

**SENATE ECONOMICS LEGISLATION COMMITTEE
TREASURY LAWS AMENDMENT BILL (RESERVE BANK REFORMS) 2023
28 FEBRUARY 2024**

Questions in Writing by Senator Andrew Bragg

1. Do you support the concept of two boards to manage monetary policy and governance matters respectively?

Answer:

Yes.

As noted in our submission to this inquiry, the RBA believes that the current approach of endowing the Governor with responsibility for governing all aspects of the RBA has worked well over many decades. However, the submission also noted that the current approach places a considerable set of responsibilities on the Governor. It is inconsistent with contemporary standards of corporate governance of complex entities, including other central banks. We believe that the proposed Governance Board, which would become the RBA's accountable authority under the *Public Governance, Performance and Accountability Act 2013* (PGPA) instead of the Governor, would bring skills and oversight to reinforce the additional focus on operational excellence achieved through the recent appointment of a Chief Operating Officer. The RBA is of the view that these changes will collectively strengthen its capacity to navigate the changing and more complex environment in which it operates today.

2. How important is this concept to you?

Answer:

We think there are significant gains that could be achieved by having a board that is focused on overseeing, probing and challenging the RBA on matters of governance. We expect that the proposed Governance Board would assist the RBA's efforts to foster high-quality leadership and an open and dynamic culture, enhance the resilience of the RBA's payment and banking systems (including its resilience to cyber-attack), and simplify the RBA's processes to enable more timely and effective decision-making.

At the same time, we acknowledge that there are considerable improvements that the RBA can achieve in these areas without a Governance Board. One important step in this process has been to strengthen the RBA's leadership through the appointment of a Chief Operating Officer. There are also a myriad other staff-level initiatives that the RBA is already undertaking to strengthen its culture, efficiency, resilience and governance.

3. Is it honestly the case that the existing Reserve Bank Board cannot undertake basic corporate governance in addition to making monetary policy decisions?

Answer:

It is important to note that the existing Reserve Bank Board does not currently have oversight of the management and organisational affairs of the RBA or other corporate governance responsibilities, except for some limited responsibilities to approve the financial statements and to approve the charter for the Audit Committee. The Governor, not the Reserve Bank Board, is currently the accountable authority under the PGPA Act responsible for most aspects of governance. The existing Reserve Bank Board could not undertake broader corporate governance responsibilities without

legislative change. In particular, legislative change would be required to make the Reserve Bank Board the accountable authority under the PGPA Act.

The existing arrangements have largely worked effectively over many decades. However the RBA believes that better governance and higher quality monetary policy decision-making can both be delivered by separate boards with the mandates provided for in the Bill. These separate boards would allow the Treasurer, over time, to appoint members to each board who have more specialist expertise than has historically been true of members of the Reserve Bank Board, for which generalist skills have been valued. It will also allow members of each board to focus on using their experience and skills in one domain, rather than requiring them to master a broad range of topics. Facilitating a more focused approach by members of the relevant board could better equip them to probe, challenge and direct the staff's policy analysis (in the case of the Monetary Policy Board) and the RBA's operations (in the case of the Governance Board).

The RBA is of the view that a need for greater specialisation has risen over time as the economic landscape and the RBA's operations have become more complex, and as governance needs and community expectations have increased. These changes justify a different approach to the RBA's governance than has been relied upon in the past.

Reserve Bank of Australia
8 March 2024