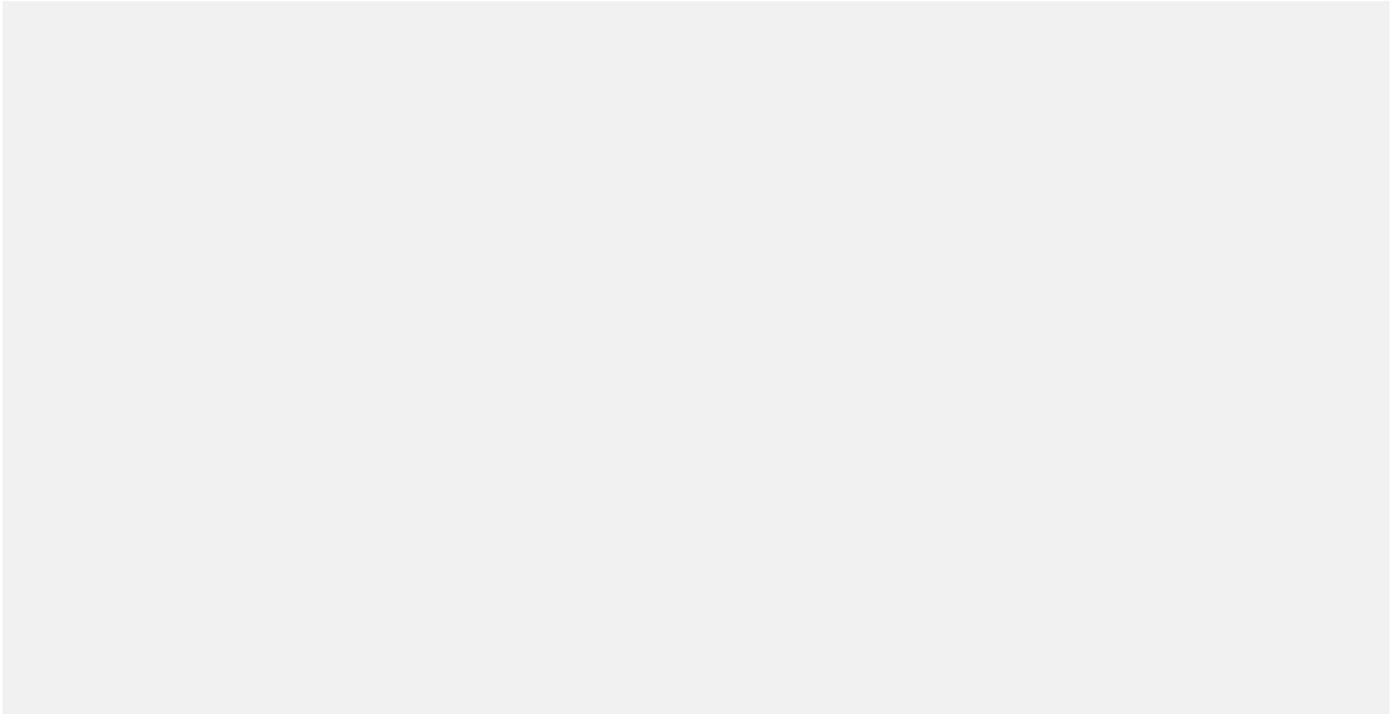
a) what should the Minister of Finance's role be?



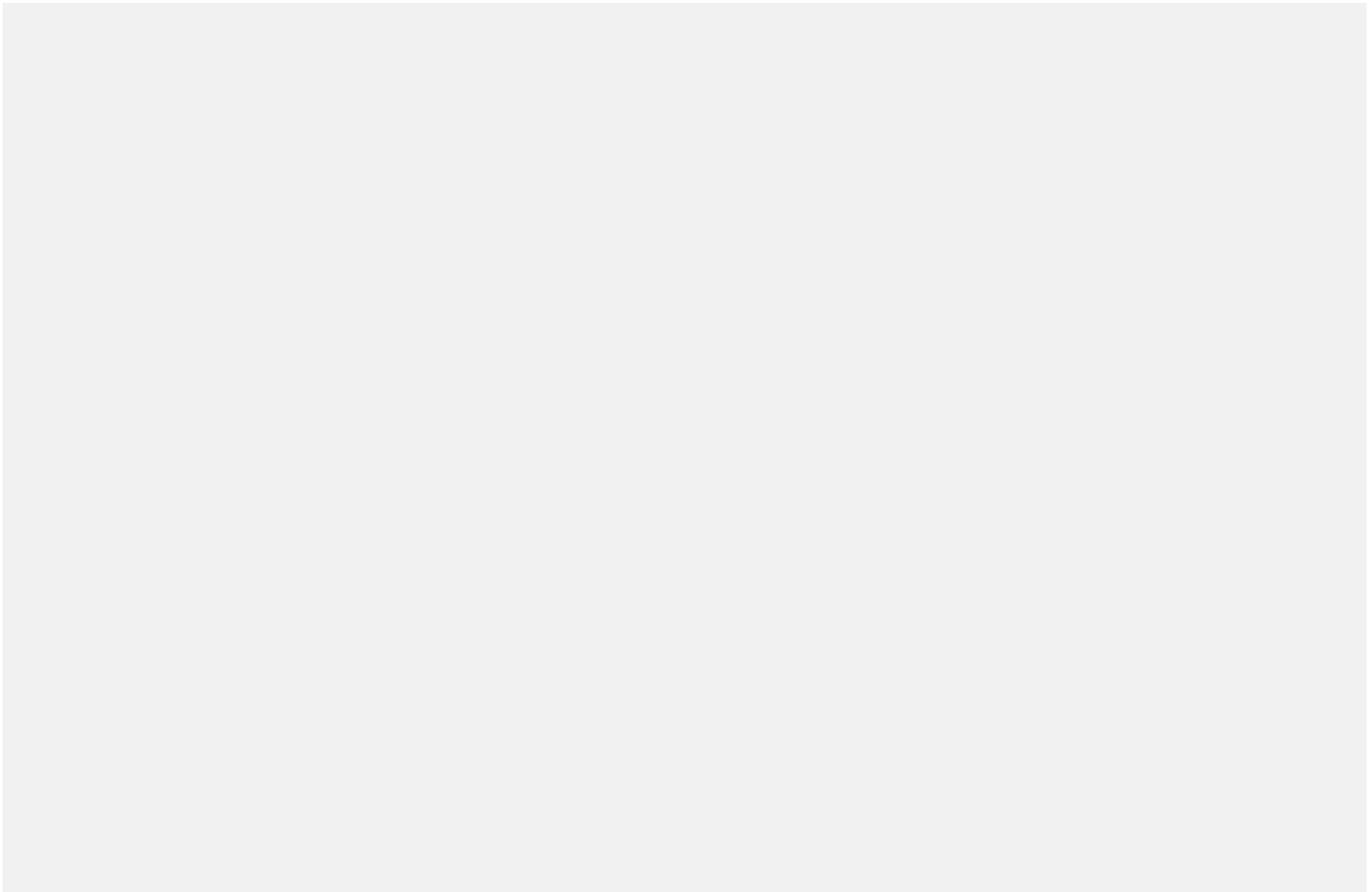
b) what other mechanisms could be used to clarify the Reserve Bank's objectives?



18. Do you think there is a case for making the Reserve Bank’s operational independence more explicit, for example by removing the requirement for Ministerial consent for certain policy instruments and direction powers? If so, will this require any process or governance changes?



19. Should the administration of the Reserve Bank Act (and other Acts creating regulatory regimes operated by the Reserve Bank) remain with the Reserve Bank or transfer to the Treasury?



How should the Reserve Bank be structured?

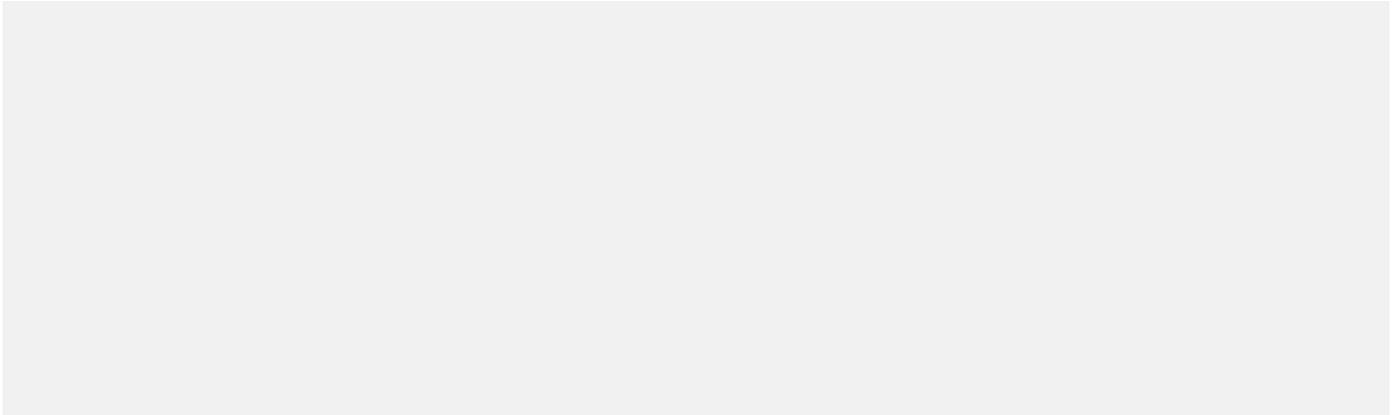
20. Should the governing body of the Reserve Bank be a single decision-maker or a board? What are the key considerations in support of your view?

21. Should there be a Financial Policy Committee, and if so, what should it do? What are the key considerations in support of your view?

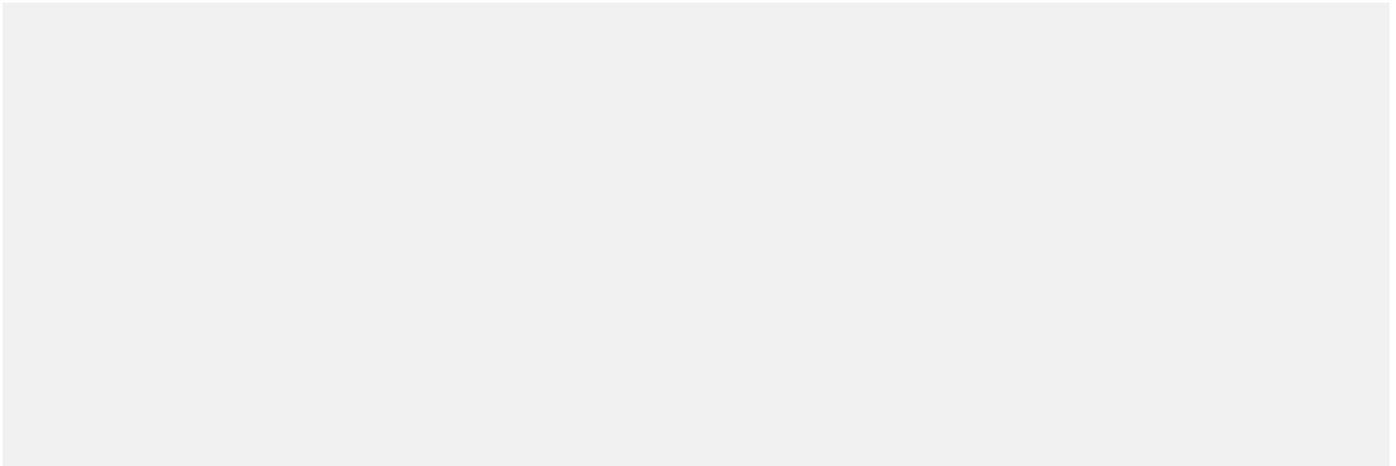
22. Are there any other legislative structures for the governance of the Reserve Bank's powers and functions that you think should be considered?

~~How should the Reserve Bank be structured?~~

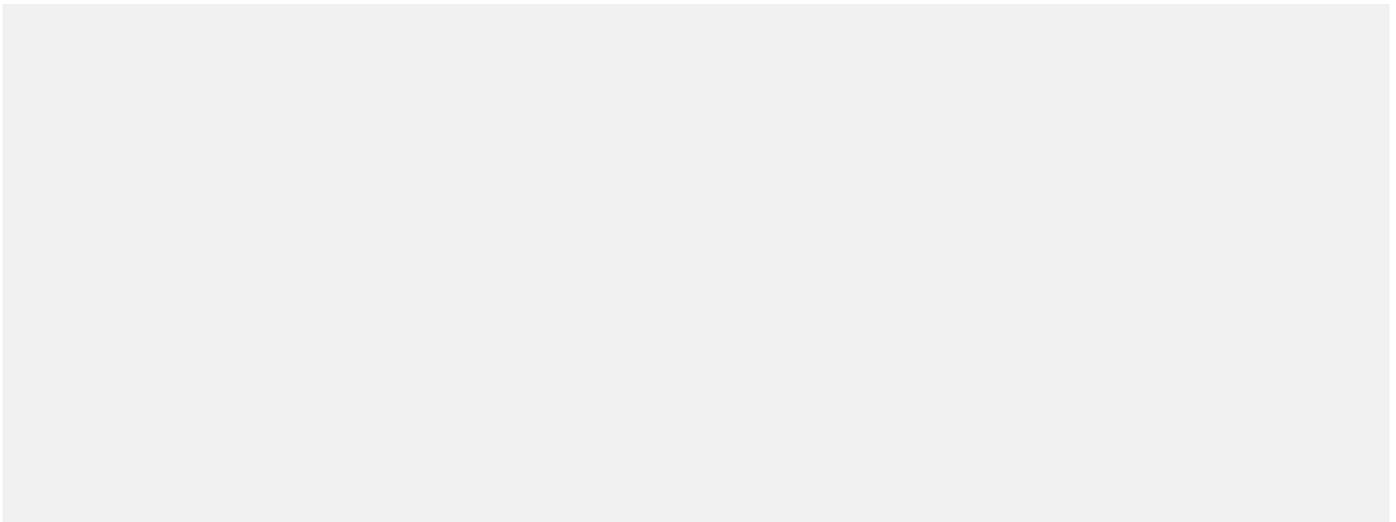
23. Who should monitor the Reserve Bank? What do you see as the key considerations in determining who the monitoring agent should be?



24. If the existing Board is retained as a monitoring agent only (e.g. in the form of a supervisory council), what changes do you see as necessary to improve its effectiveness?



25. Are existing statutory accountability and transparency requirements sufficient? If not, in what areas would you like to see more?



Contact details:

Name:

Organisation
(if applicable):

What happens to your submission?

Following the completion of the consultation process, the intention is to publish all submissions as well as a report summarising the key messages and emerging themes.

Please indicate below:

If you wish your submission to be anonymised

If you have any objection to your submission or parts of it being published

Please state the reasons for withholding this information in the box below

Please note that submissions received are subject to the Official Information Act 1982 (OIA). If you do not want information in your submission being released under the OIA, please clearly state which part(s) you consider should be withheld, and the reason(s) for doing so. The OIA sets out reasons for withholding information. Your objections will be considered when responding to requests under the OIA.

Submission instructions: To attach this form to an email, click 'File' (ALT F) and then 'send file'. Please send the email with form attached to rbnzactreview@treasury.govt.nz

Thank you for your contribution