

# New Zealand: Reserve Bank of New Zealand Act 2021.

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## **New Zealand: Institutional Reform Through The Introduction of Reserve Bank of New Zealand Act 2021 (Legislative Comment)**

### ***Reserve Bank of New Zealand Act 2021 Introduced to Strengthen the Reserve Bank of New Zealand's Accountability and Transparency***

On 16 August 2021, the Reserve Bank of New Zealand Act (RBNZA) 2021 was signed into law to repeal and replace the parts of the RBNZA 1989. The RBNZA 2021 will come into force on 1 July 2022 to increase the accountability and transparency of the Reserve Bank of New Zealand. This article seeks to examine the key features of the RBNZA 2021.

### ***Background***

The RBNZA 1989 (renamed as the Banking Act after the RBNZA 2021 was passed), existed for more than 30 years. The Reserve Bank of New Zealand operates under the RBNZA 1989 framework for more than 30 years. Over the past few decades, the Reserve Bank of New Zealand has played an important and increasing role in the changing financial market environment. The Reserve Bank of New Zealand proved its significance during the economic crisis caused by the COVID-19 outbreak. Because the RBNZA 1989 does not adequately reflect the Reserve Bank of New Zealand's broader mandate to protect and promote the stability of the New Zealand financial system, as well as its expanding role as the regulator of an increasingly dynamic financial sector, the RBNZA 2021 was introduced to empower New Zealand's economic well-being and prosperity. The RBNZA 2021 will substantially alter how the Reserve Bank of New Zealand functions and is governed by making it more transparent and accountable.

### ***Key Features***

The RBNZA 2021 establishes a new statutory governance board that will be accountable for all decision-making in the Reserve Bank of New Zealand (except decisions made by the Monetary Policy Committee). The board is responsible for all decisions that do not pertain to monetary policy, which are primarily prudential and operational issues. By virtue of his or her position as Governor of the Reserve Bank of New Zealand, the Governor will serve on the board in addition to serving as Chief Executive. Also, the Governor will be actively engaged in decision-making.

While the Reserve Bank of New Zealand is still independent, it needs to operate in a similar way to crown entities and its planning and reporting. The Reserve Bank of New Zealand will be overseen by a new governance board and an external monitoring agency. Such new features require the Reserve Bank of New Zealand to do more planning and reporting to show how it performs its role. Additionally, the RBNZA 2021 formalises the role of the New Zealand Treasury as an external monitor, reporting to them on the Reserve Bank of New Zealand's performance, including consideration of a new Financial Policy Remit issued by the Minister of Finance.

Regarding enhancing its transparency, the RBNZA 2021 introduced a new Foreign Reserves Management and Co-ordination Framework, which will offer better transparency regarding the management and use of foreign reserves of the Reserve Bank of New Zealand.

New Zealand: Institutional Reform Through Reserve Bank of New Zealand Act 2021  
(Legislative Comment)

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***Comments on the Reserve Bank of New Zealand Act 2021***

The introduction of the RBNZA 2021 shifted the Reserve Bank of New Zealand's model from a single decision-maker model to a board model with regard to its prudential and operational tasks. The RBNZA 2021 guarantees the Reserve Bank of New Zealand is accountable. In sum, the RBNZA 2021 supports the financial stability of New Zealand.