

1.1 Our Role

The Reserve Bank is Australia's central bank, as established under legislation. The Bank has five broad responsibilities:

- determine and implement monetary policy in pursuit of price stability and full employment
- foster the stability of the financial system
- support a secure, stable and efficient payments system
- deliver efficient and effective banking services to the Australian Government
- provide secure and reliable Australian banknotes.

The Reserve Bank's mission is to promote the economic welfare of the Australian people through our monetary and financial policies and operations. Our vision is to be a world-leading central bank that is trusted for our analysis, service delivery and policies.

To best equip us to achieve our objectives, now and into the future, the Bank has five strategic priorities, as outlined in the Bank's Corporate Plan for 2023/24 to 2026/27.^[1] These strategic priorities have been shaped by the recommendations of the recent reviews into the Reserve Bank of Australia and the operating environment supporting the Reserve Bank Information and Transfer System (RITS). Two externally focused strategic priorities come directly from those reviews: strengthening the monetary policy decision-making process so it is fit for the future; and buttressing the resilience of the nationally critical banking and payments services we provide to the Australian people. We will also continue our focus on shaping the future of money in Australia, amid rapid change in the payments landscape. These three external-facing strategic priorities are supported by two internally focused priorities: fostering high-quality leadership and a culture that encourages enquiry and debate; and reframing organisational governance to facilitate simpler processes that enable decisions to be made by the right people in a timely manner.

Price stability and full employment

The Reserve Bank's responsibility for monetary policy is set out in section 10(2) of the *Reserve Bank Act 1959*, which states:

It is the duty of the Reserve Bank Board, within the limits of its powers, to ensure that the monetary and banking policy of the Bank is directed to the greatest advantage of the people of Australia and that the powers of the Bank ... are exercised in such a manner as, in the opinion of the Reserve Bank Board, will best contribute to:

- (a) the stability of the currency of Australia;*
- (b) the maintenance of full employment in Australia; and*
- (c) the economic prosperity and welfare of the people of Australia.*

[1] See RBA (2023), 'Corporate Plan 2023/24'.

Reserve Bank of Australia Strategic Plan

MISSION



To promote the economic welfare of the Australian people through our monetary and financial policies and operations

OBJECTIVES

 Price stability and full employment	 The stability of the financial system	 A secure, stable and efficient payments system	 The delivery of efficient and effective banking services to Australian government agencies	 The provision of secure and reliable banknotes
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VISION



To be a world-leading central bank that is trusted for our analysis, policies and service delivery

FACILITATED BY OUR STRATEGIC PRIORITIES

<p>Serving Australia through:</p>	 Monetary policy decision-making that is fit for the future	 Highly resilient payment and banking services	 Shaping the future of money in Australia
<p>Enabled by:</p>	 High-quality leadership and an open and dynamic culture	 Smarter, simpler and faster ways of working	

Successful delivery against our objectives and our strategic priorities will be underpinned by our core values – promoting the public interest, integrity, excellence, intelligent inquiry and respect

In support of this, the *Statement on the Conduct of Monetary Policy* confirms the Bank's continuing commitment to achieving consumer price inflation between 2 and 3 per cent, on average, over time, consistent with its duties under the Reserve Bank Act. The flexible medium-term inflation target underpins the monetary policy framework in Australia. Since the early 1990s, it has provided the foundation for the Bank to achieve its monetary policy objectives, including by providing an anchor for inflation expectations.

Achieving the inflation target preserves the value of money and facilitates strong and sustainable growth in the economy over the longer term. This helps businesses and households make sound investment decisions, underpins the creation of jobs and protects the savings of Australians. Sustaining high employment means not only do more people have jobs, but they also have better opportunities in life. High rates of unemployment are costly for the economy and hurt our society.

Monetary policy decisions are implemented through the Bank's operations in domestic financial markets. Operations in financial markets are also undertaken to ensure the stable functioning of the financial system, including by ensuring there is sufficient liquidity in the domestic money market. The Bank can also intervene in the foreign exchange markets to address dysfunction and/or a significant misalignment in the value of the Australian dollar; it also transacts in the market to manage the size, and associated currency risk, of its portfolio of foreign currency assets.

The Bank's monetary policy framework, including the *Statement on the Conduct of Monetary Policy*, is currently being revised in response to recommendations of the independent Review of the Reserve Bank. The core features of the framework will not change materially. However, the way the Bank's objectives are described in the Reserve Bank Act will be modernised and clarified, and the medium-term inflation target will be adjusted slightly to maximise the chance that the 2–3 per cent target is met.

The stability of the financial system

Given the serious damage to employment and economic prosperity that can be caused by financial instability, the Reserve Bank Act has long had an implied mandate to pursue financial stability. This responsibility is included in the *Statement on the Conduct of Monetary Policy*. The proposed revisions to the Reserve Bank Act will formalise this role in contributing to financial stability by enshrining it in legislation. The Bank also has specific responsibility to oversee financial market infrastructures that could have implications for financial stability (see below).

The Bank works with other regulatory bodies to foster financial stability. The Governor chairs the Council of Financial Regulators (CFR), which brings together the Reserve Bank, the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission and the Australian Treasury. The CFR is a non-statutory body whose role is to promote the stability of the Australian financial system and support effective and efficient regulation by the financial regulatory agencies. It draws on the expertise of other non-member government agencies where appropriate, and meets jointly with the Australian Competition and Consumer Commission, the Australian Transaction Reports and Analysis Centre (AUSTRAC) and the Australian Taxation Office at least annually to discuss broader financial sector policy matters. The Bank's central position in the financial system, and as the ultimate provider of liquidity to the system, gives it a key role in financial crisis management, in conjunction with the other members of the CFR.

A secure, stable and efficient payments system

There are several distinct aspects to the Reserve Bank's role in the payments system, including those of policymaker, regulator, overseer and supervisor, and owner and operator of key national payments infrastructure.

In relation to its policymaking role, it is the duty of the Payments System Board to ensure the Reserve Bank's payments system policy is directed to the greatest advantage of the people of Australia, and to ensure the powers of the Bank under the *Payment Systems (Regulation) Act 1998* and the *Payment Systems and Netting Act 1998* are exercised in a way that, in the Board's opinion, will best contribute to:

- controlling risk in the financial system
- promoting the efficiency of the payments system
- promoting competition in the market for payment services, consistent with the overall stability of the financial system.

In addition, the Payments System Board is required to ensure the powers and functions of the Reserve Bank under Part 7.3 of the *Corporations Act 2001* are exercised in a way that, in the Board's opinion, will best contribute to the overall stability of the financial system. These powers and functions relate to the supervision of central counterparties and securities settlement facilities, which are key components of the infrastructure that supports financial markets. The Bank's payments policy area also acts as overseer of Australia's high-value payment system – RITS.

Our operational role in the payments system is effected through the Bank's ownership and management of RITS (including the Fast Settlement Service), which is used by banks and other approved institutions to settle their payment obligations efficiently on a real-time, gross settlement basis. This ensures there is no build-up of settlement obligations associated with high-value transactions, thereby promoting the stability of Australia's financial system.

The delivery of efficient and effective banking services to the Australian Government

Insofar as the Commonwealth of Australia requires it to do so, the Reserve Bank must act as banker for the Commonwealth. Our government banking services broadly comprise two activities: managing the Australian Government's core accounts; and providing transactional banking services to Australian government agencies. Like other central banks, we also provide banking and custody services to a number of overseas central banks and official institutions. The banking services offered to the Australian Government and other central banks include payments and collections, as well as general account maintenance and reporting.

The provision of secure and reliable banknotes

The Reserve Bank is responsible for the issue, reissue and cancellation of Australian banknotes. Our primary purpose in carrying out this role is to maintain the capacity of Australian banknotes to provide a safe, secure and reliable means of payment and store of value. We work with our wholly owned subsidiary, Note Printing Australia Limited (NPA), to design and produce banknotes. NPA also produces banknotes for other countries, as well as Australian passports and other security products. The Bank distributes banknotes to financial institutions, monitors and maintains banknote quality in circulation and withdraws unfit banknotes from circulation. ❖