

Senate Standing Committee on Economics
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into Treasury Laws Amendment (Reserve Bank Reforms) Bill 2023

Department: Department of the Treasury
Topic: RBA governance
Reference: Written
Senator: Andrew Bragg

Question:

1. Is it honestly the case that the existing Reserve Bank Board cannot undertake basic corporate governance in addition to making monetary policy decisions?
2. The RBA noted in its submission that given the challenging policy environment, “a high degree of continuity of membership will be important during 2024 and 2025.” Do you agree with this evidence?
3. The legislation does not specify what happens to existing Board members. Would you be concerned that this lack of clarity creates uncertainty in the market and in the RBA internally?

Answer:

1. The RBA Review found that the current Reserve Bank Board functions almost entirely as a monetary policy decision-making body and that the Reserve Bank Board’s role in the corporate governance of the RBA is both limited and unclear under the current arrangements. The Reserve Bank Board has a statutory obligation to:
 - approve the RBA’s annual financial statements
 - determine the Governor and Deputy Governor’s remuneration, and
 - approve the Audit Committee’s charter.

The creation of a Governance Board would enable greater oversight of the RBA’s complex affairs as an organisation, including with regards to risk management, staff resourcing, large projects and infrastructure, and providing critical banking and banknote services. It would do so while also strengthening the RBA’s focus on monetary policy.

2. Continuity of membership on both the Monetary Policy Board and Governance Board will be important during the transition, supporting the continuity of decision making.

Consistent with the recommendations of the RBA Review, the Treasurer has confirmed that existing Board members will be asked to consider continuing their term by being appointed to one of the new Boards.

3. The transitional arrangements set out in the legislation before Parliament make provision for existing Board members to initially serve on one of the new Boards for a period equivalent to the remainder of their current term. This facilitates continuity of membership between the existing Reserve Bank Board and the proposed Monetary Policy Board and Governance Board.