

Submission

to the

Finance and Expenditure Committee

on the

Reserve Bank of New Zealand (Monetary Policy) Amendment Bill

12 September 2018

About NZBA

1. NZBA works on behalf of the New Zealand banking industry in conjunction with its member banks. NZBA develops and promotes policy outcomes that contribute to a strong and stable banking system that benefits New Zealanders and the New Zealand economy.
2. The following seventeen registered banks in New Zealand are members of NZBA:
 - ANZ Bank New Zealand Limited
 - ASB Bank Limited
 - Bank of China (NZ) Limited
 - Bank of New Zealand
 - MUFG Bank, Ltd
 - China Construction Bank
 - Citibank, N.A.
 - The Co-operative Bank Limited
 - Heartland Bank Limited
 - The Hongkong and Shanghai Banking Corporation Limited
 - Industrial and Commercial Bank of China (New Zealand) Limited
 - JPMorgan Chase Bank, N.A.
 - Kiwibank Limited
 - Rabobank New Zealand Limited
 - SBS Bank
 - TSB Bank Limited
 - Westpac New Zealand Limited

Background

3. NZBA welcomes the opportunity to provide feedback to the Finance and Expenditure Committee on Reserve Bank of New Zealand (Monetary Policy) Amendment Bill and commends the work that has gone into developing the Bill.
4. If you would like to discuss any aspect of the submission further, please contact:

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Introduction

5. NZBA supports the purpose of the Bill and the intent of increasing transparency of monetary policy decisions via establishment of a monetary policy committee.

Establishment of Monetary Policy Committee

6. New Zealand's monetary policy has worked well for many years but NZBA notes that it is appropriate to review the Reserve Bank Act to look at ways to improve the setting of the official cash rate.
7. In particular, the Reserve Bank Act currently permits official cash rate (OCR) decisions to be made solely by the Reserve Bank Governor. This means that New Zealand's monetary policy decision making process is out of step with other countries such as the United Kingdom and Australia, each of which have a committee structure to advise on those decisions and make the minutes public.
8. NZBA believes it is appropriate for New Zealand to formalise the use of a monetary policy committee structure within the Reserve Bank Act and to publish the minutes of that committee's meetings.
9. NZBA believes it is likely that these developments will provide better information and insights to the market when formulating monetary policy.
10. Our member banks have provided further details in their submissions on this Bill.