

# Accountability and Communication

## Relationship with Government

Section 11 of the *Reserve Bank Act 1959* sets out the relationship between the Government and the Reserve Bank Board. It confers substantial independence on the Board, but balances this with an obligation to inform the Government of its policies 'from time to time' and a requirement for parliamentary accountability. Regular discussions between the Governor and the Treasurer serve to keep the Government informed.

## Reporting Obligations

For the purposes of the *Commonwealth Authorities and Companies Act 1997* (CAC Act), the Reserve Bank is a Commonwealth authority and the members of the Reserve Bank Board are the directors of the Reserve Bank. The directors are responsible for the preparation of the annual report. At its meeting on 2 August 2011, the Board resolved that the Chairman sign the annual report and financial statements as at 30 June 2011, and give them to the Treasurer for presentation to the Parliament, in accordance with the CAC Act.

The House of Representatives Standing Committee on Economics has, in its Standing Orders, an obligation to review the annual report of the Reserve Bank and the annual report of the Payments System Board. The Committee holds twice-yearly hearings, at which the Bank presents its views on the economy and responds to questions from Committee members. In 2010/11, the Governor and senior officers attended hearings of this Committee in Canberra in November 2010 and February 2011. These appearances, and the quarterly *Statement on Monetary Policy* (see below), are important elements of the arrangements embodied in the understandings between the Governor and the Treasurer (outlined in the fifth *Statement on the Conduct of Monetary Policy*, an update of which was issued in September 2010 following the re-election of the Labor Government).

During the year, the Reserve Bank made a written submission to the inquiry into competition in the Australian banking sector held by the Senate Economics References Committee, and the Governor and senior staff appeared before the Committee in December 2010 and March 2011. The Bank also made a Submission to the Inquiry into Access for Small and Medium Business to Finance held by the Parliamentary Joint Committee on Corporations and Financial Services, and senior staff appeared before the Committee in March 2011.

## Communication

The Reserve Bank seeks to ensure a high degree of transparency about its goals, decision-making processes and the basis of its policy decisions. Transparency facilitates the accountability of an independent central bank in a democracy. Importantly, it also increases the effectiveness of policy decisions by promoting more informed decision-making by the community.

In addition to the regular communication about monetary policy and decisions of the Reserve Bank Board, the Bank has an active program of communication.

The quarterly *Statement on Monetary Policy* informs the financial markets, media and general public about the Reserve Bank's thinking on monetary policy and financial markets. It also provides a basis for the Parliamentary

Committee's questioning of the Bank. The *Statements* provide an analysis of conditions in the economy and financial markets, the outlook for inflation and economic growth and a further explanation of recent decisions on interest rates.

The Reserve Bank quarterly *Bulletin* documents economic and financial developments as well as the Bank's operations. *Bulletin* articles over the past year covered topics ranging from regular articles on bank fees and margins, developments in foreign exchange markets, domestic market operations and reviews of payments system reform. There was an educative piece on the payments settlements system. There was also a series of features on the increasingly important economies of China and India. In addition, there were articles that complemented the *Statement on Monetary Policy* by providing more detail about particular economic developments.

The *Financial Stability Review*, published in March and September each year, gives a detailed assessment of the condition of Australia's financial system. It also contains analysis and views on issues of specific interest. In the past year, such issues included the experience of households during the global financial crisis and economic downturn that followed, banking systems in some troubled European economies along with an explanation of the shadow banking system in Australia. The *Review* also reports on the Reserve Bank's involvement in financial regulatory policy, including through its work with the Council of Financial Regulators.

The most direct form of communication is delivery of speeches. During 2010/11, the Governor, Deputy Governor and senior officers gave 30 on-the-record speeches on various topics. Many addressed the challenges associated with the economy absorbing an historic mining boom that has seen the terms of trade rise to record levels. In addition to speeches on economic conditions and prospects, there were more specific assessments of inflation, the financial situation since the onset of the global financial crisis, bank funding and risk and uncertainty. There were also explanations of developments in the payments system, securitisation markets, and thinking on prudential regulation. Audio files of these speeches, along with the associated Q&A, were published on the Reserve Bank's website to further enhance accountability and communication.

The Reserve Bank disseminates research conducted by the staff in the form of Research Discussion Papers (RDPs). While the views expressed in these papers are those of the authors and do not necessarily represent those of the Bank, their publication encourages discussion and comment on economic issues among a broad range of researchers.

During 2010/11, RDPs were released on several topics, including monetary policy and the exchange rate, sources of Chinese demand for resource commodities and estimating inflation expectations with inflation-indexed bonds. Reserve Bank staff published in various journals, such as the *Journal of Financial Stability*, *Applied Economics Letters*, *Economic Record*, *The B.E. Journal of Macroeconomics*, *Journal of Macroeconomics*, and *Journal of Economic Dynamics and Control*.

Research undertaken at the Reserve Bank is frequently presented at external conferences. Domestic presentations in 2010/11 included the 2011 Australasian Macroeconomics Workshop in Hobart; the Society for Computational Economics in Sydney; the 21st Annual East Asia Seminar on Economics, also in Sydney; and a gathering of the Econometrics Society in Canberra. Papers were also presented at international conferences, including the Bank of Israel's Lessons from the World Financial Crisis conference, held in Jerusalem; the Workshop of the Asian Research Network on Monetary Policy and Exchange Rates, held in Tokyo; a workshop jointly sponsored by the Bank of England and the European Central Bank on Central Counterparty Risk Controls, held in Frankfurt; and the Chinese Economists' Society Annual Conference in Xiamen.



1. Deputy Governor Ric Battellino (centre) at the Property Council of Australia Downtown Luncheon with (from left) Kathy MacDermott (Property Council of Australia), Mark Burow (Rider Levett Bucknall), Susan Playford (PDT Architects) and Peter Verwer (Property Council of Australia) 2. Assistant Governor Guy DeBelle addresses the KangaNews Australian DCM Summit 3. Assistant Governor Philip Lowe speaking at the ABS NatStats conference 4. Ric Battellino speaking at the Annual Stockbrokers Conference 5. Governor Glenn Stevens delivering the American Australian Association 2011 Annual Spring Lecture

The Reserve Bank hosts regular conferences to foster interaction between academics, central bankers and other economic practitioners. The Bank's annual conference for 2011 was held in August. The theme for this year was the Australian Economy in the 2000s. The conference reviewed the performance of the Australian economy over the preceding decade, the third such conference to do so following those in 1990 and 2000. A volume containing the Conference papers and discussions will be published in late 2011.

The Bank held a workshop in December 2010 on China and East Asia in the Global Economy. The workshop featured nine papers by academics and central bankers from Asia and Australia, and was attended by Australian and international academics and bankers. A macroeconomic workshop will be held in December 2011.

The Bank also hosted a number of academics through the year, who presented seminars and participated in research activities at the Bank during their visits.

The Reserve Bank publishes information in both electronic and hard copy formats, though most access to information is online. In 2010/11, the number of page views/downloads of information on the website averaged about 185 000 per day, up from 90 000 per day the previous year. To help cater for the increased demand for information from the Reserve Bank, the Bank further improved the functionality of its website during the financial year. It also introduced a new alert system via Twitter. This was one of the factors that saw the number of subscribers to the conventional email service for information published on the website fall to around 14 000 at the end of June 2011, from around 15 500 in recent years. In addition, users are increasingly utilising the expanded RSS facility, which allows them to receive alerts about updates to selected data, media releases, speeches, research papers and documents released under Freedom of Information legislation.