

Modernising New Zealand's Monetary Policy Framework: Phase One Cabinet Decisions

Purpose of the Reserve Bank Act

To promote the prosperity and wellbeing of the people of New Zealand and contribute to a sustainable and productive economy

Overarching objectives

Monetary policy to be directed at achieving and maintaining stability in the general level of **prices** over the medium term and supporting maximum sustainable **employment**

Operational objectives

To be set by the Minister of Finance following the receipt of non-binding public advice from the Reserve Bank
(currently set in the *Policy Targets Agreement*)

Monetary Policy Committee (MPC) responsible for formulating monetary policy

7 voting members (the Act will allow 5 to 7), majority internal members
All members to be nominated by the Reserve Bank Board, appointed by the Minister of Finance

Internal members

Governor and Deputy Chief Executive
ex-officio members, Governor as Chair, casting vote if required
5-year terms (staggered)
Max 2 terms in one role
Full-time



**Non-voting
Treasury observer**

External members

Non-Bank staff with relevant knowledge and experience
4-year terms (staggered)
Max 2 terms
Part-time

Reserve Bank Board

Minister of Finance appoints Board and determines Chair and Deputy Chair

Board responsible for monitoring performance of the MPC and its individual members in their duties

The MPC and Minister of Finance to agree a Charter setting out the approach to issues defined in the Act, including the approach to its work and communications

Details of the first Charter are yet to be determined, but it is the **Minister's intention** that:

- The MPC aims to reach decisions by consensus
- Non-attributed votes are published where there is not consensus
- Non-attributed records of meetings that reflect any differences of view are published