

Our Charter, Core Functions and Values

In its role as Australia's central bank, the Reserve Bank of Australia determines and implements monetary policy, fosters financial stability, undertakes a range of associated activities in financial markets and banking, issues Australia's banknotes and has policy, supervisory and operational roles in the payments system. The Bank's values are promotion of the public interest, integrity, excellence, intelligent inquiry and respect.

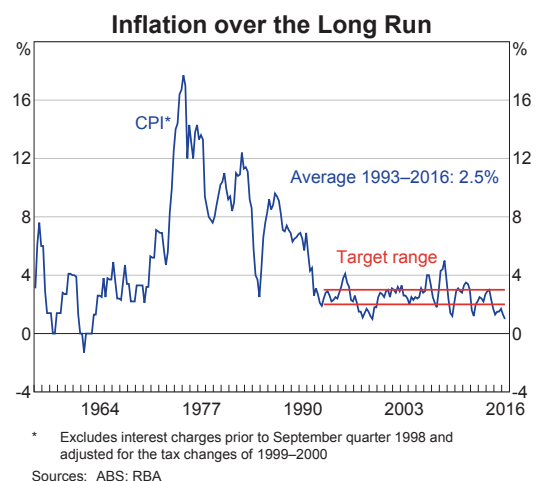
The Reserve Bank of Australia is established by statute as Australia's central bank. Its enabling legislation is the *Reserve Bank Act 1959*. The Bank pursues national economic policy objectives. Its responsibility for monetary policy is set out in section 10(2) of the Reserve Bank Act, which states:

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.

Policies in pursuit of these objectives have found practical expression in a flexible, medium-term inflation target, which has formed the basis of Australia's monetary policy framework since the early 1990s. The policy objective is to keep

consumer price inflation between 2 and 3 per cent, on average, over the cycle. Monetary policy aims to achieve this over the medium term as a precondition for the promotion of sustainable economic growth and employment. The sixth *Statement on the Conduct of Monetary Policy*, signed by the Treasurer and the Governor in October 2013, records the common understanding of the government and the Reserve Bank on key aspects of the monetary policy framework.



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RESERVE BANK ACT 1959

Part of the *Reserve Bank Act 1959*, as seen in the Reserve Bank Head Office foyer, Sydney

The Reserve Bank also has a responsibility to foster overall financial stability, as an important underpinning of a stable macroeconomic environment. This is also recognised in the *Statement on the Conduct of Monetary Policy*. The Bank works with other regulatory bodies in Australia to foster financial stability. The Governor chairs the Council of Financial Regulators (CFR) – comprising the Bank, Australian Prudential Regulation Authority (APRA), Australian Securities and Investments Commission (ASIC) and Australian Treasury – whose role is to contribute to the efficiency and effectiveness of regulation and the stability of the financial system. While APRA has responsibility for the prudential supervision of financial institutions, in the event of a financial system disturbance the Bank and relevant agencies work to mitigate the risk of systemic consequences. The Bank’s responsibility to promote financial stability does not, however, equate to a guarantee of solvency for financial institutions, nor is its balance sheet available to support insolvent institutions. Nevertheless, the

Bank’s central position in the financial system – and its position 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.

The Reserve Bank conducts operations in domestic and international financial markets and undertakes analysis of markets and institutional developments in support of the Bank’s policy objectives. The Bank has a sizeable balance sheet, part of which is used to ensure there is sufficient liquidity in the domestic money market on a daily basis, in support of the Bank’s monetary policy and financial system stability objectives. The Bank holds and manages Australia’s foreign currency reserves. It operates in the foreign exchange market to meet the foreign exchange needs of its clients and to assist with domestic liquidity management.

The Reserve Bank has responsibility for ensuring the stability, efficiency and competitiveness of the payments system through the Payments System Board, which was established in 1998. The

Bank's powers in relation to the payments system are set out in a number of statutes, including the *Payment Systems (Regulation) Act 1998* and the *Payment Systems and Netting Act 1998*. Under the *Corporations Act 2001*, the Bank, through the Payments System Board, has responsibility for determining financial stability standards for licensed clearing and settlement facilities and assessing facilities' compliance with those standards. The Corporations Act additionally establishes a regime for the regulation of over-the-counter (OTC) derivatives markets, which includes an advisory role for the Bank on a range of matters.

The Bank also has an operational role in the payments system, as owner and manager of Australia's high-value payments system – the Reserve Bank Information and Transfer System (RITS). A separate area of the Bank independently assesses RITS against international standards for such infrastructure on an annual basis.

The Bank provides specialised banking services to government and foreign official institutions, including payments and collections as well as general account maintenance and reporting.

The Reserve Bank works with its wholly owned subsidiary, Note Printing Australia Limited (NPA), to design Australia's banknotes, arranges for their production through NPA and issues banknotes with the objective of ensuring public confidence in them as an effective payment mechanism and a secure store of wealth.

The Reserve Bank's Values

Staff and others who are involved in the activities of the Reserve Bank have a critical role to play in achieving its objectives, directly or in a supporting role. They are required to conduct themselves in accordance with the Bank's values,

which are set out in the Code of Conduct for Bank staff. The Code of Conduct also sets out the Bank's requirements of its employees and others who are involved in its activities to ensure that their behaviour aligns with the Bank's values, which are as follows.

1. Promotion of the public interest

We serve the public interest. We ensure that our efforts are directed to this objective, and not to serving our own interests or the interests of any other person or group.

2. Integrity

We are honest in our dealings with others within and outside the Bank. We are open and clear in our dealings with our colleagues. We take appropriate action if we are aware of others who are not acting properly.

3. Excellence

We strive for technical and professional excellence.

4. Intelligent inquiry

We think carefully about the work we do and how we undertake it. We encourage debate, ask questions and speak up when we have concerns.

5. Respect

We treat one another with respect and courtesy. We value one another's views and contributions.