



RESERVE BANK OF AUSTRALIA

Annual Report

2024

Palawa/Tasmanian Aboriginal Country
Lárapuna/Bay of Fires
Lutruwita/Tasmania

In the spirit of reconciliation, the Reserve Bank of Australia acknowledges the Traditional Custodians of Country throughout Australia and their connections to land, sea and community.

We pay our respects to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

This report is also available electronically on the RBA's website:
www.rba.gov.au/publications/annual-reports/rba/2024

The Reserve Bank welcomes comments on this report. Feedback and enquiries about any aspect of this report may be directed to:

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Annual Report 2024

Reserve Bank of Australia

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Contents

Letter of Transmittal	7
Governor's Foreword	9
Part 1: About the Reserve Bank	11
1.1 Our Role	13
1.2 Governance and Accountability	17
1.3 Reserve Bank Board	33
1.4 Payments System Board	47
1.5 Operational Structure	53
Part 2: Performance	59
2.1 Annual Performance Statement	61
2.2 Operations in Financial Markets	75
2.3 Banking and Payment Services	85
2.4 Banknotes	91
2.5 International Financial Cooperation	97
2.6 Communication and Community Engagement	109
Part 3: Management	123
3.1 Management of the RBA	125
3.2 Our People	133
3.3 Risk Management	145
3.4 Earnings, Distribution and Capital	153

Part 4: Financial Statements	155
Statement of Assurance	157
Statement of Financial Position	158
Statement of Comprehensive Income	159
Statement of Distribution	160
Statement of Changes in Equity	161
Notes to and Forming Part of the Financial Statements	164
Independent Auditor’s Report	193
Part 5: Indexes	197
5.1 Statutory Reporting Requirements Index	199
5.2 List of Tables	203
5.3 List of Graphs	205
5.4 List of Figures	207
5.5 Abbreviations	209
5.6 Contact Details	213

Letter of Transmittal



RESERVE BANK OF AUSTRALIA

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Michele Bullock
GOVERNOR

26 September 2024

The Hon Dr Jim Chalmers MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

RESERVE BANK OF AUSTRALIA ANNUAL REPORT 2024

In accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*, I am pleased to submit the Reserve Bank's Annual Report for 2024 for presentation to the Parliament.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Michele Bullock', written in a cursive style.

Governor's Foreword

The past year, my first as Governor, has been marked by considerable change at the Reserve Bank of Australia. We have welcomed new leadership, uplifted our capabilities in several areas and altered how we work in many ways. In response to the recommendations of the independent reviews of the RBA and the Reserve Bank Information and Transfer System (RITS), we have commenced a substantial transformation agenda, which will continue in 2024/25. These changes will support our vision of being an open and dynamic central bank that is trusted for the quality of its analysis, policy and service delivery.

The most visible changes to the way we operate have been those relating to monetary policy. In 2023/24, the Reserve Bank Board agreed a new *Statement on the Conduct of Monetary Policy* with the Treasurer, which clarifies the objectives of the Board. The rhythm of Board meetings and supporting processes were changed to facilitate deeper discussion and more engagement between Board members and staff. We also reshaped the nature of the advice provided by staff to the Board and enhanced the public transparency surrounding the Board's deliberations, including through media conferences following Board meetings.

Other changes in 2023/24 have been less visible to the public, but no less important. Our staff have carefully detailed how the RITS ecosystem needs to be transformed to ensure that we deliver our payment services with high reliability. There has been a thorough reassessment of our approach to risk management, including how we can enhance our 'Three Lines of Accountability' model across the organisation. We have also carefully considered the changes that are needed to support the proposed Governance Board. Over time, I expect these changes will significantly strengthen our capacity to meet our objective of promoting the welfare of the Australian people.

In 2023/24, we launched our aspiration for a more 'Open & Dynamic' workplace culture. This is something I am passionate about because the success of our transformation efforts will rest on how well we harness the skills and energy of our staff. The launch of this new aspiration has been supported by a range of activities, including goal setting, guidance, workshops, leadership training and 360-degree feedback, as well as clear expectations of our leadership. I am already seeing the benefits of this in addressing some of the cultural shortcomings identified in the RBA Review. We will seek to embed this cultural change over the next few years.

Alongside the transformation of the RBA, we have continued to address our ongoing objectives.

Inflation remained high in 2023/24, and we expect that it will take another year or two before it is sustainably back to the Reserve Bank Board's target of between 2 and 3 per cent. Nonetheless, there has been significant progress in lowering inflation over the past year. At the same time, the unemployment rate has stayed very low and almost 400,000 additional jobs were created in 2023/24. There is still a high level of uncertainty about the economic outlook and the Board remains concerned about the degree of excess demand in the economy. It recognises the challenging task it faces in bringing inflation back to target in a reasonable timeframe while preserving as many of the gains in the labour market as possible. The Board is committed to both goals and believes it can achieve them.



Michele Bullock, Governor

Our work in banking and payments has required us to be agile, given the speed at which technology is evolving. Our staff and the Payments System Board have considered and responded to the implications arising from new business models and technologies in the payments space, the continued shift away from cash and the need to wind down legacy payment systems. We partnered with others in academia and industry to conduct an innovative pilot project examining a range of possible use cases for central bank digital currency. And we have focused on lifting the governance and risk management at Australia's systemically important financial market infrastructures to be commensurate with the criticality of their operations.

Changes in technology have also been a theme for our own banking and payments operations. We have begun to migrate several core transactional banking systems to the cloud and have deployed new functionality to enhance international transfer payments and messaging standards. We have been able to do this while meeting our high reliability targets for RITS and processing over \$1.6 trillion in government payments and collections during the year.

Developments in the cash distribution industry remain a key focus. Consumers are choosing to use cash less frequently for everyday transactions, but it remains an important means of payment for many. We therefore worked hard over the past year to coordinate industry solutions to the immediate and longer term challenges in cash distribution. We also introduced more standardised arrangements for governing the distribution of banknotes to the major banks and consulted extensively on the redesign of the \$5 banknote.

The increase in the cash rate over the past two years resulted in another accounting loss for the RBA in 2023/24, totalling \$4.2 billion. The loss reflects the fact that returns on most of our assets were fixed at the low rates prevailing in 2020 and 2021, but the cost of our liabilities rose with the cash rate target. This mismatch has diminished significantly since the maturation of the Term Funding Facility on 1 July 2024. We nevertheless continue to operate with negative equity, with this liability totalling \$20.4 billion at 30 June 2024. Negative equity does not affect our operations or ability to perform our policy functions, but the Reserve Bank Board considers it important that the RBA's capital be restored over time. The Treasurer has indicated his continued support for rebuilding capital by retaining future profits, noting that a decision about retention of earnings is made each year.

The extent of the transformation under way at the RBA, and the importance of maintaining the highest standards in our day-to-day operations, has placed significant pressure on our staff this year. I am grateful to our people for the way they have risen to the challenge of delivering on our objectives while dealing with substantial change. We have a dedicated and professional staff who share my aspiration to be open and dynamic. Members of the Reserve Bank Board join me in wholeheartedly thanking them for their services to Australia over the past year.



Michele Bullock
Governor

25 September 2024

An aerial photograph of a lagoon, likely Lake Hutt Lagoon in Port Gregory, Western Australia. The image shows a complex network of channels and pools of water, some appearing white and others a deep red. The surrounding land is covered in dense, low-lying vegetation, with some areas appearing green and others brown or grey. The overall scene is a striking natural landscape with high contrast and intricate patterns.

Part 1:

About the Reserve Bank

Yamatji Country
Lake Hutt Lagoon, Port Gregory
Western Australia

1.1 Our Role

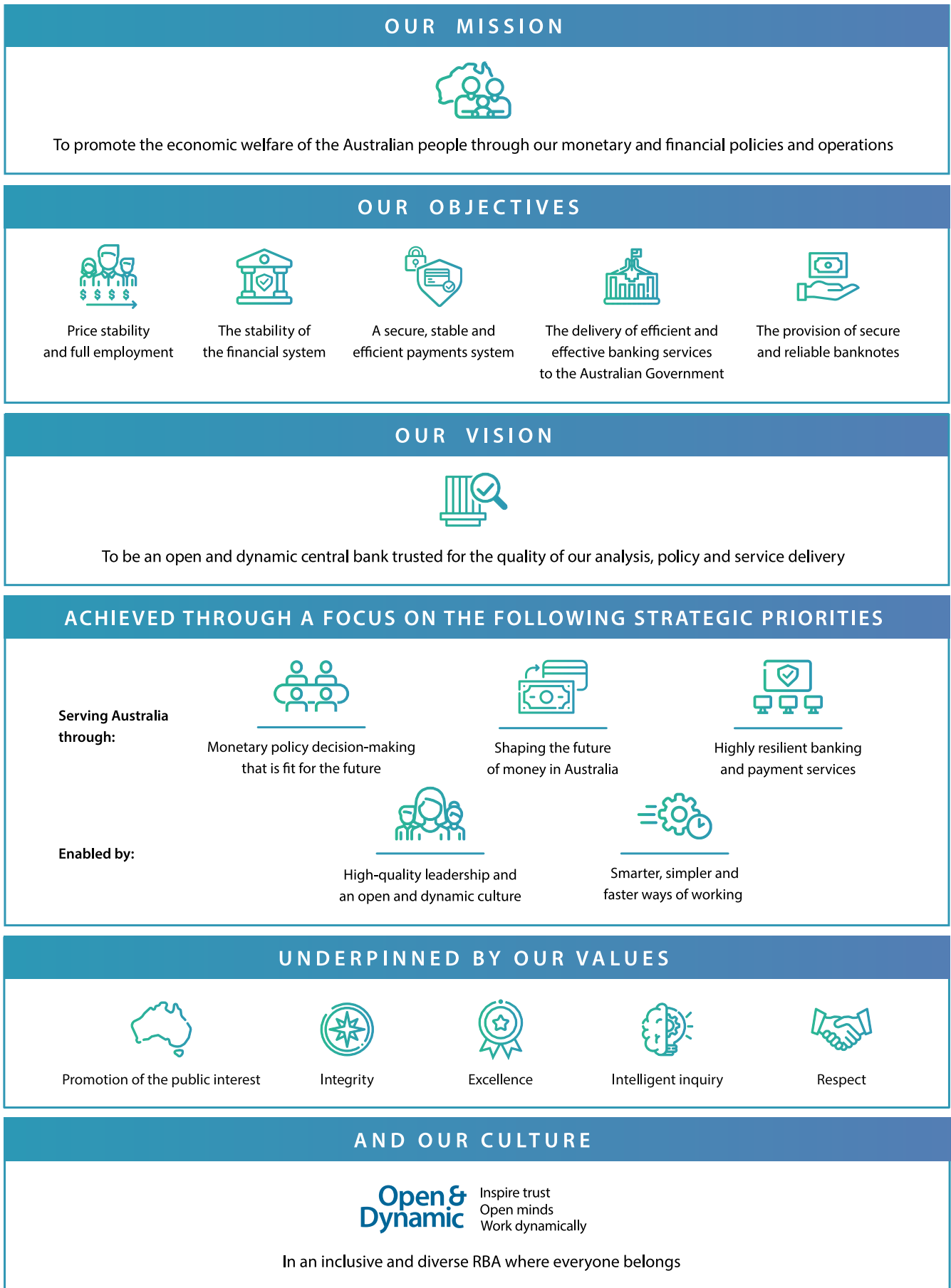
The Reserve Bank of Australia (RBA) is Australia's central bank, as established under the *Reserve Bank Act 1959*. The RBA has five broad responsibilities:

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

Our mission is to promote the economic welfare of the Australian people through our monetary and financial policies and operations. Our vision is to be an open and dynamic central bank that is trusted for the quality of our analysis, service delivery and policies.

To best equip us to achieve our objectives, now and into the future, the RBA has five strategic priorities, as outlined in the 2024/25 Corporate Plan.¹ These are shown in Figure 1.1.1.

Figure 1.1.1: RBA Corporate Plan



Price stability and full employment

The RBA's 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.*

In support of this, the *Statement on the Conduct of Monetary Policy* confirms our continuing commitment to achieving low and stable consumer price inflation and sustainable full employment.² Low and stable inflation – or price stability – preserves the value of money, reduces uncertainty and supports strong and sustainable economic growth over the longer term. It helps businesses and households make sound spending and investment decisions. Likewise, full employment supports people financially and provides them with a sense of purpose. It helps to foster mental and physical wellbeing, and increases the prospect of diverse thinking and innovation.

We work to achieve these objectives for both price stability and full employment through monetary policy settings aimed at keeping inflation between 2 and 3 per cent and employment at the maximum level that is consistent with low and stable inflation.

Monetary policy decisions are implemented through our operations in domestic financial markets and the setting of administered interest rates for our liquidity facilities. 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. If required, we can also intervene in foreign exchange markets to address dysfunction and/or a significant misalignment in the value of the Australian dollar.

The stability of the financial system

A stable financial system is a precondition to maintaining price stability and full employment. It facilitates the smooth flow of funds between savers and investors, and supports innovation and growth. 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 RBA also has specific responsibility to oversee financial market infrastructures that could have implications for financial stability (see below).

We contribute to financial stability by working closely with the Council of Financial Regulators (CFR) to identify and address risks, overseeing market infrastructures that are central to the effective operation of the financial system and providing adequate liquidity. The Governor chairs the CFR, which brings together the RBA, the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC) 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 (ACCC), the Australian Transaction Reports and Analysis Centre (AUSTRAC) and the Australian Taxation Office at least annually to discuss broader financial sector policy matters. The RBA'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

Australians expect payments to be cost effective, convenient and accessible. Having a reliable payments system is also critical for the smooth functioning of the economy and financial system. We promote these objectives as both supervisor and regulator of the payments system and as the owner and operator of critical national payments infrastructure.

In relation to our policymaking role, it is the duty of the Payments System Board to ensure the RBA's payments system policy is directed to the greatest advantage of the people of Australia, and to ensure its powers 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 RBA 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 RBA's payments policy area also acts as overseer of Australia's high-value payment system – the Reserve Bank Information and Transfer System (RITS).

Our operational role in the payments system is effected through our ownership and management of RITS (including the Fast Settlement Service), which is used by banks and other approved financial 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

The RBA must, insofar as the Commonwealth of Australia requires it to do so, act as banker for the Commonwealth. We provide the Australian Government and its agencies with access to high-quality, cost-effective and secure systems to collect, pay and manage government funds. This, in turn, supports the Commonwealth to serve the Australian people.

Our government banking services broadly comprise two activities: managing the Australian Government's core accounts; and providing transactional banking services to Australian government agencies. In common with 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

While Australians have reduced their use of cash for everyday transactions, it remains an important means of payment for many. In addition, cash continues to be used as a store of value and as a back-up payment method. Ensuring Australians have confidence in banknotes is critical to meeting these needs.

We preserve this confidence by designing, creating and issuing Australian banknotes that are secure and reliable. This is done in partnership with our wholly owned subsidiary, Note Printing Australia Limited (NPA). NPA also produces banknotes for other countries, as well as Australian passports and other security products. The RBA distributes banknotes to financial institutions, monitors and maintains the quality of banknotes in circulation and withdraws unfit banknotes from circulation.

Endnotes

1 See RBA (2024), 'Corporate Plan 2024/25'.

2 This agreement was renewed in December 2023. See The Treasurer and The Reserve Bank Board (2023), *Statement on the Conduct of Monetary Policy*, December.

1.2 Governance and Accountability

The RBA is an independent central bank, accountable to the Parliament of Australia. It has two boards: the Reserve Bank Board, which has responsibility for monetary and banking policy and the RBA's policy on other matters excluding payments system policy; and the Payments System Board, which has responsibility for payments system policy. In other respects, the Governor manages the RBA and is also its accountable authority. A significant transformation of the RBA's structure, governance and processes is currently underway, as discussed below.

Governance

The RBA is a body corporate distinct from the Commonwealth of Australia. This body corporate, established under the *Commonwealth Bank Act 1911* and continued in existence under the *Commonwealth Bank Act 1945*, was preserved with the name 'Reserve Bank of Australia' under the *Reserve Bank Act 1959*. The RBA is a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

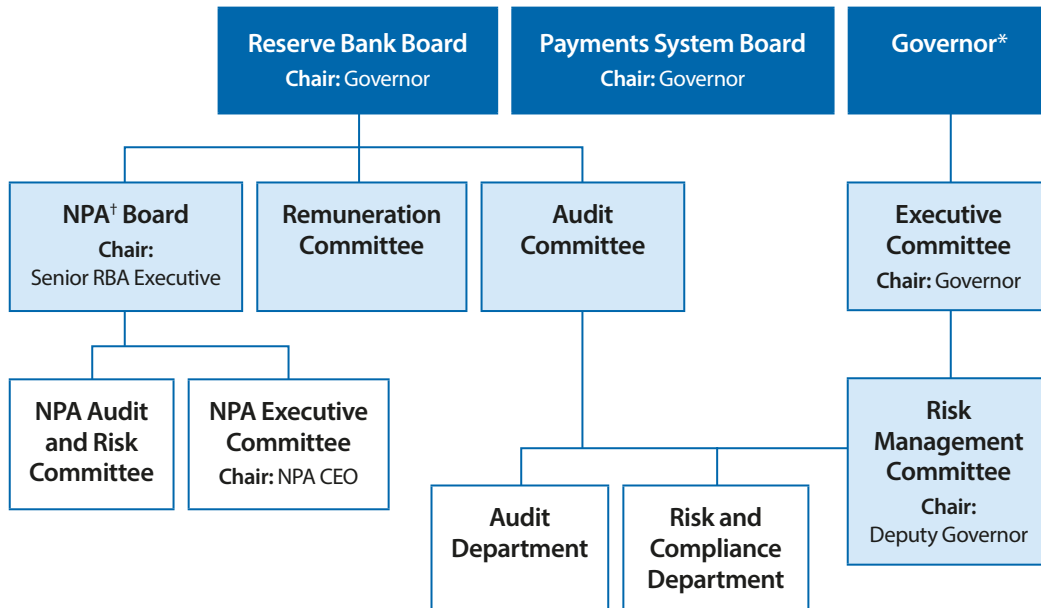
Under the Reserve Bank Act, the RBA is managed by the Governor, who is also the Chair of the Reserve Bank Board and the Payments System Board (Figure 1.2.1). The Governor is the 'accountable authority' under the PGPA Act and is assisted in their management responsibilities by the Executive Committee and the Risk Management Committee (see Part 3.1: Management of the RBA).

Our two boards have the responsibilities and objectives set out in the Reserve Bank Act and operational independence to determine the policies that best achieve these. In terms of monetary policy, the *Statement on the Conduct of Monetary Policy*, as updated from time to time, has recorded the common understanding of the RBA and the Australian Government on key aspects of Australia's monetary and central banking policy framework since 1996. The most recent agreement in December 2023 was reached with the Reserve Bank Board, unlike prior agreements, which had been with the Governor.¹

Note Printing Australia Limited (NPA) is a wholly owned subsidiary of the RBA. NPA operates under a charter reviewed and approved annually by the Reserve Bank Board.

Figure 1.2.1: RBA Governance Structure

September 2024



† Note Printing Australia Limited

* Under section 12 of the *Reserve Bank Act 1959*, the Governor is responsible for managing the RBA and under section 7A of the Reserve Bank Act, the Governor is the accountable authority of the RBA for the purposes of the *Public Governance, Performance and Accountability Act 2013*.

Reserve Bank Board

The Reserve Bank Act gives the Board power to determine RBA policy on any matter other than payments system policy. The Board has a duty to ensure that our monetary and banking policy is directed to the greatest advantage of the people of Australia.

Details on membership of the Reserve Bank Board are provided in Part 1.3: Reserve Bank Board.

From February 2024, the Reserve Bank Board started meeting eight instead of 11 times a year, on the recommendation of the Australian Government’s 2023 Review of the Reserve Bank (the RBA Review). Given this change, the Board met 10 times in 2023/24.

Five members form a quorum for a meeting of the Board. Consistent with the Reserve Bank Act, the Board makes decisions by a majority of the members present, with the Chair having a casting vote, if necessary. Reserve Bank Board meetings are usually held at the RBA Head Office in Sydney. In 2023/24, five meetings were held via hybrid arrangements with some members participating remotely. Attendance by members is shown in Table 1.2.1.

The Reserve Bank Board has an Audit Committee and a Remuneration Committee, whose activities are described below.

Table 1.2.1: Reserve Bank Board Meetings – 2023/24

Attendance by members

Member	Role	Term	No. of meetings attended	No. of meetings eligible to attend
Philip Lowe	Chair; RBA Governor	Sep 2016 – Sep 2023	2	2
Michele Bullock ^(a)	Chair; RBA Governor	Sep 2023 – Sep 2030	10	10
Andrew Hauser	Deputy Chair; RBA Deputy Governor	Feb 2024 – Feb 2029	3	3
Steven Kennedy	<i>Ex officio</i> ; Secretary to the Australian Treasury	Sep 2019 –	10	10
Mark Barnaba	Non-executive member	Aug 2017 – Aug 2023	1	2
Ian Harper	Non-executive member	Jul 2016 – Jul 2026	9	10
Carolyn Hewson	Non-executive member	Mar 2021 – Mar 2026	10	10
Iain Ross	Non-executive member	May 2023 – May 2028	10	10
Elana Rubin	Non-executive member	Aug 2023 – Aug 2028	8	8
Carol Schwartz	Non-executive member	Feb 2017 – Feb 2027	10	10
Alison Watkins	Non-executive member	Dec 2020 – Dec 2025	10	10

(a) Michele Bullock's term on the Board as Deputy Chair (RBA Deputy Governor) ended on 17 September 2023 and she commenced as Chair (RBA Governor) on 18 September 2023.



Reserve Bank Board members at their meeting in August 2024. From left to right: Anthony Dickman (Reserve Bank Secretary), Elana Rubin AM, Steven Kennedy PSM, Carolyn Hewson AO, Deputy Governor Andrew Hauser, Governor Michele Bullock, Alison Watkins AM, Iain Ross AO, Ian Harper AO (absent: Carol Schwartz AO). Source: RBA.

Other policy matters

The Governor reports annually to the Reserve Bank Board on the review and implementation of key policies that are determined and managed by the Governor, including information on compliance arrangements. An annual report on work health and safety is also presented to the Board. The reports for 2023/24 were provided to the Board at its September 2024 meeting.

Audit Committee

The Audit Committee is a subcommittee of the Reserve Bank Board. The Committee fulfils certain obligations under the Reserve Bank Act and the PGPA Act, namely:

- It assists the Governor (as the RBA's accountable authority) and the Reserve Bank Board by reviewing the appropriateness of the RBA's financial reporting, including the financial statements in the Annual Report.

- It assists the Governor by reviewing the appropriateness of the RBA's:
 - performance reporting, including the Annual Performance Statement in the Annual Report
 - systems of risk oversight and management
 - systems of internal control.

The Audit Committee's charter is published on the RBA website.²

Details of membership of the Audit Committee are provided in Part 1.3: Reserve Bank Board.

During 2023/24 the Audit Committee met on four occasions. Attendance by members is shown in Table 1.2.2.

Table 1.2.2: Audit Committee Meetings – 2023/24

Attendance by members

Member	Role	Term	No. of meetings attended	No. of meetings eligible to attend
Mark Barnaba	Chair	Jul 2018 – Aug 2023	1	1
Alison Watkins ^{(a),(b)}	Chair	Feb 2021 – Dec 2025	4	4
Sandra Birkenleigh	Non-executive member	Sep 2018 – Sep 2023	1	1
Rahoul Chowdry	Non-executive member	Feb 2018 – Feb 2026	4	4
Greg Couttas	Non-executive member	Sep 2023 – Sep 2028	3	3
Carolyn Hewson ^(b)	Non-executive member	Aug 2023 – Mar 2026	3	3

(a) Alison Watkins was appointed Chair on 31 August 2023.

(b) Member of the Reserve Bank Board.

Consistent with best practice governance standards, none of the members of the Audit Committee is an employee or executive of the RBA. Representatives of the RBA's internal and external auditors participate in meetings as appropriate at the invitation of the Chair. The Deputy Governor attends meetings of the Committee on a regular basis as the chief representative of the RBA's management. Other regular attendees from our senior executive team include the Chief Operating Officer (a new role established in 2024), Chief Financial Officer, Chief Risk Officer and Head of Audit Department; other executives attend meetings of the Committee as required.

At its August 2024 meeting, the Audit Committee considered, and then agreed to endorse, the RBA's draft consolidated financial statements for the year ended 30 June 2024 for presentation to the Governor and the Reserve Bank Board. The Committee meets at least annually with the external auditors without RBA management present; over the past year, this occurred immediately prior to the August 2024 meeting. It also meets annually with the Head of Audit Department without other management present; over the past year, this occurred immediately after the May 2024 meeting.

Remuneration Committee

The Remuneration Committee of the Reserve Bank Board is established, consistent with section 24A of the Reserve Bank Act, to recommend to the Board terms and conditions relating to the remuneration and allowances for the Governor and Deputy Governor.

Details of membership of the Remuneration Committee are provided in Part 1.3: Reserve Bank Board.

During 2023/24 the Remuneration Committee met on four occasions. Attendance by members is shown in Table 1.2.3.

The offices of Governor and Deputy Governor are principal executive offices in terms of the *Remuneration Tribunal Act 1973*, which provides for the Remuneration Tribunal to determine the applicable remuneration reference rate for these offices. The Remuneration Committee annually reviews the terms and conditions (including remuneration) applying to the Governor and Deputy Governor and recommends any adjustments to the Reserve Bank Board for approval, providing that such terms and conditions are consistent with the framework for principal executive offices determined by the Remuneration Tribunal. In accordance with section 21A of the Reserve Bank Act, neither the Governor nor the Deputy Governor takes part in decisions of the Reserve Bank Board relating to the determination or application of any terms or conditions on which either of them holds office.

The Remuneration Committee is also kept informed of the general remuneration arrangements for RBA staff. The Committee communicates with the Remuneration Tribunal and the Treasurer as required.

Table 1.2.3: Remuneration Committee Meetings – 2023/24

Attendance by members

Member	Role	Term	No. of meetings attended	No. of meetings eligible to attend
Carol Schwartz ^(a)	Chair	Aug 2017 – Feb 2027	4	4
Ian Harper	Member	Aug 2016 – Jul 2026	4	4
Iain Ross	Member	Jun 2023 – May 2028	4	4

(a) Carol Schwartz's term on the Remuneration Committee as a member ended on 6 April 2021 and she commenced as Chair on 7 April 2021.

Payments System Board

The Reserve Bank Act requires the Payments System Board to ensure, within the limits of its powers, that the RBA's payments system policy is directed to the greatest advantage of the people of Australia and that the RBA's powers under the *Payment Systems (Regulation) Act 1998* and the *Payment Systems and Netting Act 1998* are exercised in such a way that, in the Board's opinion, will best contribute to:

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

The Payments System Board also has responsibility to ensure that the RBA's powers and functions under Part 7.3 of the *Corporations Act 2001* (dealing with licensing of clearing and settlement facilities) are exercised in a way that will best contribute to the overall stability of the financial system.

The Payments System Board issues a separate Annual Report, which, as required under the Reserve Bank Act, informs the Treasurer of the RBA's role and activities in relation to payments system policy. It also covers certain matters relating to the standards that the RBA determines under section 827D of the Corporations Act and developments in the clearing and settlement industry that are relevant to Australia's financial stability.

Information on membership of the Payments System Board is provided in Part 1.4: Payments System Board.

During 2023/24 the Payments System Board met four times, all in person at the RBA Head Office in Sydney. Five members form a quorum at a meeting of the Board; five members are also required to pass a resolution without a meeting. Attendance by members is shown in Table 1.2.4.

Table 1.2.4: Payments System Board Meetings – 2023/24

Attendance by members

Member	Role	Term	No. of meetings attended	No. of meetings eligible to attend
Philip Lowe	Chair; RBA Governor	Sep 2016 – Sep 2023	1	1
Michele Bullock ^(a)	Chair; RBA Governor	Sep 2023 – Sep 2030	4	4
Brad Jones	Deputy Chair	Jan 2024 –	2	2
John Lonsdale	APRA representative	Nov 2022 –	3	3
Ross Buckley	Non-executive member	Aug 2023 – Jul 2028	4	4
Gina Cass-Gottlieb	Non-executive member	Jul 2013 – Aug 2028 ^(b)	3	4
Michelle Deaker	Non-executive member	Aug 2023 – Jul 2028	4	4
Scott Farrell	Non-executive member	Mar 2022 – Mar 2027	4	4
Deborah Ralston	Non-executive member	Dec 2016 – Dec 2026	4	4

(a) Michele Bullock's term on the Board as Deputy Chair ended on 17 September 2023 and she commenced as Chair (RBA Governor) on 18 September 2023.

(b) Gina Cass-Gottlieb's first term on the Board ended on 14 July 2018 and she was reappointed to a second term on 1 August 2018.



Payments System Board members at their meeting in August 2024. From left to right: Anthony Dickman (Reserve Bank Secretary), Gina Cass-Gottlieb, Michelle Deaker, Ross Buckley, Governor Michele Bullock, John Lonsdale, Deborah Ralston, Scott Farrell, Assistant Governor (Financial System) Brad Jones. Source: RBA.

Note Printing Australia Limited

NPA is a wholly owned subsidiary of the RBA, operating under a charter reviewed and approved annually by the Reserve Bank Board. NPA's prime function is the efficient and cost-effective production of high-quality and secure Australian banknotes, in accordance with specifications and requirements set by the RBA. NPA also produces banknotes for other issuing authorities, Australian passport booklets and other security products.

NPA is governed by a board of directors appointed by the RBA. As at the date of this report, the NPA Board comprises four RBA executives and one external director:

- Christopher Kent (Assistant Governor, Financial Markets) as Chair
- Greg Johnston (Program Director, Payments Operations Program) as alternate Chair
- Emma Costello (Chief Financial Officer)
- Keith Drayton (Chief Risk Officer)
- Ross Pilling, a non-executive external director who has held several senior management roles and directorships in the manufacturing sector.

The NPA Board has an Audit and Risk Committee, whose membership comprises:

- Keith Drayton (Chair)
- Emma Costello
- Megan Haas, an external member and former PricewaterhouseCoopers partner with a strong background in cybersecurity and risk assurance across a broad range of industries, including manufacturing.

More detail on NPA is provided in Part 1.5: Operational Structure and Part 2.4: Banknotes.

Governance matters

Conduct of Board members

On appointment to the Reserve Bank Board or the Payments System Board, each member is required under the Reserve Bank Act to sign a declaration to maintain confidentiality in relation to the affairs of the Board and the RBA.

Members must comply with the statutory obligations for RBA officials, including the general duties for officials set out in the PGPA Act. Members' obligations under the PGPA Act include, but are not limited to, obligations to exercise their powers and discharge their duties with care and diligence, honestly, in good faith and for a proper purpose. Members must not use their position, or any information obtained by virtue of their position, to benefit themselves or any other person, or to cause detriment to the RBA or any other person.

Disclosure of material personal interests

In order for members of the Reserve Bank Board to discuss and decide monetary and financial stability policies, notwithstanding any material personal interest in the outcome, the Reserve Bank Act requires them to provide confidential disclosure of material personal interests to the Treasurer. This must be done annually, as well as following a substantial change.

Member of the Reserve Bank Board must declare to the other members of the Board any material personal interests they have in matters relating to the affairs of the Board other than monetary policy and financial stability. Members may give standing notice to other members outlining the nature and extent of a material personal interest in such matters.

Members of the Payments System Board must declare to the other members of the Board any material personal interest they have in matters relating to the affairs of the Board. Members may give standing notice to other members outlining the nature and extent of a material personal interest.

Codes of conduct

Codes of conduct for members of the Reserve Bank Board and the Payments System Board supplement these statutory requirements and impose obligations on members to ensure the highest possible standards of ethical conduct. The codes of conduct, which are available on the RBA website, provide general principles to guide the conduct of members in fulfilling their duties and responsibilities as board members and address a range of matters, including conflicts of interest. In the case of the Reserve Bank Board, the Code of Conduct covers restrictions on undertaking, or being involved in, financial transactions of certain types at certain times.³

In November 2023, the Payments System Board agreed to strengthen arrangements to manage members' actual or perceived conflicts of interest. This included introducing a prohibition on active trading in financial instruments of potentially regulated institutions (as defined in the Code of Conduct). Revisions to the Code also introduced a 'blackout period', during which members and associated entities are prohibited from conducting any transactions in financial instruments of potentially regulated institutions; this period extends from the receipt of board papers until the media release following that meeting. The additional restrictions extend to entities controlled or influenced by members in a similar manner to those that apply to RBA staff and members of the Reserve Bank Board.

Policy risk management framework and Board reviews

Risks inherent in the decisions of the Reserve Bank Board and the Payments System Board are the direct responsibility of those boards. The boards review these risks periodically as part of their decision-making processes. Operational risks, including those related to the provision of advice to the Reserve Bank and Payments System boards and the implications arising from their decisions, are managed by executives via the RBA's risk management framework, as discussed in Part 3.3: Risk Management.

Reserve Bank Board reviews

Towards the end of 2023, the Reserve Bank Board conducted its annual review of the key risks inherent in the formulation of monetary policy, and the monetary policy risk register and control framework. The Board endorsed updates to the risk register to incorporate heightened risks in relation to a potential lack of continuity when establishing new governance arrangements, as well as the potential for conflict between the proposed new boards over policy-related matters.

At the same time, the Reserve Bank Board conducted its annual review of its own operation and processes, based on a survey of Board members. It concluded that essential processes were functioning effectively and that the revised approach to the meeting schedule that would commence in February 2024 was expected to provide sufficient time for deliberation of key issues relevant for monetary policy.

The performance of the Reserve Bank Board's Audit and Remuneration committees is assessed as part of the annual review of the effectiveness of the Board itself. The 2023 review concluded that the committees and their processes were functioning effectively. A review by the Audit Committee in 2024 of its own processes concluded it was operating effectively. Members discussed the importance of the Committee's role in providing guidance to management in understanding the risks faced by the RBA in its project and change portfolio, and in developing an appropriate framework for prioritisation.

Payments System Board reviews

Towards the end of 2023, the Payments System Board conducted its annual review of the key risks inherent in the formulation of payments system policy and the payments system policy risk register and control framework. The Board assessed that the risk control framework remained appropriate to manage payments system policy risks adequately and made only modest refinements to the risk register.

In May 2024, the Payments System Board conducted its annual review of its own operation and processes, based on a survey of Board members. It concluded that Board processes were functioning effectively. Members emphasised the importance of taking sufficient time to consider longer term issues relevant to payments system policy.

Conflicts of interest and payments policy matters

The RBA has several distinct areas of responsibility in the Australian payments system. It:

- owns, operates and participates in Australia's real-time gross settlement system – the Reserve Bank Information and Transfer System (RITS)
- provides transactional banking services to the Australian Government and its agencies
- is the principal regulator of the payments system through the Payments System Board.

While the various functions are distinct, their existence in the one institution may give rise to concerns about actual or perceived conflicts of interest. The Payments System Board and RBA senior management take seriously the possibility of any perception that the RBA's policy and operational roles may be conflicted, especially as this could undermine public confidence in regulatory and policy processes.

Accordingly, the RBA has policies in place for avoiding conflicts and dealing with them when they do occur. The Payments System Board has adopted such a policy, which is published on the RBA website and was reviewed most recently in August 2024.⁴ The policy focuses on interactions between the RBA's Payments Policy and Banking departments. Details of the steps taken to achieve compliance with the policy, including the minutes of informal meetings between departments, are audited regularly, with the results presented to the Payments System Board.

In the case of the RBA's oversight of RITS, the Payments System Board has a governance role in managing conflicts of interest. In particular, while the RBA's Financial Market Infrastructure Review Committee has formal responsibility to review and approve assessments of other financial market infrastructures, the Board retains primary responsibility for approving the staff's periodic assessments of RITS.

Induction of board and committee members

An induction program assists newly appointed members of the Reserve Bank Board, the Payments System Board and the Audit Committee in understanding their role and responsibilities. It provides them with an overview of the RBA's purpose, including the role of the relevant board or what is expected as a member of the Audit Committee (as applicable). The induction program briefs members on details of relevant developments in preceding years and also provides separate briefing sessions tailored to meet members' needs and interests.

Remuneration and allowances

The following arrangements are in place for remunerating members of the boards:

- Remuneration and travel allowances for the non-executive members of the Reserve Bank Board and the Payments System Board are set by the Remuneration Tribunal.
- Remuneration of members of the Reserve Bank Board and the Payments System Board is reported in Part 3.2: Our People and Note 12 of the Financial Statements, as they are key management personnel of the RBA.
- Remuneration of Reserve Bank Board members for their membership of the Audit Committee is determined by the Remuneration Tribunal; from 1 July 2023, remuneration was set at \$12,000 per annum plus superannuation for members and \$23,980 per annum plus superannuation for the chair. The RBA's longstanding practice has been to provide the same level of remuneration to members of the Audit Committee who are not also members of the Reserve Bank Board.
- Membership of the Remuneration Committee is not remunerated.

Indemnities for board and committee members and staff

Members of the Reserve Bank Board and the Payments System Board are indemnified to the extent permitted by law against liabilities incurred by reason of their appointment to the relevant board or by virtue of holding and discharging such office. Members of the Audit Committee who are not members of the Reserve Bank Board are indemnified on substantially the same terms as the indemnities given to Reserve Bank Board members.

Indemnities given prior to 1 July 2014

Certain other indemnities, all given prior to 1 July 2014, continue. These are:

- an indemnity to senior staff in relation to liabilities they may have incurred in the conduct of their duties at the RBA (this indemnity covers liability in relation to events over a period ending on 31 March 2017)
- indemnities to current and former senior staff and former Reserve Bank Board members who, at the request of the RBA, formerly served on the Board of NPA or the Board of CCL Secure Pty Limited (formerly Innovia Security Pty Ltd and, prior to that, Securrency International Pty Ltd).

Terms in indemnities

Section 22B of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) imposes limits on the granting of indemnities by corporate Commonwealth entities in relation to liabilities incurred from 28 February 2020. Indemnities issued by the RBA to new members of the Reserve Bank Board or the Payments System Board since that date have been consistent with section 22B of the PGPA Rule. Indemnities given prior to 1 July 2014 were in accordance with section 27M of the *Commonwealth Authorities and Companies Act 1997* (CAC Act), which specified when indemnity for liability and legal costs was not allowed. Indemnities given after 1 July 2014, when the CAC Act was repealed, but before the commencement of section 22B of the PGPA Rule, contain contractual restrictions reflecting the substance of the previous CAC Act restrictions. As the previous CAC Act restrictions were not materially different from the terms of section 22B of the PGPA Rule, the RBA's approach to indemnification of the members of its boards and its Audit Committee has not materially changed over time.

Policy on Assistance to Staff for Legal Proceedings

The RBA's policy on Assistance to Staff for Legal Proceedings applies in relation to events on or after 1 April 2017. This policy applies to all staff – not only senior staff – and is closely based on the rules that apply to the provision of assistance to staff for legal proceedings in non-corporate Commonwealth entities set out in Appendix E to the *Legal Services Directions 2017*. This policy states that assistance will not be provided when section 22B of the PGPA Rule forbids it. No assistance has been provided under this policy since its introduction in 2017.

Directors' and officers' insurance

As the RBA does not take out directors' and officers' insurance in relation to members of its boards or other officers, no premiums were paid for any such insurance in 2023/24.

Accountability

The Reserve Bank Board has an obligation under the Reserve Bank Act to inform the Australian Government of its monetary policy 'from time to time'. This obligation is discharged mainly by contact between the Governor and other senior executives and the Treasurer, usually by way of regular telephone discussions. (The Treasurer is the RBA's responsible Minister; in the reporting period, the Hon Dr Jim Chalmers MP.) The Governor also meets regularly with the House of Representatives Standing Committee on Economics.

The House of Representatives Standing Committee on Economics has, in its Standing Orders, an obligation to review the RBA annual report and the Payments System Board annual report. The Committee typically holds twice-yearly public hearings, at which the RBA presents its views on the economy and financial markets and other matters pertaining to its operations, and responds to questions from Committee members. Details of the appearances in 2023/24 are in Table 1.2.5.

In 2023/24 the Governor was invited to attend hearings of the Senate Economics Legislation Committee (Senate Estimates) to answer questions about monetary policy and other aspects of the RBA's central banking activities. RBA executives also gave evidence to various parliamentary inquiries. Table 1.2.5 provides details of all public parliamentary appearances.

Table 1.2.5: Parliamentary Appearances by RBA staff in 2023/24

Date	Committee/Inquiry	Staff attending
25 July 2023	Senate Economics Legislation Committee Inquiry into Digital Assets (Market Regulation) Bill 2023	Ellis Connolly, Head, Payments Policy Department Christopher Thompson, Deputy Head, Payments Policy Department
27 July 2023	Senate Select Committee on The Perth Mint and Commonwealth Regulatory Compliance	Christopher Kent, Assistant Governor (Financial Markets) Penelope Smith, Head, International Department
11 August 2023	House of Representatives Standing Committee on Economics Inquiry into the Review of the Reserve Bank of Australia Annual Report 2022	Philip Lowe, Governor Michele Bullock, Deputy Governor Brad Jones, Assistant Governor (Financial System) Marion Kohler, Assistant Governor (Economic) (Acting)
26 October 2023	Senate Economics Legislation Committee Supplementary Budget Estimates Inquiry into Cost of Living	Michele Bullock, Governor Christopher Kent, Assistant Governor (Financial Markets)
1 December 2023	Senate Standing Committee on Rural and Regional Affairs and Transport References Committee Inquiry into Bank Closures in Regional Australia	Melissa Hope, Head, Note Issue Department Merylin Coombs, Deputy Head, Note Issue Department
9 February 2024	House of Representatives Standing Committee on Economics Inquiry into the Review of the Reserve Bank of Australia Annual Report 2023	Michele Bullock, Governor Brad Jones, Assistant Governor (Financial System) Christopher Kent, Assistant Governor (Financial Markets) Marion Kohler, Assistant Governor (Economic) (Acting)

Table 1.2.5: Parliamentary Appearances by RBA staff in 2023/24 *(continued)*

Date	Committee/Inquiry	Staff attending
15 February 2024	Senate Economics Legislation Committee Additional Estimates 2023–24	Michele Bullock, Governor Christopher Kent, Assistant Governor (Financial Markets)
22 February 2024	Senate Economics Legislation Committee Inquiry into the Treasury Laws Amendment (Reserve Bank Reforms) Bill 2023	Michele Bullock, Governor Catherine Parr, General Counsel
25 March 2024	Senate Standing Committee on Rural and Regional Affairs and Transport References Committee Inquiry into Bank Closures in Regional Australia	Merylin Coombs, Deputy Head, Note Issue Department Rochelle Guttman, Senior Manager, Note Issue Department
16 April 2024	Senate Standing Committee on Rural and Regional Affairs and Transport References Committee Inquiry into Bank Closures in Regional Australia	Michelle McPhee, Assistant Governor (Business Services) Chay Fisher, Senior Manager, Note Issue Department
18 April 2024	Senate Economics Legislation Committee Inquiry into the Treasury Laws Amendment (Better Targeted Superannuation Concessions and Other Measures) 2023 [Provisions] and a related bill [Provisions]	Ellis Connolly, Head, Payments Policy Department Troy Gill, Senior Manager, Payments Policy Department
23 April 2024	Senate Economics Legislation Committee Inquiry into Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 [Provisions]	Ellis Connolly, Head, Payments Policy Department Nicole Pyner, Deputy Head, Payments Policy Department
5 June 2024	Senate Economics Legislation Committee Budget Estimates 2024–25	Michele Bullock, Deputy Governor Christopher Kent, Assistant Governor (Financial Markets)
2 August 2024	Joint Committee – Parliamentary Standing Committee on Public Works Reserve Bank of Australia – Head Office Storage and Logistics Change	Michelle McPhee, Assistant Governor (Business Services) Bruce Harries, Head, Workplace Department Lynne Cockerell, Head, Note Issue Department (Acting)
7 August 2024	Senate Select Committee on the Cost of Living	Sarah Hunter, Assistant Governor (Economic) Natasha Cassidy, Deputy Head, Economic Analysis Department
16 August 2024	House of Representatives Standing Committee on Economics Inquiry into the Review of the Reserve Bank of Australia Annual Report 2023	Michele Bullock, Governor Andrew Hauser, Deputy Governor Sarah Hunter, Assistant Governor (Economic) Brad Jones, Assistant Governor (Financial System) Christopher Kent, Assistant Governor (Financial Markets)

Source: RBA.

In addition to formal hearings and submissions, we seek to ensure a high degree of transparency about our goals, activities and the basis of our policy decisions. We communicate regularly through publications and speeches, and engage with the community through our regional and industry liaison program. This promotes understanding of our decisions in the community and in turn the effectiveness of policy.

This is discussed further in Part 2.6: Communication and Community Engagement.

Under section 46 of the PGPA Act, the Governor is responsible for preparing this annual report and providing it to the Treasurer for presentation to the Parliament, following approval by the Reserve Bank Board of the RBA's annual financial statements (which is required by section 7A(8) of the Reserve Bank Act). That approval was given by the Board at its meeting on 24 September 2024.

Freedom of Information

The RBA is an Australian Government agency subject to the *Freedom of Information Act 1982* (FOI Act). As required by Part II of the FOI Act, we publish information as part of the Information Publication Scheme. Details of our obligations under the FOI Act and the Scheme can be found on the RBA website.⁵

Table 1.2.6 details the number and outcome of FOI requests received during 2023/24. Three requests remained outstanding at the end of the financial year; two were answered in July 2024 and one was answered in August 2024. Information released in response to FOI access requests was published on the RBA website, as required by the FOI Act; RSS feeds to these releases were also made available.

Table 1.2.6: Freedom of Information Requests 2023/24

	Number
Requests received	62
<i>Of which:</i>	
– Granted in full	11
– Granted in part	25
– Denied	4
– No relevant documents found	17
– Withdrawn	4
– Transferred	1

Source: RBA.

Three applications were received for the internal review of an FOI decision made by the RBA in 2023/24. The original decision made was affirmed on review in relation to one application while increased access to information was granted in relation to the remaining two applications. One application for Information Commissioner Review of a decision was made to the Office of the Australian Information Commissioner (OAIC) but was subsequently withdrawn by the applicant.

The estimated time and cost of administering the FOI Act are set out in Table 1.2.7.

Table 1.2.7: Freedom of Information Requests (Staff Time and Processing Costs)

	2022/23	2023/24
Time spent (hours)	1,018	860
Total cost of administering FOI Act (\$)	150,000	130,000

Source: RBA.

External audit

The *Auditor-General Act 1997* establishes the mandate for the Auditor-General to undertake financial statement audits of all Australian Government entities, including the RBA, which falls under the category of corporate Commonwealth entities. The PGPA Act requires the Governor, as the RBA's accountable authority, to give the consolidated annual financial statements of the RBA and NPA to the Auditor-General as soon as practicable after they are prepared at the end of each financial year.

The Australian National Audit Office (ANAO) contracts private sector audit firms to perform some of its audit work where additional or specialist resources or skills are required. KPMG has been contracted by the ANAO to provide audit services for the external audit of the RBA and NPA. The contract with KPMG commenced in late 2013 and ran until completion of the RBA's 2023/24 financial statements. The RBA is not a decision-maker in the ANAO's selection of audit partner.

Information on fees paid in relation to the external audit of the RBA, along with any non-audit services provided by KPMG, are disclosed in Note 13 of the Financial Statements in this Annual Report (see Part 4: Financial Statements).

Other reporting requirements under the PGPA Act

No report on the RBA was issued in 2023/24 by the Commonwealth Ombudsman, the OAIC or the Auditor-General, apart from those dealing with the audit of the RBA's annual financial statements or which covered the RBA together with a range of other entities.

The ANAO published two audits dealing with the RBA's annual financial statements:

- 'Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2023', on 14 December 2023
- 'Interim Report on Key Financial Controls of Major Entities', on 20 June 2024.

No other ANAO reports included the RBA.

The statutory reporting obligations applying to the RBA, including those that are covered elsewhere in this report, are identified in Part 5.1: Statutory Reporting Requirements Index.

Ministerial directions

During 2023/24 the RBA received no directions from the responsible Minister (the Treasurer) or from any other Minister.

Government policy orders

During 2023/24 no government policy orders under section 22 of the PGPA Act applied to the RBA.

Compliance with finance law

During 2023/24 no issues relating to non-compliance by the RBA with finance law were reported to the responsible Minister (the Treasurer) under paragraph 19(1)(e) of the PGPA Act.

Transactions with related entities

In accordance with the PGPA Act, the RBA is required to disclose certain transactions with related entities. During 2023/24, the RBA donated \$50,000 to the Financial Markets Foundation for Children, which is managed by a Board of Directors chaired by the Governor. The RBA has made an annual donation of \$50,000 to the Foundation since 2002/03. The decision to continue making this donation is subject to internal review each year.

Significant activities or changes affecting the RBA

Three significant changes to our structure are discussed in the box entitled 'The RBA's transformation program'.

Judicial decisions or decisions of administrative tribunals

During 2023/24 there were no judicial decisions or decisions of administrative tribunals that have had, or may have, a significant effect on the RBA's operations.

The RBA's transformation program

The structure and governance of the RBA is changing as we deliver a multi-year transformation that began in mid-2023. This transformation is occurring in response to the 51 recommendations in the 2023 RBA Review and the 17 recommendations in the Independent Review of the October 2022 RITS Outage (the 'Deloitte Review').⁶ The ultimate objective of this transformation is for the RBA to become a more open and dynamic central bank that is efficient, well governed, highly resilient and fit for the future. Further details on our ambitions and plans are in our 2024/25 Corporate Plan.⁷

The work to implement these changes is being led by two temporary project teams:

- **The RBA Future Hub** – This team, comprising around 30 staff, is focused on the recommendations of the RBA Review and those from the Deloitte Review that relate to issues extending beyond payments operations.
- **The Payments Operations Program** – This team, comprising around 10 staff, is addressing the payments system-specific recommendations from the Deloitte Review and Targeted RITS Assessment.

Both teams work closely with subject-matter experts from across the RBA, supplemented by external support from contractors with specific technical expertise as required.

Three changes to the RBA's staffing structure emanated from the work of the Future Hub during 2023/24:

1. *The establishment of a Chief Operating Officer role:* This position reports to and assists the Governor in the day-to-day management of the RBA. The Chief Operating Officer partners with the Deputy Governor to ensure coordination between policymaking, operations and organisational decision-making, and oversees the newly created Enterprise Services and Strategy Group (see below).
2. *The creation of a new Communications Department:* The communications function had been a division within Secretary's Department over the preceding seven years. In response to a recommendation of the RBA Review to elevate the function, a standalone department was established, reporting to the Governor.
3. *The creation of the Enterprise Services and Strategy Group:* This Group brings together most of the departments that provide services to support the day-to-day operations of the RBA. It is headed by the Chief Operating Officer. In 2024/25 this group will be expanded through the creation of two new departments: Enterprise Strategy and Change, which will provide enterprise planning, project management and continuous improvement capabilities; and CoreMod, which will deliver an upgrade of the RBA's core technology infrastructure and migrate one of the RBA's two primary inhouse data centres to a co-location site. Information Department will also absorb the Enterprise Data Office with a broader remit covering all aspects of knowledge management.

The new structure is discussed further in Part 1.5: Operational Structure.

More broadly, the Future Hub and Payments Operations Program have been working to transform the way we operate in a number of areas, as summarised below.

Monetary policy

A number of changes have been made to the operation of monetary policy at the RBA, including:

- meetings of the Reserve Bank Board now take place over two days, to facilitate deeper debate and deliberation on monetary policy
- Board members and staff meet two weeks prior to each Board meeting to consider research and analysis relevant to future policy decisions
- the documents supporting Board meetings have been redesigned to better support the Board's decision-making
- the Governor now holds a media conference after each meeting of the Reserve Bank Board
- the *Statement on Monetary Policy* and the *Financial Stability Review* have been refreshed to present a clearer narrative, greater transparency and additional forecast information, and incorporates earlier input from the strengthened communications function
- the Reserve Bank Board agreed with the Treasurer on a new *Statement on the Conduct of Monetary Policy* in December 2023, which clarifies the objectives and accountabilities of the Board.⁸

Payments services

Work in this area over 2023/24 has been focused on a detailed scoping of the changes required to meet the recommendations of the Deloitte Review. This has included methodical planning of timelines and the identification of dependencies and risks. Detailed design work and the development of various components commenced in August 2024.

Further detail can be found in Part 2.3: Banking and Payment Services.

Governance

Legislation to amend the Reserve Bank Act is currently before the Parliament. A key part of that legislation is to establish a Governance Board, which would sit alongside a Monetary Policy Board and the Payments System Board. In preparation for this, RBA staff have prepared draft charters for each board. We have also undertaken detailed planning to ensure we are ready to support the work of the Governance Board as and when it is created.

Risk management

We are reviewing all aspects of our approach to risk management, drawing on the recommendations in the Deloitte Review (and reinforced by the observations from the RBA Review). Over 2023/24, this has included: completing a gap analysis against industry standards for operational risk and compliance management; determining the appropriate target state maturity; and designing enhancements to strengthen the RBA's 'Three Lines of Accountability' model (including improvements to the way in which risk controls are managed to achieve that level of maturity).

Further detail can be found in Part 3.3: Risk Management.

Culture and leadership

We launched our new 'Open & Dynamic' target culture in May 2024, following several months of consideration, consultation and planning. This has been complemented by the launch of an interim inclusion, diversity and belonging strategy, and new targets for gender, First Nations and culturally and linguistically diverse representation across all staff levels. In addition, we have clarified and strengthened the expectations of our leaders, expanded executive leadership training initiatives and introduced a 360-degree feedback process for executive management.

Further detail on these changes can be found in Part 3.2: Our People.

Endnotes

- 1 The Treasurer and the Reserve Bank Board (2023), *Statement on the Conduct of Monetary Policy*, December.
- 2 See RBA (2024), 'Reserve Bank Board Audit Committee Charter', September.
- 3 See RBA (2023), 'Code of Conduct for Reserve Bank Board Members', August; RBA (2021), 'Code of Conduct for Payments System Board Members', August.
- 4 See RBA (2024), 'Managing Potential Conflicts of Interest Arising from the Bank's Commercial Activities', August.
- 5 See RBA, 'Freedom of Information (FOI)'.
- 6 See Australian Government (2023), 'An RBA Fit for the Future', April; Deloitte (2023), 'Independent Review of the October 2022 Reserve Bank Information and Transfer System Outage', April.
- 7 See RBA (2024), 'Corporate Plan 2024/25'.
- 8 See The Treasurer and the Reserve Bank Board, note 1.

1.3 Reserve Bank Board

The Reserve Bank Board comprises nine members: the Governor; Deputy Governor; Secretary to the Australian Treasury (ex officio member); and six other non-executive members appointed by the Treasurer. The Board has an Audit Committee and a Remuneration Committee.

Board members as at September 2024

Michele Bullock

BEd (Hons) (UNE), MSc (LSE)



Chair and RBA Governor

Governor since 18 September 2023

Present term ends 17 September 2030

Michele Bullock commenced as Governor on 18 September 2023. She is Chair of the Reserve Bank Board, Payments System Board and Council of Financial Regulators.

Prior to her current role, Ms Bullock was the RBA Deputy Governor. She has also held a variety of senior management positions at the RBA. She was Assistant Governor (Financial System), Assistant Governor (Business Services), Assistant Governor (Currency), Adviser for the Currency Group and, before that, Head of Payments Policy Department.

Ms Bullock is a Member of Chief Executive Women and a signatory to the Banking and Finance Oath.

Other roles

Chair – Payments System Board

Chair – Council of Financial Regulators

Chair – Financial Markets Foundation for Children

Member – Financial Stability Board

Member – Trans-Tasman Council on Banking Supervision

Director – The Anika Foundation

Andrew Hauser

MA (PPE) (Oxford), MSc Economics (LSE)



Deputy Chair and RBA Deputy Governor

Deputy Governor since 12 February 2024

Present term ends 11 February 2029

Andrew Hauser's term as Deputy Governor and Deputy Chair of the Reserve Bank Board commenced on 12 February 2024.

Mr Hauser previously held a variety of senior positions at the Bank of England, most recently as Executive Director for Markets. During his time at the Bank of England, he also: held the position of Executive Director for Banking, Payments and Financial Resilience; oversaw its quarterly Inflation Report, its regional agency network and its international economic analysis; served on the secretariats of the Monetary and Financial Policy committees; was Chief of Staff to the Governor in the aftermath of the global financial crisis; and was alternate Executive Director at the International Monetary Fund in Washington, DC.

Other roles

Chair – RBA Risk Management Committee

Ian Harper AO

BEC (Hons) (Queensland), MEd, PhD (ANU)



Non-executive member

Member since 31 July 2016

Present term ends 30 July 2026

Ian Harper has extensive experience in public policy development, academia and economic consulting.

Professor Harper chaired the Competition Policy Review (Harper Review), served as a member of the Financial System Inquiry (Wallis Inquiry) and was the inaugural Chairman of the Australian Fair Pay Commission. He spent two decades as a Professor at the University of Melbourne – first as the NAB Professor of Monetary and Financial Economics (1988–1992), then as the Ian Potter Professor of International Finance (1992–2002) and the Sidney Myer Professor of Commerce and Business Administration (2002–2008) at the Melbourne Business School.

Professor Harper spent eight years as an economic consultant – first as a director of Access Economics Pty Ltd (2008–2011) and then as a partner of Deloitte Touche Tohmatsu (2011–2016).

In the 2020 Queen's Birthday Honours, Professor Harper was made an Officer of the Order of Australia for his distinguished service to education in the field of economics, and to public and monetary policy.

Other roles

Chair – Australian Statistics Advisory Council

Chair – Clergy Remuneration and Working Conditions Committee, Anglican Diocese of Melbourne

Member – Kearney (Australia and New Zealand) Advisory Group

Director – Harper Associates Australia

Reserve Bank Board committee membership

Member – Remuneration Committee

Carolyn Hewson AO

BEd (Hons) (Adelaide), MA (Econ) (Cantab)



Non-executive member

Member since 30 March 2021

Present term ends 29 March 2026

Carolyn Hewson is a former investment banker with over 35 years' experience in the finance sector.

Ms Hewson was previously an executive director of Schroders Australia Ltd and has extensive financial markets, risk management and investment management expertise. She served as a panel member on the Australian Government's Financial System Inquiry in 2014. Ms Hewson is also a former director of BHP Group, Stockland Group, BT Investment Management Ltd, Westpac Banking Corporation, AGL Energy Ltd, the Australian Gas Light Company, CSR Ltd, AMP Ltd, South Australian Water and the Economic Development Board of South Australia.

Ms Hewson was awarded a Centenary Medal in 2001 for her service to Australian society in business leadership. In the 2009 Queen's Birthday Honours, she was made an Officer of the Order of Australia for her service to the community through support for charitable organisations, particularly YWCA, and to business.

Ms Hewson is a Life Fellow of the Australian Institute of Company Directors.

Other roles

Non-executive Director – CSL Ltd

Non-executive Director – Infrastructure SA

Ambassador – Impact 100 South Australia

Member – John Monash Foundation Leadership Academy Advisory Board

Reserve Bank Board committee membership

Member – Audit Committee

Steven Kennedy PSM

BEC (Hons) (Sydney), MEd, PhD (ANU)



Ex officio member

Secretary to the Australian Treasury

Member since 2 September 2019

Steven Kennedy was appointed Secretary to the Australian Treasury with effect from 2 September 2019.

Prior to this role, he was Secretary of the Department of Infrastructure, Transport, Cities and Regional Development from September 2017 to August 2019. During his nearly 30 years in the public service, Dr Kennedy has held other senior positions, including: Deputy Secretary at the Department of the Prime Minister and Cabinet; Deputy Secretary at the Department of Industry, Innovation and Science; Deputy Secretary at the Department of the Environment; Deputy Secretary at the Department of Climate Change and Energy Efficiency; and the Head of Secretariat of the Garnaut Climate Change Review – Update 2011.

Dr Kennedy was awarded a Public Service Medal in 2016 for his outstanding public service in the area of climate change policy.

Other roles

Ex Officio Member – Board of Taxation

Ex Officio Member – Council of Financial Regulators

Ex Officio Member – Sir Roland Wilson Foundation

Member – Centre for Market Design Advisory Board

Member – Trans-Tasman Council on Banking Supervision

Iain Ross AO

BEC (Sydney), LLB (Sydney), LLM (Sydney), MBA (Monash), PhD (Law) (Sydney)



Non-executive member

Member since 7 May 2023

Present term ends 6 May 2028

Iain Ross AO has served as a former President of the Fair Work Commission, and Judge of the Federal Court and the Supreme Court of Victoria.

He was admitted as a Barrister of the New South Wales Supreme Court in May 1985 and as a Barrister and Solicitor of the Victorian Supreme Court in December 1988. His career experience includes Vice President of the Australian Industrial Relations Commission, partner in the workplace relations practice group at Corrs Chambers Westgarth and Assistant Secretary of the ACTU.

In the 2005 Queen's Birthday Honours, Dr Ross was made an Officer in the Order of Australia for his services to industrial relations through contributions to institutional reform, particularly the development of a universal superannuation system and enterprise bargaining, and as a teacher and researcher in the field. In May 2014, Dr Ross was awarded a Doctor of Laws, *honoris causa* (LLD) by the University of Sydney.

Dr Ross is a Fellow of the Academy of the Social Sciences in Australia.

Other roles

Adjunct Professor – University of Sydney Business School

Acting Chair – Net Zero Economy Agency

Reserve Bank Board committee membership

Member – Remuneration Committee

Elana Rubin AM

BA (Hons) (Melb), MA (Melb)



Non-executive member

Member since 31 August 2023

Present term ends 30 August 2028

Elana Rubin has been a non-executive director for over 20 years and has extensive experience across technology, financial services, property, infrastructure and government sectors. Her non-executive directorships have spanned listed, unlisted, private and government companies.

Ms Rubin's previous roles include Chair of Afterpay, Chair of AustralianSuper and Chair of WorkSafe Victoria, and a Director of Mirvac and ME Bank. She was formerly a member of the Australian Government's Infrastructure Australia Council and Climate Change Authority, and of the AICD Victorian Council.

In the 2021 Queen's Birthday Honours, Ms Rubin was made a Member of the Order of Australia for significant service to corporate governance and to the community. Ms Rubin is a Life Fellow of the Australian Institute of Company Directors, a Senior Fellow of the Financial Services Institute of Australasia and a Member of Chief Executive Women.

Other roles

Chair – Australian Business Growth Fund

Chair – Victorian Managed Insurance Authority

Non-executive Director – Dexus Funds Management Ltd

Non-executive Director – Telstra Corporation Ltd

Carol Schwartz AO

BA, LLB, MBA (Monash)



Non-executive member

Member since 14 February 2017

Present term ends 13 February 2027

Carol Schwartz has extensive experience in business, property, the arts and community organisations.

Past high-level leadership roles, including a portfolio of diverse board appointments, have spanned the business, government, arts, health and community sectors.

Ms Schwartz was awarded a Centenary Medal in 2001 for her outstanding service as a leading business executive and committee participant. In the 2019 Queen's Birthday Honours, she was made an Officer of the Order of Australia for her distinguished service to the community as a supporter of women in leadership roles, to social justice advocacy and to business. In 2019, she was awarded the Leading Philanthropist Award by Philanthropy Australia.

Ms Schwartz is a Fellow of the Australian Institute of Company Directors.

Other roles

Founding Chair – Women's Leadership Institute Australia

Chair – Climate Council

Chair – Equity Trustees

Chair – Our Community

Director – Trawalla Group

Reserve Bank Board committee membership

Chair – Remuneration Committee

Alison Watkins AM

BCom (Tasmania)



Non-executive member

Member since 17 December 2020

Present term ends 16 December 2025

Alison Watkins is an experienced chief executive officer and non-executive director. She has led two ASX-listed companies – Coca-Cola Amatil Ltd and GrainCorp Ltd.

Previously, Ms Watkins led Berri Ltd and the Regional Banking business at Australia and New Zealand Banking Group Ltd. Ms Watkins spent 10 years at McKinsey & Company, where she became a partner before moving to ANZ as Group General Manager, Strategy. Ms Watkins has been a non-executive director of ANZ, Woolworths Ltd and Just Group Ltd.

In the 2022 Australia Day Honours, Ms Watkins was made a Member of the Order of Australia for her significant service to business through leadership roles with a range of organisations.

Ms Watkins is a Fellow of Chartered Accountants Australia and New Zealand, the Financial Services Institute of Australasia and the Australian Institute of Company Directors.

Other roles

Chancellor – University of Tasmania

Non-executive Director – CSL Ltd

Non-executive Director – Wesfarmers Ltd

Reserve Bank Board committee membership

Chair – Audit Committee

Retirement from the Board

Philip Lowe retired from the Reserve Bank Board on 17 September 2023.

Philip Lowe

BCom (Hons) (UNSW), PhD (MIT)



Chair and RBA Governor

Governor from 18 September 2016 to 17 September 2023

Philip Lowe's appointment as Governor took effect in September 2016. Prior to that, he held various senior positions at the RBA – including Assistant Governor (Financial System), Assistant Governor (Economic) and, from February 2012, Deputy Governor – where he was responsible for overseeing economic and policy advice to the Governor and Reserve Bank Board. He spent two years at the Bank for International Settlements working on financial stability issues.

Mr Lowe has authored numerous papers, including on the linkages between monetary policy and financial stability. The University of New South Wales awarded Mr Lowe the Chancellor's Award for Exceptional Alumni Achievement in June 2021 and a Doctor of Business, *honoris causa* (Hon DBus) in May 2024. Mr Lowe is a signatory to the Banking and Finance Oath.

Other roles

Chair – Payments System Board

Chair – Council of Financial Regulators

Chair – Bank for International Settlements Committee on the Global Financial System

Chair – Financial Markets Foundation for Children

Member – Financial Stability Board

Member – Trans-Tasman Council on Banking Supervision

Director – The Anika Foundation

Resolution passed by the Reserve Bank Board – 5 September 2023

On the occasion of Philip Lowe's final meeting after seven years as Governor and Chair of the Board, members congratulated him for his exceptional service to the RBA and to the nation. Prior to being appointed Governor in 2016, Mr Lowe had served as Deputy Governor for three and a half years and, prior to that, had presented to the Board regularly as an Assistant Governor since 2004. The Governor-designate, Michele Bullock, paid tribute to Mr Lowe's outstanding contribution to the deliberations of the Board for almost two decades. On behalf of all members, she expressed appreciation and admiration for Mr Lowe's professionalism, integrity and intellect, his thoughtful, consistent and consultative approach to policymaking, and for the judgements he made for the welfare of the Australian people during a very challenging period for the global and Australian economy. Members warmly recorded their appreciation of Mr Lowe's commitment and dedication to public policy in a career spanning more than four decades. They wished him well in the future.

Reserve Bank Board Audit Committee

Membership of the Audit Committee comprises: two non-executive members of the Reserve Bank Board, one of whom chairs the Committee; and two external members, typically former senior audit partners of major accounting firms with extensive experience in auditing in the finance sector.

Alison Watkins AM

Chair

Member since 3 February 2021

Present term ends 16 December 2025

See above for Ms Watkins' professional details.

Rahoul Chowdry

BCom (Hons) (Calcutta)



Member

Member since 14 February 2018

Present term ends 13 February 2026

Rahoul Chowdry has extensive experience in the professional services industry, which has enabled him to build a reputation as a leading adviser on governance, regulation and risk to major banks and other large financial institutions in Australia and Canada. Until the end of 2017, Mr Chowdry was the Global Banking and Capital Markets Assurance Leader at PricewaterhouseCoopers and a partner for almost 30 years in the firm's financial services practice. He is a qualified chartered accountant and a fellow of the Chartered Accountants in Australia and New Zealand.

Other roles

Senior Advisor – MinterEllison

Member – Audit and Risk Committee, MinterEllison Board of Partners

Non-executive Director, Audit Committee Chair, Nominations Committee

Member and Risk Committee Member – AMP Ltd

Non-executive Director, Audit Committee Chair and Risk Committee

Member – AMP Bank Ltd

Greg Couttas

BCom (UNSW)



Member

Member since 9 September 2023

Present term ends 8 September 2028

Greg Couttas has significant finance and risk management expertise, having served as a senior audit partner at Deloitte for 28 years until his retirement in November 2016. He held several senior management roles at Deloitte, including Managing Partner for New South Wales from 2005–2008. Mr Couttas served as a member of the Deloitte Australia Board from 2005–2016 and was Chair of the firm’s Audit and Risk Committee for 11 years. He is a fellow of the Chartered Accountants in Australia and New Zealand.

Other roles

Chair – Hireup Holdings Pty Ltd

Non-executive Director, Audit and Risk Committee Chair, Safety, Culture and Remuneration Committee Member, Economic Regulation Committee Member and Nominations Committee Member – Sydney Water Corporation
Board Member, Audit and Risk Committee Chair and Remuneration Committee Member – The Salvation Army Australian Territory

Carolyn Hewson AO

Member

Member since 31 August 2023

Present term ends 29 March 2026

See above for Ms Hewson’s professional details.

Retirement from the Audit Committee

Sandra Birkenleigh retired from the Audit Committee on 8 September 2023.

Sandra Birkenleigh

BCom (UNSW)



Member

Member from 9 September 2015 to 8 September 2023

Sandra Birkenleigh has extensive experience in financial services, with a particular focus on risk management, compliance and corporate governance. Ms Birkenleigh's career includes 24 years at PricewaterhouseCoopers, where she was formerly a Global Lead for Governance, Risk and Compliance, a National Lead Partner for Risk and Controls Solutions, and a Service Team Leader for Performance Improvement. Ms Birkenleigh holds several directorships and is chair of the audit committees for most of the organisations listed below. She is a qualified chartered accountant, a member of Chartered Accountants Australia and New Zealand, and a Member of the Australian Institute of Company Directors. In February 2020, Ms Birkenleigh was reappointed to the Audit Committee for a further three years.

Other roles

Chair and Non-executive Director, Audit Committee Member and Remuneration Committee Member – Auswide Bank Ltd

Non-executive Director, Audit and Risk Committee Chair and Remuneration and Nominations Committee Member – Adore Beauty Ltd

Non-executive Director, Audit Committee Chair and Risk and Remuneration Committee Member – Horizon Oil Ltd

Non-executive Director, Risk Committee Chair and Strategy Committee Member – 7-11 Holdings Ltd and its subsidiaries

Non-executive Director and Audit Committee Chair – The Tasmanian Public Finance Corporation

Resolution passed by the Audit Committee – 16 August 2023

The incoming Chair noted that this would be the final meeting for Mark Barnaba¹ and Sandra Birkenleigh. On behalf of the Committee and management, Ms Watkins formally acknowledged the contribution to the work of the Committee made by Mr Barnaba since 2018 and by Ms Birkenleigh since 2015, and their support of RBA staff in the Audit, Finance and Risk and Compliance areas.

Reserve Bank Board Remuneration Committee

Membership of the Remuneration Committee comprises: three non-executive members of the Reserve Bank Board, one of whom chairs the Committee.

Carol Schwartz AO

Chair

Member since 31 August 2017

Chair since 7 April 2021

Present term ends 13 February 2027

See above for Ms Schwartz's professional details.

Ian Harper AO

Member

Member since 2 August 2016

Present term ends 30 July 2026

See above for Professor Harper's professional details.

Iain Ross AO

Member

Member since 7 June 2023

Present term ends 6 May 2028

See above for Dr Ross's professional details.

Endnotes

1 Mark Barnaba's retirement from the Reserve Bank Board on 30 August 2023 was recorded in the 2023 Annual Report.

1.4 Payments System Board

The Payments System Board comprises up to eight members: the RBA Governor; a representative of the RBA; a representative of the Australian Prudential Regulation Authority; and up to five other non-executive members appointed by the Treasurer.

Board members as at September 2024

Michele Bullock

BEd (Hons) (UNE), MSc (LSE)



Chair and RBA Governor

Governor since 18 September 2023

Present term ends 17 September 2030

Michele Bullock commenced as RBA Governor on 18 September 2023. She is also Chair of the Reserve Bank Board, the Payments System Board and the Council of Financial Regulators.

Prior to her current role, Ms Bullock was the RBA Deputy Governor. She has also held a variety of senior management positions at the RBA. She was Assistant Governor (Financial System), Assistant Governor (Business Services), Assistant Governor (Currency), Adviser for the Currency Group and, before that, Head of Payments Policy Department.

Ms Bullock is a Member of Chief Executive Women and a signatory to the Banking and Finance Oath.

Other roles

Chair – Reserve Bank Board

Chair – Council of Financial Regulators

Chair – Financial Markets Foundation for Children

Member – Financial Stability Board

Member – Trans-Tasman Council on Banking Supervision

Director – The Anika Foundation

Brad Jones

PhD (Macquarie)



Deputy Chair and RBA Assistant Governor (Financial System)

Deputy Chair since 16 January 2024

Brad Jones joined the RBA in 2018 and was appointed RBA Assistant Governor (Financial System) in 2022.

Prior to his current role, Dr Jones was the Head of International Department and then the Head of Economic Analysis Department.

Before joining the RBA, Dr Jones held roles at the International Monetary Fund in Washington DC, Deutsche Bank in London and Hong Kong, and the University of Cambridge Judge Business School.

Dr Jones is a Graduate member of the Australian Institute of Company Directors, holds the Chartered Alternative Investment Analyst designation and is a signatory to the Banking and Finance Oath.

Other roles

Member – Basel Committee on Banking Supervision

Member – Council of Financial Regulators

Member – Institute of Global Finance Advisory Board

Chair – RBA Financial Market Infrastructure Review Committee

Ross Buckley

BEcon, LLB (Hons) (UQ), PhD (UNSW), LL.D (Melbourne)



Non-executive member

Member since 1 August 2023

Present term ends 31 July 2028

Ross Buckley is a Scientia Professor at the University of New South Wales and an Australian Research Council Laureate Fellow. His key research areas include fintech, regtech, central bank digital currencies and cryptoassets more generally. He has written seven books and over 200 journal articles, book chapters and major reports. He has twice been a Fulbright Scholar, at Yale and Duke universities.

Professor Buckley has consulted to government departments in over a dozen countries and written reports for a range of institutions, including the Alliance for Financial Inclusion, Asian Development Bank, Bank for International Settlements, European Commission and United Nations Capital Development Fund.

Other roles

Chair – Digital Finance Advisory Panel, Australian Securities and Investments Commission

Member – Consultative Panel, Australian Securities and Investments Commission

Strategic Research Advisor – Digital Finance Cooperative Research Centre

Fellow and Academic Member – European Banking Institute, Frankfurt

Fellow – Salzburg Global Finance Forum

Gina Cass-Gottlieb

BEc (Hons), LLB (Hons) (Sydney), LL.M (Berkeley)



Non-executive member

Member from 15 July 2013 to 14 July 2018

Reappointed from 1 August 2018

Present term ends 31 July 2028

Gina Cass-Gottlieb has extensive expertise in competition law and economic regulatory advice and in the regulation of payments in Australia. She was appointed Chair of the Australian Competition and Consumer Commission on 21 March 2022.

Prior to this, Ms Cass-Gottlieb was a senior partner in Gilbert + Tobin's competition and regulation practice, advising and representing corporations, industry associations and government and non-government agencies. She has over 25 years' experience, including advising in relation to access arrangements in a range of sectors across the economy.

Ms Cass-Gottlieb attended the University of California, Berkeley, as a Fulbright Scholar.

Michelle Deaker

BSc (Hons) (Sydney), MSc (Sydney), PhD (UC)



Non-executive member

Member since 1 August 2023

Present term ends 31 July 2028

Michelle Deaker is a Founding Partner and the Managing Director of OneVentures, a venture capital firm that focuses on technology and healthcare sectors. Dr Deaker has over 20 years' experience in the development of high-growth technology companies in Australia and the United States. She has served on the boards of large and small listed and unlisted companies and has a strong background in Australian research and development as well as expertise in global business expansion.

Prior to establishing OneVentures in late 2006, Dr Deaker established IT enterprise business Networks Beyond 2000 and later E Com Industries, a leading prepaid card and electronic voucher provider in several countries.

Dr Deaker is a Member of the Australian Institute of Company Directors and Chief Executive Women.

Other roles

Director – Phocas Group

Director – Buildkite

Director – WinVC Limited

Board Observer – Employment Hero

Scott Farrell

BEC (Sydney), LLB (Hons) (Sydney), PhD (UNSW)



Non-executive member

Member since 23 March 2022

Present term ends 22 March 2027

Scott Farrell has more than 25 years' experience in financial markets and financial systems law. In 2016, he was appointed to the Australian Government's FinTech Advisory Group at its formation and in 2018 was appointed its co-Chair.

Dr Farrell has led a number of reviews for the Australian Government, including the Review into Open Banking in Australia in 2017, the Inquiry into Future Directions for the Consumer Data Right in 2020 and the Review of the Australian Payments System in 2021.

Other roles

Strategic Counsel – King & Wood Mallesons

Adjunct Professor – School of Private and Commercial Law,
University of New South Wales

Chair – International Organization for Standardization TC 307 Blockchain and Distributed Ledger Technologies

John Lonsdale



APRA-appointed member

Chair – Australian Prudential Regulation Authority

Member since 1 November 2022

John Lonsdale was appointed as Chair of the Australian Prudential Regulation Authority (APRA) on 31 October 2022 after joining APRA as Deputy Chair on 8 October 2018. In his Deputy Chair role, Mr Lonsdale was responsible for oversight of Australia's banking sector, as well as oversight of APRA's work on culture and remuneration, building APRA's crisis-resolution capability and strengthening APRA's collaboration with peer regulators.

Prior to joining APRA, Mr Lonsdale worked for the Australian Treasury for over 30 years. He was a member of the Treasury's Executive and, in his role as Deputy Secretary for the Markets Group, he had responsibility for financial system, consumer and foreign investment policy. In 2014 he led the Secretariat for the Financial System Inquiry.

Other roles

Member – Council of Financial Regulators

Member – Financial Stability Board Standing Committee on Supervisory and Regulatory Cooperation

Member – Trans-Tasman Council on Banking Supervision

Deborah Ralston

BEC, Dip Fin Mgt, MEd (UNE), PhD (Bond)



Non-executive member

Member since 15 December 2016

Present term ends 14 December 2026

Deborah Ralston has more than 25 years of board-level experience in education, banking, superannuation and fintech sectors. She has held senior leadership and research roles in Australian universities, most recently as the Executive Director of the Centre for Financial Studies.

Dr Ralston's expertise in public policy is reflected in appointments to the Australian Government's Retirement Income Review Panel, the Comprehensive Income Products for Retirement Framework Advisory Committee and as inaugural Chair of the Australian Securities and Investments Commission's Digital Finance Advisory Board.

Dr Ralston is currently a Professorial Fellow at Monash University Business School, with research interests in financial regulation and superannuation. She is a Fellow of both CPA Australia and the Australian Institute of Company Directors.

Other roles

Chair – Advisory Board, Household Capital

Director – SMSF Association

Member – Advisory Board, Connexus Institute

Member – Future Fund Board of Guardians

Retirement from the Payments System Board

Philip Lowe retired from the Payments System Board on 17 September 2023.

Philip Lowe

BCom (Hons) (UNSW), PhD (MIT)



Chair and RBA Governor

RBA Governor from 18 September 2016 to 17 September 2023

Philip Lowe's appointment as RBA Governor took effect in September 2016.

Prior to that, he held various senior positions at the RBA, including Assistant Governor (Financial System), Assistant Governor (Economic) and Deputy Governor.

Mr Lowe spent two years at the Bank for International Settlements working on financial stability issues. He has authored numerous papers, including on the linkages between monetary policy and financial stability. The University of New South Wales awarded Mr Lowe the Chancellor's Award for Exceptional Alumni Achievement in June 2021 and a Doctor of Business, *honoris causa* (Hon.DBus) in May 2024. Mr Lowe is a signatory to the Banking and Finance Oath.

Other roles

Chair – Reserve Bank Board

Chair – Council of Financial Regulators

Chair – Bank for International Settlements Committee on the Global Financial System

Chair – Financial Markets Foundation for Children

Member – Financial Stability Board

Member – Trans-Tasman Council on Banking Supervision

Director – The Anika Foundation

Resolution passed by the Payments System Board – 17 August 2023

On the occasion of Philip Lowe's final meeting after seven years as Governor and Chair of the Board, members expressed their appreciation for his exceptional contribution to the RBA's work on payments policy matters in Australia for two decades and to the Board's deliberations in continuing to meet its mandate for efficiency, competition and controlling risk in the payments system. On behalf of all members, the Governor-designate, Michele Bullock, paid tribute to Mr Lowe's exemplary leadership of the Board and the RBA during a period of significant change, growing sophistication and challenges in the payments area. Members warmly recorded their appreciation of Mr Lowe's dedication to public policy in a career spanning more than four decades. They thanked him for his service to the RBA and the nation and wished him well in the future.

1.5 Operational Structure

The RBA is managed by the Governor, with the support of the Deputy Governor, Chief Operating Officer and Executive Committee. We have five operational groups – Business Services Group, Economic Group, Enterprise Services and Strategy Group, Financial Markets Group and Financial System Group – four other supporting departments, and two temporary project departments established to lead the transformation of the RBA currently underway.

Business Services Group

Business Services Group provides transactions-based services to our customers and other important stakeholders. In particular, it provides banking services and payments-related advice and assistance to the Australian Government and its agencies, as well as to other central banks. It is responsible for the distribution of Australia's banknotes and provides payment settlement services to financial institutions. The group comprises three departments: Banking; Note Issue; and Payments Settlements.

Banking Department

Banking Department provides a range of banking services to Australian Government departments and agencies as well as to a number of overseas central banks and official institutions. These government services broadly comprise two activities: managing the government's core accounts; and transactional banking. Sydney-based staff are responsible for the direction, administration and development of the department's work, while the day-to-day interaction with customers is largely managed by staff in the Canberra Branch.

Note Issue Department

Note Issue Department is responsible for the issue, reissue and cancellation of Australian banknotes, in order to provide a safe, secure and reliable means of payment and store of value. The department works with the RBA's wholly owned subsidiary, Note Printing Australia Limited, to design and produce banknotes. It distributes banknotes to financial institutions, monitors and maintains banknote quality in circulation, and withdraws unfit banknotes from circulation. The department also monitors and analyses counterfeiting trends and conducts research into banknote security technology.

Payments Settlements Department

Payments Settlements Department operates Australia's interbank settlement system, the Reserve Bank Information and Transfer System (RITS). RITS facilitates the final settlement of payment obligations across accounts held with the RBA, often on an individual and real-time basis (reducing the build-up of exposures between institutions and contributing to the stability of the financial system). RITS includes the Fast Settlement Service, which the department operates on a 24/7 basis to support Australia's fast payment system (the New Payments Platform), as well as other services that settle low-value payments, such as cheque and direct entry transactions. The department also manages the settlement of the RBA's own transactions and those of its official clients.

Economic Group

Economic Group is responsible for analysing economic trends, both domestic and overseas, forecasting and research relevant to the framing of policy in a number of areas. The group comprises Economic Analysis Department and Economic Research Department.

Economic Analysis Department

Economic Analysis Department monitors and forecasts trends in the domestic and international economies, and provides regular advice on these developments and monetary policy to the Governors and the Reserve Bank Board. The department also contributes to the work of various external bodies, maintains contacts with relevant external analysts, undertakes applied research and prepares reports for publication.

Our four state offices – in Adelaide, Brisbane, Melbourne and Perth – come under Economic Analysis Department. Staff in these offices conduct economic liaison across Australia via regular discussions with individual firms and organisations in both the private and public sectors; they also assist with communication to the wider community.

Our Representative Office in Beijing sits under this department and is responsible for monitoring Chinese economic and financial developments, as well as maintaining relationships with government and private sector entities in China.

Economic Research Department

Economic Research Department undertakes longer term research into issues relevant to our responsibilities, including the Australian economy, monetary policy, financial stability, the payments system and the operation of financial markets. Results of this research are published in the Research Discussion Paper series. The department organises a major annual conference and an annual research workshop. In addition, it organises a program of internal seminars, hosts a number of invited visitors each year and is responsible for administering a comprehensive library service for the RBA.

Enterprise Services and Strategy Group

Enterprise Services and Strategy Group is responsible for delivering enabling services to the whole of the RBA, in support of our charter objectives and enterprise-wide change agenda. The group comprises Finance, Information, Information Technology, People, and Workplace departments and the Enterprise Data Office. This group will be restructured during 2024/25 to better reflect our evolving priorities, as discussed in Part 1.2: Governance and Accountability.

Finance Department

Finance Department is responsible for our financial statements and taxation reporting obligations; it prepares the budget and provides a range of support services, including corporate payments, payroll, procurement and travel. The department also manages the Enterprise Portfolio Management Office.

Information Department

Information Department is responsible for our information management framework, information governance, records management system and archives. The department also facilitates public access to our records and archival material and manages the Reserve Bank of Australia Museum.

Information Technology Department

Information Technology Department is responsible for developing and maintaining reliable, resilient and secure information technology to support policy, operational and corporate functions. In fulfilling these responsibilities, the department delivers and maintains technology systems and infrastructure, provides ongoing system quality assurance, and maintains information security, including cybersecurity defensive controls. It also supports technology planning, which includes catering for emerging and future technology requirements.

People Department

People Department provides a range of people-related services to support and maintain a productive and engaged workforce. This includes attracting and retaining high-quality employees, as well as managing reward and recognition frameworks, the performance management framework, training and development programs and employee relations. The department also leads our work to drive cultural change and diversity, workplace health and safety.

Workplace Department

Workplace Department is responsible for managing our physical assets, maintaining our properties and building infrastructure, and delivering workplace services to ensure the effective operation of the RBA and the safety, security, amenity and wellbeing of our staff. Key activities include overseeing the provision of building services, asset infrastructure maintenance and upgrades, physical and protective security, and sustainability and environmental risk management.

Enterprise Data Office

The Enterprise Data Office is responsible for the management of our data as an asset, to enhance analytical capabilities and inform policy and operational decisions. This includes establishing modern tools and processes for using data, migrating data from legacy systems to strategic platforms, and training staff on tools and best practices for working with data. The office operates an Innovation Lab to assess the potential of emerging technologies to support delivery of our charter and operational objectives.

Financial Markets Group

Financial Markets Group is responsible for implementing operations in domestic and foreign exchange markets, monitoring developments in financial markets and coordinating relationships with international institutions. The group comprises Domestic Markets Department and International Department.

Domestic Markets Department

Domestic Markets Department is responsible for our operations in domestic money and bond markets. The department analyses developments in domestic financial markets, including the cost and availability of finance through financial intermediaries and capital markets, and provides regular advice to the Governors and the Reserve Bank Board on these issues.

International Department

International Department is responsible for our foreign exchange operations, investment of international reserve holdings of gold and foreign exchange, and for providing regular advice on developments in international financial markets to the Governors and the Reserve Bank Board. The department is also responsible for maintaining relations with major international financial and policymaking institutions.

Our representative offices in London and New York come under Financial Markets Group. The European Representative Office in London maintains liaison with central banks and other institutions and authorities in Europe, including the Bank for International Settlements and the Organisation for Economic Co-operation and Development. The New York Representative Office performs similar functions in North America. Both offices monitor economic and financial developments in their respective local markets, and assist with foreign exchange operations and investment of international reserves.

Financial System Group

Financial System Group supports our broad responsibilities for financial system stability and role in payments system oversight and regulation. The group comprises Financial Stability Department and Payments Policy Department.

Financial Stability Department

Financial Stability Department analyses the implications for financial system stability of developments in the economy, financial markets and the financial sector more generally, including patterns of financial intermediation, financial products and risk management techniques. The department works closely with the other Council of Financial Regulators (CFR) agencies to identify and monitor risks to financial stability. The department provides advice on financial stability risks and how they might interact with monetary policy to the Governors and the Reserve Bank Board. It also supports our representation on bodies such as the CFR, the Financial Stability Board and the Basel Committee on Banking Supervision.

Payments Policy Department

Payments Policy Department is responsible for developing and implementing our payments system policy. It provides analysis and advice to the Payments System Board on improving the safety, efficiency and competitiveness of the payments system. The department is also responsible for oversight of Australia's payments, clearing and settlement facilities, and represents the RBA on the Committee on Payments and Market Infrastructures of the Bank for International Settlements.

Governance and Communications

Audit Department

Audit Department is responsible for conducting independent appraisals of our activities, functions and operations to ensure that an adequate framework of internal control has been established and is operating effectively. The Head of Audit Department reports to the Deputy Governor and the Reserve Bank Board Audit Committee.

Communications Department

Communications Department is responsible for communicating our decisions and activities to the Australian community. This includes managing media, social media, public enquiries and public appearances. The department works with staff across the RBA to publish a wide scope of information, including regular publications and reports. It maintains our websites and is responsible for keeping staff informed of relevant developments. The department also maintains a program of public education, with particular focus on supporting economics students and educators.

Risk and Compliance Department

Risk and Compliance Department supports the consistent and effective application of the framework for managing risk, both at the enterprise level and for individual business units. It assists departments to identify, understand and manage their compliance obligations. It also monitors and reports on portfolio risks and compliance with respect to our operations in financial markets. The department is responsible for providing secretariat and coordination services and advice to the Risk Management Committee. The Chief Risk Officer reports to the Deputy Governor and the Reserve Bank Board Audit Committee.

Secretary's Department

Secretary's Department provides secretariat and coordination services and advice on governance matters to the Governors, the Reserve Bank Board and its Audit and Remuneration committees, the Payments System Board and the Executive Committee. In addition, the department provides legal services to the RBA through the General Counsel (who reports directly to the Deputy Governor), coordinates a range of contacts with government, parliament, other central banks and international organisations, and arranges programs for international visitors.

Project Departments

Future Hub

The Future Hub coordinates and governs our response to the Review of the RBA. It also leads our work to implement the recommendations from the Deloitte Review that relate to issues extending beyond payments. Its remit covers our transformation agenda in relation to monetary policy, governance, risk management, and culture and leadership.

Payments Operation Program

The Payments Operation Program leads our work to implement the recommendations of the Deloitte Review into the Reserve Bank Information and Transfer System (RITS), apart from the recommendations related to organisational culture, the risk management framework and governance arrangements, which are being implemented by the Future Hub. This includes working closely with Payments Settlement and IT departments to upgrade the operating and resourcing model for RITS, IT system controls, investment prioritisation and knowledge management.

Note Printing Australia Limited (NPA)

NPA is a wholly owned subsidiary of the RBA. NPA operates under a charter reviewed and approved annually by the Reserve Bank Board. For further detail on the governance of NPA, see Part 1.2: Governance and Accountability.

NPA's Executive Committee, comprising its Chief Executive Officer and the heads of NPA's five business areas, is responsible for the operational and administrative management of NPA. As at the end of June 2024, NPA employed 297 permanent staff supplemented with temporary labour from time to time.

The annual financial accounts of NPA are consolidated with those of the RBA.

Senior Executive Leadership

September 2024



Governor
Michele Bullock



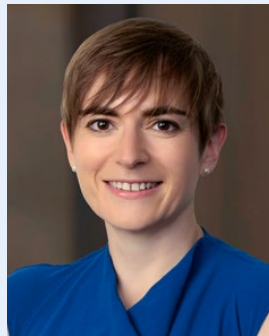
Deputy Governor
Andrew Hauser



Chief Operating Officer
Susan Woods



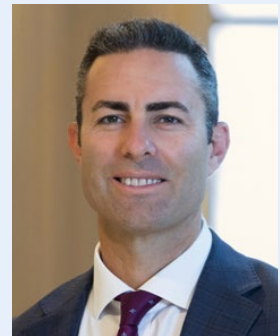
Assistant Governor
Business Services
Michelle McPhee



Assistant Governor
Economic
Sarah Hunter

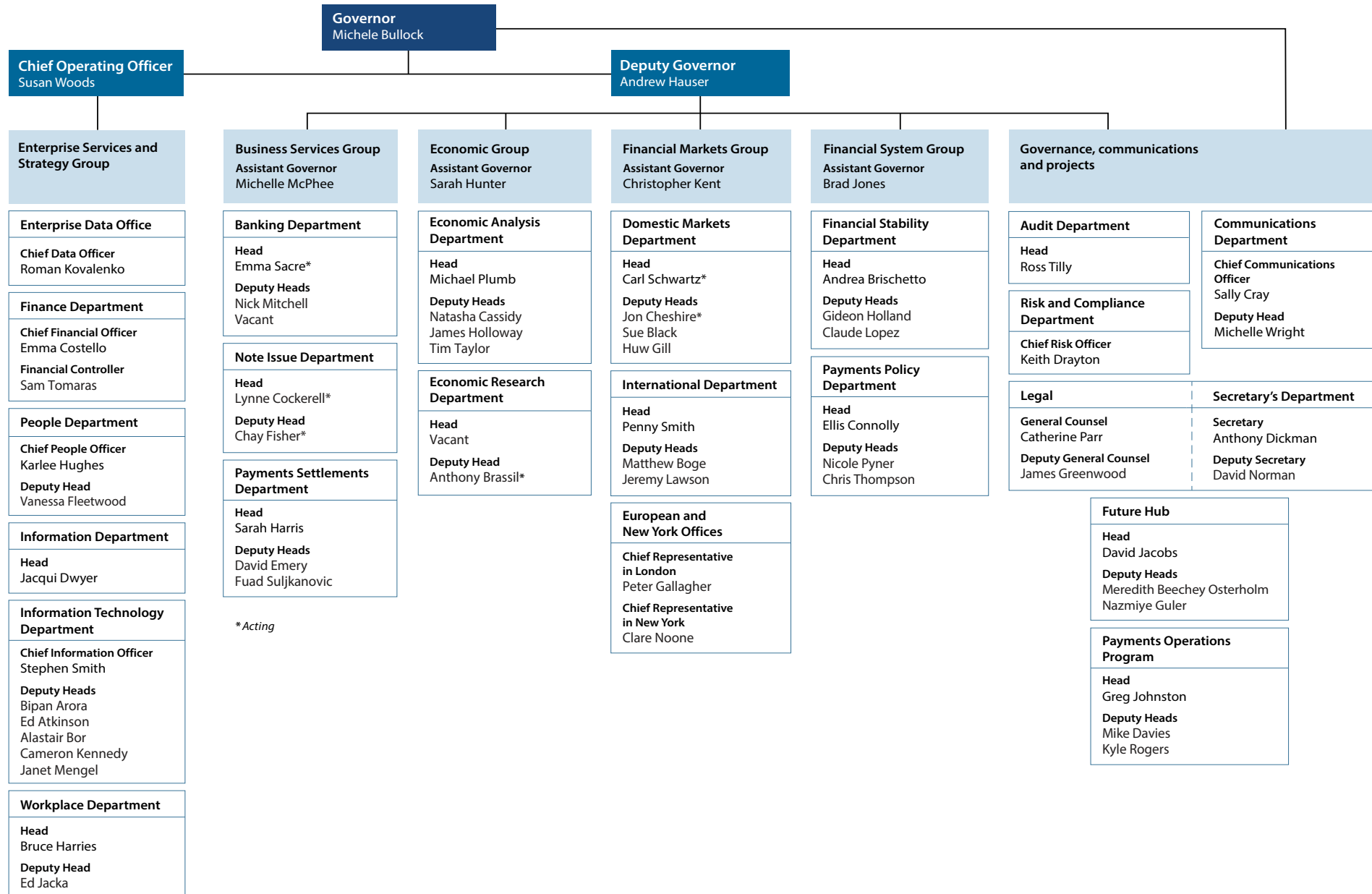


Assistant Governor
Financial Markets
Christopher Kent



Assistant Governor
Financial System
Brad Jones

Figure 1.5.1: Operational Structure Reserve Bank of Australia Operational Structure
September 2024



An aerial photograph of a coastline. The top half shows a rugged, reddish-brown landscape with a network of dry, branching channels. The bottom half shows a sandy beach and turquoise ocean waves with white foam. A large white semi-transparent box is overlaid on the top half, containing text.

Part 2:

Performance

Karna Country
Sellicks Beach, Adelaide
South Australia

2.1 Annual Performance Statement

I, as the accountable authority of the Reserve Bank of Australia, present the Annual Performance Statement of the Reserve Bank for the 2023/24 reporting period, prepared under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, this Statement accurately presents the performance of the Reserve Bank in the reporting period and complies with subsection 39(2) of the PGPA Act.



Michele Bullock

Governor, Reserve Bank of Australia

25 September 2024

Introduction

This Statement outlines the key objectives of the RBA as set out in the 2023/24 Corporate Plan and provides an assessment of our performance in achieving those objectives. Where necessary, additional context is provided, including an analysis of significant factors that have contributed to the outcomes. This analysis includes information up to the end of July 2024.

Price stability and full employment

Purpose

The *Reserve Bank Act 1959* sets out three specific goals for monetary policy. The *Statement on the Conduct of Monetary Policy* establishes that the goal of economic prosperity and welfare of the Australian people is an overarching objective for monetary policy. This goal is fulfilled by the Reserve Bank Board conducting monetary policy in a way that best supports its two other goals: price stability and full employment.

Low and stable inflation – or price stability – preserves the value of money, reduces uncertainty and supports strong and sustainable economic growth over the longer term. It helps businesses and households make sound spending and investment decisions. Likewise, full employment supports people financially and provides them with a sense of purpose. It helps foster mental and physical wellbeing, and increases the prospect of diverse thinking and innovation. The RBA achieves its objectives for both price stability and full employment through monetary policy settings aimed at keeping inflation between 2 and 3 per cent and employment at the maximum level that is consistent with low and stable inflation.

Results

Table 2.1.1: Performance Summary – Price stability and full employment

Key objectives	Key activities	Performance measures and targets	Results
Price stability and full employment	Conduct monetary policy in a way that will best contribute to: <ul style="list-style-type: none"> • stability of the currency • maintenance of full employment • economic prosperity and the welfare of the people of Australia. 	Flexible medium-term inflation target to achieve consumer price inflation of between 2 and 3 per cent, on average, over time.	Consumer price inflation was 3.8 per cent over the year to the June quarter 2024. Inflation remains above the target band but has declined further over the past year. Inflation is forecast to be sustainably within the target range of 2–3 per cent in the second half of 2025 (based on May 2024 forecasts).
		Foster sustainable growth in the economy.	The Australian economy grew by 1.1 per cent over the year to the March quarter 2024. GDP growth has slowed over the past year, which is helping to achieve a more sustainable balance between supply and demand. The unemployment rate averaged 4 per cent over the first half of 2024, well below rates seen in recent decades.
	Achieve cash rate consistent with the Reserve Bank Board's target.	The cash rate is within the interest rate corridor around the cash rate target. The very high Exchange Settlement (ES) account balances mean the cash rate is likely to range between the target and the interest rate on ES balances.	The cash rate was within the interest rate corridor around the cash rate target on each business day throughout 2023/24.

Table 2.1.1: Performance Summary – Price stability and full employment *(continued)*

Key objectives	Key activities	Performance measures and targets	Results
Price stability and full employment <i>(continued)</i>	Provide adequate liquidity to the financial system.	Funding costs and access to liquidity are appropriate to achieve our goals.	Financial institutions have been able to draw on liquidity as required, using the RBA's weekly open market operations. Funding costs have risen in line with increases in the cash rate.
	Manage reserves to portfolio benchmarks.	Reserves portfolio managed within permitted deviations around benchmarks for interest rate and currency risk.	Deviations from the benchmark were consistent with predefined tolerances.
	Intervene in foreign exchange market as appropriate.	Publish data and explanations of any intervention.	No foreign exchange market intervention was conducted.

Analysis

Throughout 2023/24, the Reserve Bank Board consistently affirmed its resolve to do what is necessary to return inflation to target over a reasonable time period, noting that this process of disinflation was unlikely to be smooth. The cash rate target had been raised by 400 basis points over the year or so prior to July 2023. The target was increased by a further 25 basis points in November 2023 – taking it to 4.35 per cent – as the Board sought more assurance that inflation would return to target in a reasonable timeframe.

Tighter monetary policy over recent years contributed to inflation easing further over 2023/24. Headline inflation in the June quarter 2024 was 3.8 per cent in year-ended terms, having declined from 6 per cent in June 2023. Year-ended underlying (trimmed mean) inflation was 3.9 per cent in the June quarter, down from 5.8 per cent a year earlier. While there was progress in reducing inflation over 2023/24, this process was smooth and the pace of disinflation slowed in the first half of 2024. Goods price inflation declined over the year, assisted by further normalisation in international and domestic supply chains, but services price inflation declined more slowly – as in other countries and particularly for less discretionary services.

The persistence in inflation in Australia was consistent with the level of domestic demand exceeding the supply capacity of the economy, though there were indications that demand had been coming into closer alignment with supply over time. GDP growth over the

year to the March quarter 2024 declined to 1.1 per cent. Household spending, in particular, slowed over 2023/24 as high inflation, tax payable and higher interest rates dragged on households' real incomes. GDP per capita declined by around 1½ per cent from its peak in mid-2022.

The labour market eased a little but remained tight over 2023/24, with the unemployment rate averaging 4 per cent over the first six months of 2024; the unemployment rate had not been consistently this low since the 1970s. The hours-based underutilisation rate, a broader measure of spare capacity in the labour market, increased by slightly more than the unemployment rate since late 2022. In addition to the unemployment and underemployment rates remaining low, the participation and employment-to-population rates remained around historical highs. Other labour market indicators, such as job vacancies, job ads, firms' employment intentions and employee turnover, suggested there would be some further gradual loosening in labour market conditions into 2024/25.

The tight labour market, along with high inflation, had contributed to wages growth being elevated throughout the year. When combined with weak productivity growth, this had created persistent pressure on firms' labour costs. Annual growth in the Wage Price Index peaked at 4.2 per cent in the December quarter 2023. Wages growth eased a touch to 4.1 per cent in the March quarter 2024, and more timely indicators generally suggested wages growth had passed its peak for the current cycle.

Reflecting both some expected near-term persistence in inflationary pressures and signs that these pressures were easing as aggregate demand and supply in the economy were becoming better aligned, the May 2024 forecasts were for inflation to be around 3.8 per cent by the end of 2024 and back within the 2–3 per cent target band in late 2025.

The RBA met its operational objectives for implementing monetary policy over 2023/24. The cash rate remained close to its target and within the policy rate corridor at all times. The cash rate was guided by the RBA's ES and open market operation rates. Policy measures undertaken during the COVID-19 pandemic continued to unwind. The last of the funding provided under the Term Funding Facility was repaid in mid-2024 and more of the RBA's holdings of government bonds matured. The RBA's current operational framework for implementing monetary policy – supplying the reserves demanded by commercial banks at a predetermined interest rate set by the RBA – ensured the financial system had the liquidity needed. Foreign exchange reserves were also managed prudently within set limits and no foreign exchange interventions were required.

The stability of the financial system

Purpose

A stable financial system is a precondition to maintaining price stability and full employment. It facilitates the smooth flow of funds between savers and investors, and supports innovation, growth and the taking of opportunities.

The RBA contributes to financial stability by working closely with the Council of Financial Regulators (CFR) to identify and address risks, overseeing market infrastructures that are central to the effective operation of the financial system and providing adequate liquidity.

Results

Table 2.1.2: Performance Summary – The stability of the financial system

Key objectives	Key activities	Performance measures and targets	Results
The stability of the financial system	Support overall financial system stability.	A stable financial system that is able to support the economy.	<p>The Australian financial system has a high level of resilience and has been well placed to support the economy throughout the year.</p> <p>Most Australian households and businesses have been able to service their debt and meet essential expenses.</p>
		Work with CFR agencies and international bodies to identify and appropriately address evolving systemic risks.	CFR agencies continued to work closely together, and with international counterparts, to identify and assess current and emerging vulnerabilities in the financial system. They have coordinated as needed on actions to mitigate vulnerabilities and strengthen resilience in the financial system. This included ongoing close monitoring of risks to the Australian financial system from lending activities. The CFR has also focused on strengthening institutions' operational resilience to threats emanating from outside the financial system, including cyber-attacks and risks associated with climate change and geopolitical tensions. The CFR issued quarterly statements that outlined its discussions, assessments and actions in relation to key risks and vulnerabilities.
		Assess and communicate risks to financial system stability, including through the half-yearly <i>Financial Stability Review</i> (FSR).	<p>We used a wide set of data and information sources, as well as scenario analysis, to identify and assess emerging vulnerabilities in the Australian financial system and potential cross-border channels of risk.</p> <p>We communicated our assessments of these and other risks to both other CFR agencies and the public more broadly. This was done in the October 2023 and March 2024 FSRs, as well as <i>Bulletin</i> articles and speeches on financial stability issues. A new FSR format in 2023/24 allowed us to more effectively communicate our financial stability assessments.</p>

Analysis

Over 2023/24, the RBA continued to conduct extensive analysis of developments and emerging risks in the financial system, relating to financial institutions, households and businesses. We closely engaged with the Australian Prudential Regulation Authority and other CFR agencies to identify and appropriately address evolving systemic vulnerabilities and risks. This work informed the Reserve Bank Board's policymaking process. Much of this analysis was published in the semi-annual *Financial Stability Review*, quarterly *Bulletin* articles and periodic speeches.

A key area of focus in the past year remained the effect of high inflation and higher interest rates on households, businesses and the financial system. Most households and businesses were able to manage these pressures over 2023/24, supported by strong labour market conditions and the large additional savings and equity buffers accumulated over prior years. However, conditions have been challenging for some households and businesses. This has been especially true for lower income households, including many renters and the indebted households already facing acute budget pressures. Our framework for assessing the financial health of Australian households and how this relates to financial stability was set out in a focus topic in the October 2023 *Financial Stability Review* and further discussed in a speech in December 2023.¹

We also continued to closely monitor the behaviour of borrowers who took out fixed-rate loans during the period of very low interest rates. Analysis published in the October 2023 *Financial Stability Review* showed that the vast majority of both variable- and fixed-rate borrowers rolling onto higher variable rates were able to manage this transition by using some combination of drawing on their savings buffers or reducing their spending and/or rate of saving.²

In 2023/24 we expanded our use of scenario analysis to include assessments of the financial resilience of businesses, as well as households. A scenario analysis presented in the March 2024 *Financial Stability Review* assessed the resilience of indebted households and businesses to higher inflation and interest rates.³

This analysis suggested that most mortgagors and larger businesses would be able to service their debts even if pressure on their finances remained elevated for an extended period. While the strong financial starting position of many businesses entering the interest rate

tightening cycle should help to limit risks to financial stability, some businesses are likely to remain under financial pressure in 2024/25, particularly in discretionary sectors as households have reduced non-essential expenditure. Conditions have remained challenging in commercial real estate markets, although there is little evidence to date of financial stress among owners of Australian commercial real estate and systemic risks are lower than in the past given banks' more limited exposures.⁴

The Australian financial system has continued to display a high level of resilience and is well positioned to support the economy in 2024/25. Australian banks are well prepared to handle an expected increase in loan losses in the period ahead. The non-bank sector, excluding superannuation, accounts for a relatively small share of system-wide lending in Australia, meaning risks to financial stability are relatively contained.⁵ Nonetheless, the RBA and other CFR agencies continue to monitor the sector closely given its rapid growth over recent years.

Some key risks to financial stability originate from overseas and outside the financial system. In particular, the impact of the growing digitalisation of financial services – including reliance on third-party vendors – increases the vulnerability to, and impact of, cyber-attacks and technology outages. This was a focus topic in the October 2023 *Financial Stability Review*.⁶ In addition, we have been working with CFR and other government agencies to strengthen the resilience of the financial system, including through industry scenario exercises.

In 2023/24 we continued to share our perspectives with overseas counterparts during meetings on international financial sector issues held by global bodies. These have included meetings organised by the Financial Stability Board and the Basel Committee on Banking Supervision. We place a high priority on these international forums, which also allow Australian perspectives to be provided when they discuss and agree on new global standards applying to banks and other financial institutions (see Part 2.5: International Financial Cooperation).

A secure, stable and efficient payments system

Purpose

Australians expect payments to be cost effective, convenient and accessible. Having reliable payment systems is important for the smooth functioning of the economy and financial system. The RBA promotes these objectives as both supervisor and regulator of the payments system and as the owner and operator of critical national payments infrastructure.

Results

Table 2.1.3: Performance Summary – A secure, stable and efficient payments system

Key objectives	Key activities	Performance measures and targets	Results
A secure, stable and efficient payments system	Strengthen the safety and resilience of payments and market infrastructures.	Market infrastructures prioritise the management of ageing infrastructure and adopt replacements and upgrades in a safe manner.	We supervised the development of the Australian Securities Exchange's (ASX) technology remediation strategy. This included supervision of ASX's Replacement project for the Clearing House Electronic Subregister System (CHES), as well as its broader strategy for upgrading or replacing ageing technology assets.
		A risk-based framework exists for the oversight of key retail payment systems.	We entered into a Memorandum of Understanding with Australian Payments Plus to oversee the safety and resilience of the New Payments Platform (NPP).
	Advance and implement reforms for payments and market infrastructures.	Assist the Australian Government to prepare draft legislation for regulating payments and market infrastructures.	We helped the Australian Government prepare draft legislation for regulating payments and market infrastructures, which was introduced in the Parliament in March 2024.
	Promote competitive, cost-effective and accessible electronic payments.	Reduced payment costs for small business through industry delivering merchant choice of debit card network.	The share of merchants with least-cost routing (LCR) of card-present debit card transactions increased from 54 per cent in June 2023 to 70 per cent in June 2024.
			We published research in April 2024 that found that the cost of accepting debit card transactions was nearly 20 per cent lower for merchants that have LCR turned on.
		Industry delivers and promotes additional fast payment capabilities to end users.	The NPP's 'PayTo' service for initiated payments was made available for the vast bulk of retail customer accounts. Most participants have enabled the ability to accept the final AUD leg of incoming cross-border payments via the NPP's international payments service.
Enhance cross-border payments.	Explore interlinking the NPP to fast payment systems in other jurisdictions.	We published a report analysing the benefits, design choices and challenges associated with linking fast payment systems across countries.	

Table 2.1.3: Performance Summary – A secure, stable and efficient payments system *(continued)*

Key objectives	Key activities	Performance measures and targets	Results
A secure, stable and efficient payments system <i>(continued)</i>	Align the RBA's regulatory framework for payments and market infrastructures to the Australian Government's principles of regulator best practice.	Actively engage with stakeholders and conduct research to understand emerging issues affecting the environment in which regulated entities operate.	We surveyed clearing and settlement facilities and participants in the retail payments system to obtain feedback on our regulatory performance. Respondents indicated that their engagement with the RBA had been constructive and that we had sought to understand emerging issues affecting the payments industry when developing and enforcing regulatory requirements. Some respondents noted that we needed to adjust some regulatory requirements in response to stakeholder reaction. Respondents suggested that we could test potential regulatory requirements with relevant organisations prior to publication, or engage in scenario planning regarding how different industry participants are likely to respond to new regulatory requirements.
		Regulatory requirements are streamlined, proportionate to risks and coordinated with other regulators. Build capability in data analysis to monitor compliance efficiently.	Survey feedback on cooperation between the domestic regulators was positive for clearing and settlement facilities. However, the coordination and clarification of roles, responsibilities and expectations in relation to cyber risk was noted as an area for improvement. Some respondents reported that coordination between regulators on payments issues could be improved, particularly on safety and resilience issues. Respondents generally reported that our regulatory requirements were streamlined and proportionate to the risks involved. Some respondents suggested our regulatory and reporting requirements could be more streamlined, better targeted and take greater account of the size and business models of regulated entities.
		Communicate with regulated entities in a timely, clear and consistent way, including on regulatory priorities.	Survey respondents reported that we had communicated our regulatory requirements and priorities clearly, consistently and in a timely manner. Some respondents encouraged us to: raise policy issues at an earlier stage; build enough time for consultation within their organisation into deadlines; and provide as much detail as possible with our requests so respondents have a clear understanding of the purpose. Some respondents suggested that additional guidance on how our regulatory expectations could be achieved would be helpful.

Table 2.1.3: Performance Summary – A secure, stable and efficient payments system *(continued)*

Key objectives	Key activities	Performance measures and targets	Results
A secure, stable and efficient payments system <i>(continued)</i>	Preserve the operational reliability and cybersecurity of the Reserve Bank Information and Transfer System (RITS).	RITS availability at 99.95 per cent during core hours.	RITS availability was 100 per cent during core hours.
		RITS Fast Settlement Service availability at 99.995 per cent on a 24/7 basis, with most transactions processed in less than one second.	FSS availability was 100 per cent. Most transactions were processed within one second.
		Continue to enhance the RBA's back-office systems to support the industry's full migration to ISO 20022-based messaging by the end of 2024.	Enhancements to the RBA's back-office systems to support ISO 20022 where completed.
		Ongoing investment and regular reviews and testing to support cyber resilience. In 2023/24, this will include an industry cyber exercise.	We completed internal assessments against the Swift Customer Security Controls Framework and the ISO 27001 information security standard. We have reviewed and started to uplift cybersecurity controls in line with Australian Government guidelines and industry practices. We enhanced arrangements for access to RITS and reviewed the RITS Public Key Infrastructure. We hosted the Cyber Attack Simulation Exercise (CASE2024), which rehearsed the industry's collective response to a cyber event affecting several parts of the payments system.
		Develop plans to implement the recommendations of the external review of the RITS operating environment and address gaps identified in the Targeted Assessment of RITS.	We established the Payments Operations Program to address the recommendations of the external review. We have been preparing detailed scoping documents for implementing changes that meet the recommendations set out in both the external review and the Targeted Assessment of RITS.

Analysis

In 2023/24 we worked productively with the Australian Treasury to develop legislation implementing the Government's payments and market infrastructure regulatory reforms. These reforms include measures to modernise our regulatory powers for payment systems and to provide crisis management powers for systemically important clearing and settlement facilities. The reforms will significantly enhance our ability to promote a safe, efficient and competitive payments system.

Despite a significant pace of change delivery work in the RITS ecosystem, there were no incidents in 2023/24 that impacted system availability.⁷

We have been involved in the industry migration to ISO 20022, as both an operator and participant of related payments infrastructure. Our back-office systems were enhanced in 2023/24 to enable the sending and receiving of ISO 20022 messages and, in line with the revised industry migration timeline, we will continue to support the old message format for cross-border payments until end-2025. Additional system development will also be required to support updates to the domestic ISO 20022 message guidelines.

The delivery of efficient and effective banking services to Australian government agencies

Purpose

The RBA must, insofar as the Commonwealth of Australia requires it to do so, act as banker for the Commonwealth. We provide the Australian Government and its agencies with access to high-quality, cost-effective and secure systems to collect, pay and manage government funds. This, in turn, supports the Commonwealth to fulfil its responsibilities and serve the Australian people.

Results

Table 2.1.4: Performance Summary – The delivery of efficient and effective banking services to the Australian Government

Key objectives	Key activities	Performance measures and targets	Results	
The delivery of efficient and effective banking services to Australian government agencies	Provide banking services that are fit for purpose.	Maintain and enhance banking services provided to Australian government agencies.	Our suite of services enabled us to extend service provision to several new customers during 2023/24, while retaining all existing agency customers.	
	Satisfy financial performance benchmarks.	Minimum return on capital for transactional banking business equivalent to the yield on 10-year Australian Government Securities plus a margin for risk.	Our banking services achieved the minimum required return in 2023/24. Pro forma accounts for the transactional banking business can be viewed in Part 2.3: Banking and Payment Services.	
	Progress on activities to deliver convenient, secure, reliable and cost-effective banking services to customers.	Provision of high-quality, cost-effective banking services to government and other official agency customers and, in turn, the public, including:		
		<ul style="list-style-type: none"> delivery of enhanced cross-border and domestic high-value ISO 20022-based messaging capabilities and the ability to receive the final domestic leg of cross-border payments across the NPP 	We successfully deployed these capabilities during 2023/24.	
	<ul style="list-style-type: none"> supporting agency customers to migrate payments from legacy payment systems to new systems 	<p>We supported agency customers with their planning and analysis to prepare for reduced reliance on cheques, future decommissioning of the Bulk Electronic Clearing System (BECS) and the need for richer information in payment and reporting messages.</p> <p>We responded to the Treasury's consultation on winding down Australia's cheques system.</p> <p>We participated in industry discussions on the decommissioning of cheques and BECS.</p>		

Table 2.1.4: Performance Summary – The delivery of efficient and effective banking services to the Australian Government *(continued)*

Key objectives	Key activities	Performance measures and targets	Results
The delivery of efficient and effective banking services to Australian government agencies <i>(continued)</i>	Progress on activities to deliver convenient, secure, reliable and cost-effective banking services to customers. <i>(continued)</i>	<ul style="list-style-type: none"> IT systems and infrastructure supporting our banking services and products are secure, resilient, efficient and fit for purpose 	We took the first step to deploy several transactional banking systems to a highly secure and available cloud environment. Banking Department's systems have been certified to the ISO 27001 information security standard.
		<ul style="list-style-type: none"> implementing new supplier arrangements for card acquiring and payments gateway. 	We are working with our provider and customers to implement a new end-to-end solution and migrate affected customers.

Analysis

During 2023/24 we continued to provide the Australian Government with convenient, secure, reliable and cost-effective central banking and transactional banking services. This included supporting government agencies as they responded to natural disasters such as Cyclone Jasper. We provided rapid delivery of support payments through the NPP, on behalf of Services Australia.

In 2023/24 we successfully migrated some core transactional banking systems to the cloud, with remaining systems to migrate in 2024/25. This significant project will improve resilience and support modern, efficient application management using software containers.

We have continued to participate in multi-year industry-driven initiatives, including uplifting capability to process payment messages using modern standards (ISO 20022). While the industry-wide program is ongoing, we are increasing functionality for customers and suppliers to supply and ingest richer data as part of payment and reporting messages and to leverage improved security and fraud detection for card payments. We also delivered the capability to receive the final leg of inbound cross-border payments over the NPP.

Alongside building new functionality, we have continued to inform and support agencies as they transition from legacy payment systems to more modern solutions. In particular, we focused on the future of BECS and cheques, including by engaging with customers and government policymakers and by participating in industry workshops.

The provision of secure and reliable banknotes

Purpose

While Australians have reduced their use of cash for everyday transactions, they continue to use banknotes as a store of value and as a back-up payment method. Ensuring Australians have confidence in their banknotes is critical to meeting these needs. We work to preserve this confidence by designing, creating and issuing Australian banknotes that are secure and reliable. This is done in partnership with our wholly owned subsidiary, Note Printing Australia Limited (NPA).

Results

Table 2.1.5: Performance Summary – The provision of secure and reliable banknotes

Key objectives	Key activities	Performance measures and targets	Results
The provision of secure and reliable banknotes	Ensure Australian banknotes provide a safe, secure and reliable means of payment and store of value, as follows:	Maintain public confidence in Australian banknotes, as measured in the RBA Online Banknotes Survey.	Our survey on perceptions, usage and behaviour related to Australia's banknotes showed that public perceptions of Australian banknotes remained favourable. Sixty-eight per cent of respondents perceived the Next Generation Banknote (NGB) series to be sufficiently secure against counterfeiters and 81 per cent noted they liked the NGB banknotes (largely unchanged from the 2022/23 results).
	<ul style="list-style-type: none"> meet banknote demand 	More than 95 per cent of banknote orders from commercial banks fulfilled by the RBA within three days of request.	We fulfilled all transactions on the day requested, except for one transaction, which was fulfilled the following day.
	<ul style="list-style-type: none"> maintain the security, durability and cost effectiveness of Australian banknotes 	Evaluate and develop security features that could be deployed on Australian banknotes (including options as part of redesign of the \$5 banknote) to combat counterfeiting threats, extend circulation life and/or reduce production costs.	<p>The research and development (R&D) program continued work on its project portfolio, which is overseen by the Banknote R&D Board. This included ongoing projects to develop and test security features for future Australian banknotes, including for the forthcoming redesign of the \$5 banknote.</p> <p>Australian banknote counterfeiting rates remained low by historical and international standards, with the estimated counterfeiting rate for 2023/24 being seven counterfeits per million banknotes in circulation.</p>
	<ul style="list-style-type: none"> maintain high-quality banknotes. 	Banknote production orders by the RBA to be supplied by NPA within agreed quality parameters.	NPA met 100 per cent of the RBA's orders for new banknotes. Banknotes were produced and delivered to the RBA in accordance with the agreed quality standards.
		Maintain quality of banknotes in circulation above the minimum quality standard agreed with industry.	Banknote quality was assessed as good based on quality scores. This assessment is based on a sample of banknotes held at cash depots. An update of quality standards to include NGB security features was delayed due to ongoing challenges in the banknote distribution system.

Analysis

The value of banknotes in circulation was little changed over 2023/24, with below-average growth for all denominations. This is consistent with some recent stabilisation in indicators of transactional cash use.

The value of banknotes in circulation remained around historical highs. We have continued to meet demand for banknotes by ensuring orders are fulfilled. The release of the NGB series of banknotes – with its upgraded security features – has supported public confidence in banknotes. Australia’s level of counterfeiting remains low by international standards.

Endnotes

- 1 See RBA (2023), ‘5.3 Focus Topic: Indicators of Household Financial Stress’, *Financial Stability Review*, October; Brischetto A (2023), ‘Financial Stability and the Financial Health of Australian Mortgages’, Speech to Sydney Banking and Financial Stability Conference, Sydney, 8 December.
- 2 See RBA (2023), ‘5.2 Focus Topic: An Update on Fixed-rate Borrowers’, *Financial Stability Review*, October.
- 3 See RBA (2024), ‘4.1 Focus Topic: Scenario Analysis of the Resilience of Mortgages and Businesses to Higher Inflation and Interest Rates’, *Financial Stability Review*, March. Note that data limitations precluded the same analysis for smaller businesses.
- 4 See Lim J, M McCormick, S Roche and E Smith (2023), ‘Financial Stability Risks from Commercial Real Estate’, *RBA Bulletin*, September.
- 5 See Robinson M and S Tornielli di Crestvolant (2024), ‘Financial Stability Risks from Non-bank Financial Intermediation in Australia’, *RBA Bulletin*, April.
- 6 See RBA (2023), ‘5.5 Focus Topic: Operational Risk in a Digital World’, *Financial Stability Review*, October.
- 7 See RBA (2024), ‘System Availability Statistics’.

2.2 Operations in Financial Markets

We operate in domestic and international financial markets to achieve our policy objectives. These operations include implementing the monetary policy decisions of the Reserve Bank Board, facilitating the smooth functioning of the payments system and managing Australia's foreign exchange reserve assets.

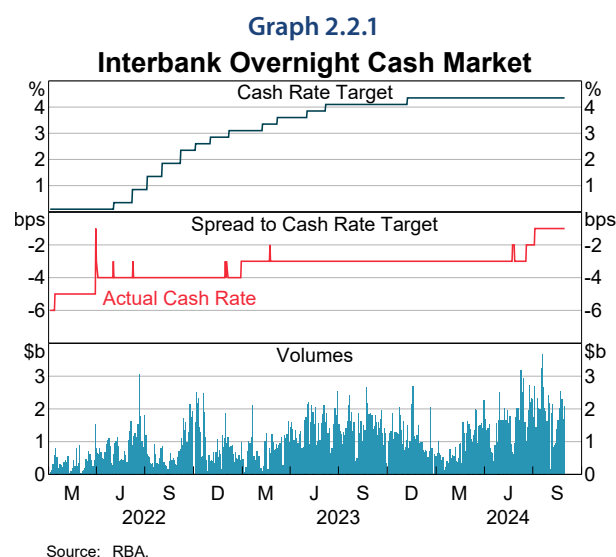
Key outcomes in 2023/24

- Our balance sheet declined by around \$180 billion and is around a third smaller than its peak during the COVID-19 pandemic.
- The Reserve Bank Board endorsed a plan to move to a demand-driven system to implement monetary policy.
- The Board increased the cash rate target once, to 4.35 per cent.
- We did not intervene in the foreign exchange market.

Monetary policy implementation

The Reserve Bank Board's primary instrument for adjusting monetary policy is the cash rate. This is the rate at which banks borrow and lend to each other on an overnight, unsecured basis. The funds traded in the cash market are the balances held by financial institutions in their Exchange Settlement (ES) accounts at the RBA. These accounts are held by around 100 financial institutions and are used to settle payment obligations between these institutions. The aggregate level of ES balances changes due to transactions between RBA customers (mainly the Australian Government) and the customers of ES account holders. It is also affected by transactions we undertake on our own behalf, including repurchase agreements (repos) collateralised with eligible securities, buying or selling government securities on an outright basis, or using foreign exchange (FX) swaps involving Australian dollars.

The Reserve Bank Board increased the cash rate target once in 2023/24 (at the November 2023 Board meeting), taking it from 4.10 per cent to 4.35 per cent (Graph 2.2.1). The rate paid to banks on ES balances was increased by the same amount, from 4.00 per cent to 4.25 per cent.



Liquidity in the banking system (in the form of ES balances) declined by around \$190 billion over 2023/24, but remained considerably above pre-pandemic levels. The decline in assets followed further unwinding of pandemic-era policies. In view of an expected further decline in 2024/25, the Reserve Bank Board endorsed a proposal in March 2024 for a future system for implementing monetary policy.¹ Under this 'ample reserves' system, we will provide as much liquidity to counterparties at open market operations (OMO) as they demand, at a fixed price so as to guide the cash rate and other money market rates (see below for further details). We undertook public consultation and market liaison on this future system during the year and will determine

more detailed aspects in 2024/25. The new system does not require any immediate changes to RBA operations in financial markets and will come into full effect once the supply of ES balances falls below underlying demand. It is difficult to estimate when this may occur, but we have developed a number of tools that will help identify this.

Over the past few years, most banks have been able to settle payments without borrowing funds in the overnight cash market. Nonetheless, as ES balances fell over 2023/24, cash market activity increased from around \$900 million per day in 2022/23 to around \$1.2 billion per day in 2023/24 (compared with around \$4 billion per day prior to the COVID-19 pandemic). The cash rate continues to trade slightly below the cash rate target but above the interest rate paid on ES balances, with the modest spread between these rates reflecting the net effect of opportunity costs to lenders of holding ES balances, transaction costs and some credit risk. The Reserve Bank Board has maintained the spread between the cash rate target and the interest rate paid on ES balances at 10 basis points, such that the actual cash rate remains close to the cash rate target.

Open market operations

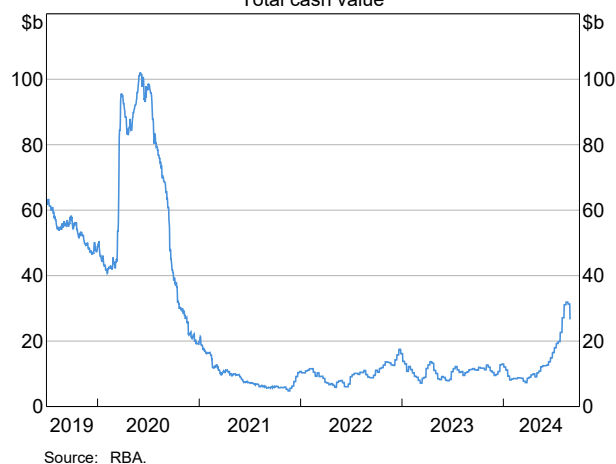
We undertake transactions in domestic financial markets where required to implement the policy decisions of the Reserve Bank Board, and to facilitate the smooth functioning of the payments system. OMO can involve:

- **Full allotment repurchase auctions (OMO repos).** These involve the temporary exchange of high-quality securities for cash (i.e. funds deposited into an ES account). Under full allotment auctions, the RBA offers to provide as many ES balances as counterparties demand at a rate closely linked to the cash rate target (conditional on the counterparty providing sufficient eligible collateral as security). OMO repos are the principal tool we use to supply ES balances. In February 2024, we moved to price OMO repos at a rate that can change over the term of the repos. This price is currently set at the average cash rate target prevailing over the term plus 5 basis points. This has reduced the risks to the RBA balance sheet from the previous fixed-rate approach.²
- **FX swaps.** These involve swapping Australian dollars for foreign currencies to increase the supply of ES balances in the same way as repo transactions. Historically, the RBA has used FX swaps to manage system liquidity, but we did not do so in 2023/24.

- **Outright purchases of government securities.** These were also used historically by the RBA to supply ES balances. Prior to the COVID-19 pandemic, we purchased near-maturity Australian Government Securities (AGS) to smooth the impact of changes in AGS supply on system liquidity. Purchases of this nature were distinct from bonds purchased during the pandemic to support market functioning and in the implementation of the yield target and Bond Purchase Program. During 2023/24 we did not use this type of transaction for liquidity management purposes.

The system for implementing monetary policy is robust to unforeseen changes in the demand for ES balances because the quantity of funds supplied can automatically adjust by varying the quantity of OMO repos provided. On average, around \$11 billion in OMO repos was outstanding during 2023/24, unchanged from 2022/23, but this has risen as high as \$30 billion more recently (Graph 2.2.2). While not used specifically for liquidity management during 2023/24, FX swaps and outright AGS purchases are still being considered for use in the future system.

Graph 2.2.2
OMO Repo Outstanding
Total cash value

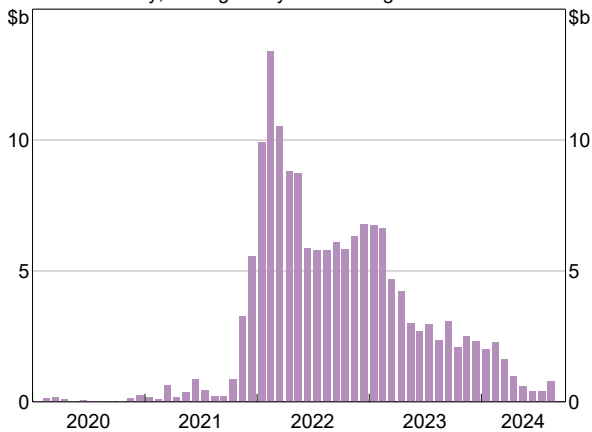


To aid market functioning, the RBA is prepared to lend, upon request from eligible counterparties, government securities that it owns. We also operate a Securities Lending Facility on behalf of the Australian Office of Financial Management (AOFM). Total securities lending activity declined considerably over 2023/24 but remains above pre-pandemic levels, reflecting the high (though declining) share of government bonds on our balance sheet (Graph 2.2.3). The value of outstanding securities lending from the RBA facility averaged \$2 billion per day in 2023/24 (compared with \$5.3 billion in 2022/23). Activity on behalf of the AOFM remained considerably lower, averaging around \$90 million outstanding per day in 2023/24 (compared with around \$50 million in 2022/23).

Graph 2.2.3

RBA and AOFM Securities Lending*

Monthly; average daily outstanding in the month



* Face value.
Source: RBA.

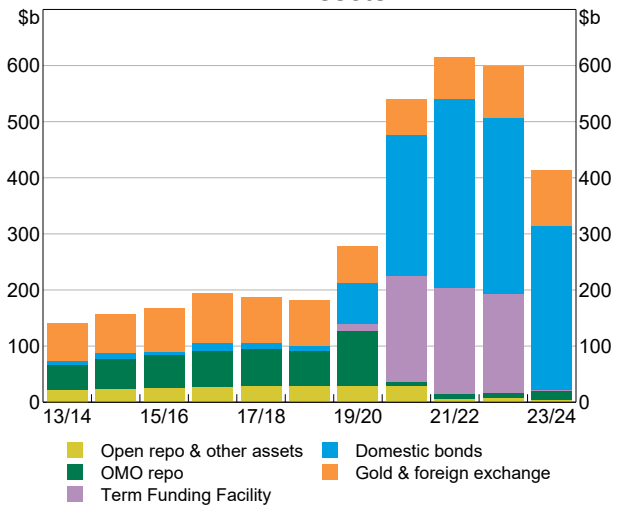
We also consider proposals from eligible counterparties to sell semi-government bonds (semis) that we hold outright, in exchange for offsetting (duration-neutral) purchases of other semis. In 2023/24, we conducted around \$2.6 billion of these switch transactions, compared with \$4.3 billion in 2022/23.

Balance sheet

The \$184 billion decline in the RBA balance sheet over 2023/24, to \$414 billion at 30 June 2024, was concentrated in the September quarter 2023 and the June quarter 2024. This reflected the maturity of the two tranches of the Term Funding Facility (TFF).

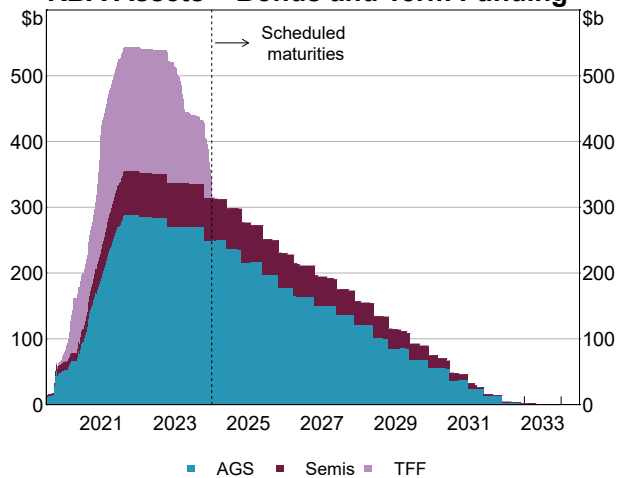
The majority of RBA assets at 30 June 2024 were domestic government bonds (Graph 2.2.4). Almost all TFF loans matured during 2023/24 (Graph 2.2.5).³ In addition, RBA government bond holdings declined following the maturity of the April 2024 government bond.

Graph 2.2.4

RBA Assets

Source: RBA.

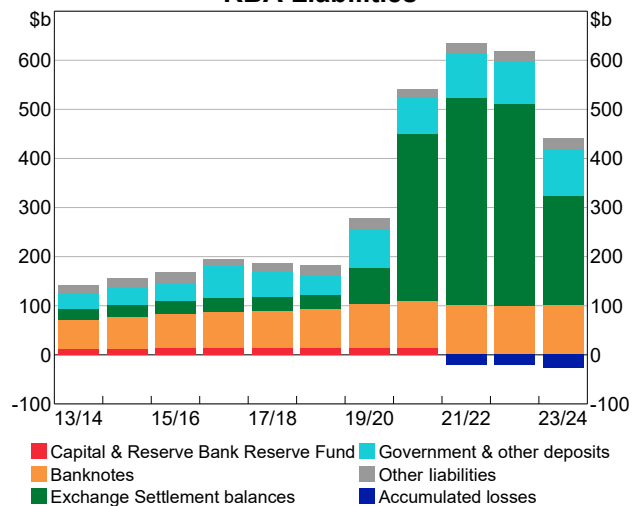
Graph 2.2.5

RBA Assets – Bonds and Term Funding*

* Face value of outright holdings of AGS and semis.
Source: RBA.

The corresponding decline in liabilities was primarily due to a reduction in ES balances, largely resulting from the repayment of TFF loans (Graph 2.2.6; Table 2.2.1).

Graph 2.2.6
RBA Liabilities



Source: RBA.

Table 2.2.1: RBA Balance Sheet

\$ billion, 30 June

	2023	2024	Change
Assets	598	414	-184
Foreign	91	99	8
Domestic	507	315	-192
Outright bond holdings	313	294	-20
Term Funding Facility	175	0	-176
OMO repos	11	17	6
Open repos & others	7	5	-2
Liabilities	598	414	-184
Deposits	498	318	-180
ES balances	409	223	-186
Government & other	88	95	6
Banknotes	101	101	0
Accumulated losses	-21	-27	-6
Other	20	22	2
Reserve Bank Reserve Fund and Capital	0	0	0

Source: RBA.

Standing facilities

Separate from our OMO, we can also provide liquidity via repos through our standing facilities, where eligible counterparties temporarily exchange high-quality collateral for cash. These facilities are designed to support the smooth functioning of the payments system.

The most frequently used standing facilities are those for the provision of intraday liquidity to ES account holders, which carry no interest charge. In 2023/24, we undertook an average of around \$3½ billion per day of intraday repos, compared with \$2½ billion in 2022/23. The RBA also makes available an overnight repo facility where ES account holders can exchange collateral for funding at an interest rate of 25 basis points above the cash rate target if they cannot source funds from another financial institution (e.g. due to technical issues). This facility was not used during 2023/24.

Open repos are used to provide ES account holders with liquidity to facilitate their payments, particularly those made outside of standard business hours. ES account holders with after-hours payment obligations – such as ‘direct-entry’ payments and transactions through the New Payments Platform (see Part 2.3: Banking and

Payment Services) – must hold sufficient ES balances at the close of each business day to settle these payments. Over 2023/24, open repo positions with the RBA were little changed at \$2 billion.

Eligible securities

We accept a range of eligible Australian dollar collateral for our market operations, as security in the event a borrowing counterparty does not meet its repurchase obligations. Acceptable collateral is listed in Table 2.2.2 and on the RBA website.⁴ To protect against a decline in the value of these securities, we require the value of the collateral to exceed the cash-leg of the repo by a specific margin when a trade is first entered. We also require counterparties to post additional collateral over the term of the repo if the value of the posted collateral falls. These margins, which are also listed on the RBA website, are considerably higher for securities that are not issued by governments.⁵ As at 30 June 2024, around 40 per cent of the value of securities we held under repo were issued by authorised deposit-taking institutions (ADIs), with AGS and semis making up another 25 per cent. Participants in our market operations tend to be the fixed-income trading desks of banks and securities firms, as well as bank treasuries.

Table 2.2.2: Australian Dollar Securities Held under Repurchase Agreements^(a)

	30 June					
	2022		2023		2024	
	\$ billion	% of total	\$ billion	% of total	\$ billion	% of total
AGS	2.8	1	1.5	1	1.9	9
Semis	6.5	3	6.3	3	3.5	17
Supranational	0.9	0	0.8	0	1.4	7
ADI issued	15.9	6	17.6	7	8.5	41
Corporate issued	0.9	0	0.6	0	0.6	3
Asset backed securities	231.3	89	218.5	89	4.1	20
– of which: for TFF	229.1	89	217.2	88	0	0
Other	0.1	0	0.2	0	0.8	4
Total	258.4	100	245.5	100	20.6	100
– of which: for open repo	3.1	1	2.1	1	2.2	11
– of which: for TFF	246.1	95	232.2	95	0.5	2
– of which: for OMO	9.2	4	11.3	5	18	87

(a) Market value of securities before the application of margins; includes securities held under triparty repos.

Source: RBA.

In 2023/24, our repo collateral holdings decreased by around \$225 billion due to the repayment of TFF repos. The latter were largely backed by self-securitised residential mortgage-backed securities.

RBA domestic securities are held in an account that we maintain in Austraclear, the central securities depository operated by the Australian Securities Exchange (ASX). Securities transactions with our counterparties are settled in the Austraclear system, mostly on a bilateral basis. We also settle repo transactions contracted in our OMO within ASX Collateral, a collateral management service. During 2023/24, 40 per cent of the value of securities we held under repo in OMO was settled within ASX Collateral, from around half in 2022/23. The use of this system reduces the manual processing otherwise required to manage this collateral, including marking it to market and maintaining margins.

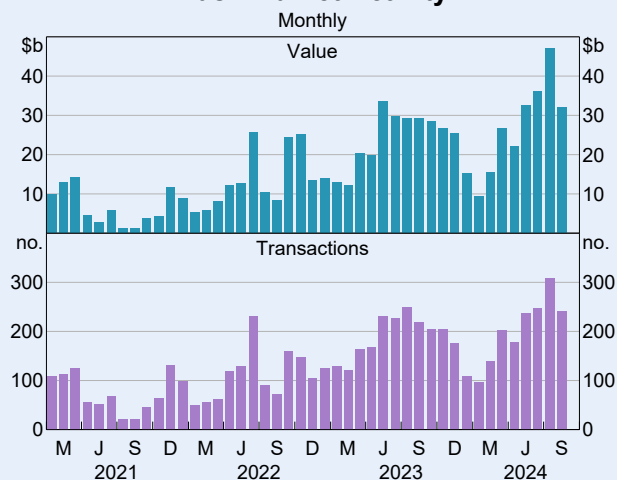
The cash rate

The RBA administers the cash rate, which is a significant financial benchmark referenced in overnight indexed swaps and the ASX's 30-day interbank cash rate futures contracts, as well as in securities and transactions requiring a (near) risk-free reference rate. The cash rate is also known as AONIA (AUD Overnight Index Average). As the risk-free reference rate for the Australian dollar, under definitions published by the International Swaps and Derivatives Association (ISDA) in 2020, it forms the basis of the fallback to the Bank Bill Swap Rate (BBSW; calculated as AONIA plus a spread).⁶ The ISDA definitions were developed in the context of global benchmark reforms, which have included identifying alternatives to credit-based rates for use in securities and transactions.

Cash rate highlights:

- The cash rate remained between the ES rate and the cash rate target throughout 2023/24.
- The cash rate was 3 basis points below the cash rate target for most of 2023/24. In May 2024, the cash rate was set twice at 2 basis points below the target, and again a few times in late June 2024. It has subsequently moved even closer to target.
- Activity in the cash market increased during 2023/24 to average daily volume of \$1.2 billion from \$0.9 billion in 2022/23 (Graph 2.2.7).
- The cash rate was determined by market transactions on 87 per cent of days in 2023/24, up from 70 per cent in 2022/23.
- On all occasions when the cash rate was set using expert judgement, rather than being based on market transactions, it was set as the previously published cash rate based on sufficient transactions.

Graph 2.2.7
Cash Market Activity



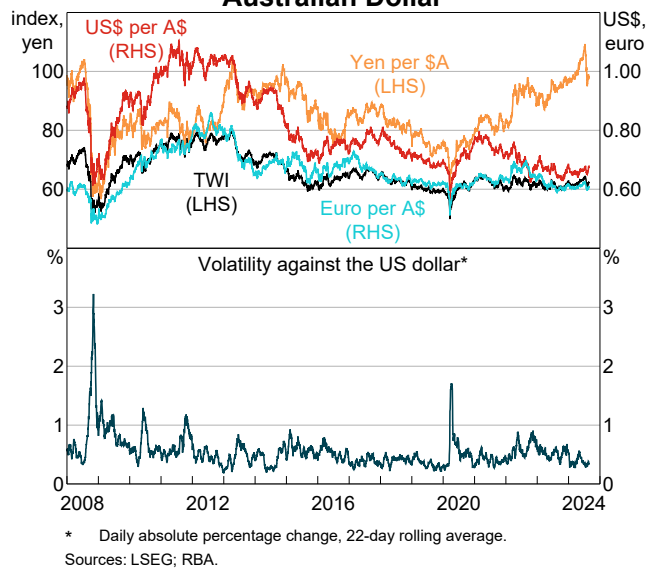
Source: RBA.

Foreign exchange operations

We transact in the FX market almost every business day. Most of these transactions are associated with providing FX services to the Australian Government. During 2023/24, we bought A\$14.4 billion in the spot market to facilitate our customer business.

We also retain the capacity to intervene in the spot FX market to address any dysfunction and/or a significant misalignment in the value of the Australian dollar. We hold a stock of liquid foreign currency assets to facilitate these potential operations (see below). However, we have not intervened in the FX market since 2008.⁷ During 2023/24, our assessment was that sufficiently orderly trading conditions in the market meant we did not need to support liquidity in the market through our own transactions. Volatility in the Australian dollar was also contained (Graph 2.2.8).

Graph 2.2.8
Australian Dollar



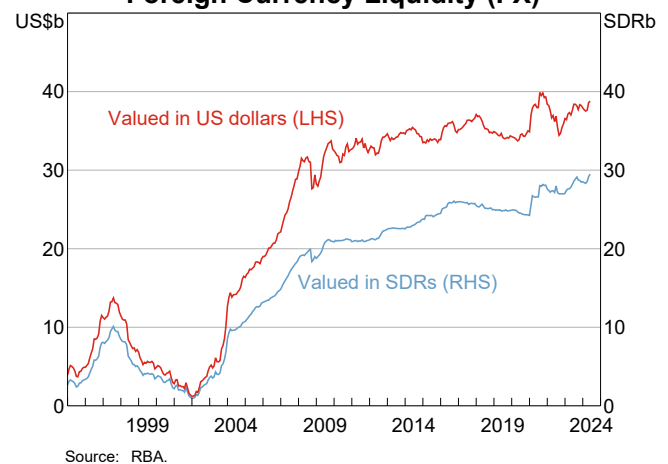
To manage our foreign currency assets, we regularly transact in the FX swap market. This involves one currency being exchanged for another, with a commitment to unwind the exchange at a subsequent date and at an agreed (forward) rate. Short-term swaps between foreign currencies can be an efficient way to manage investments within the reserves portfolio. We also execute FX swaps against Australian dollars for terms of up to five years. The foreign currency obtained via these longer term transactions increases our capacity to conduct policy operations.

Reserves management

Australia's official reserve assets include foreign currency assets, gold, Special Drawing Rights (SDRs; an international reserve asset created by the International Monetary Fund (IMF)) and Australia's reserve position in the IMF. Most of these assets are owned and managed by the RBA. The Australian Government owns Australia's reserve position in the IMF and around half of Australia's SDR holdings.

We hold foreign currency assets to facilitate various policy operations, including in the FX market (described above) and to help the Australian Government meet its commitments to the IMF. One measure of our capacity to undertake these policy operations is foreign currency liquidity – the level of foreign currency assets net of any commitments due in the coming 12 months, including obligations to deliver foreign currency against Australian dollars on maturing swaps (Graph 2.2.9).

Graph 2.2.9
Foreign Currency Liquidity (FX)



The Reserve Bank Board periodically reviews the adequacy of RBA foreign currency assets. The most recent review in March 2023 concluded that the RBA's capacity for intervention should increase gradually over the coming years. Foreign currency liquidity can increase with earnings on our foreign currency assets, with purchases of foreign currency in the spot market and via long-term swaps against the Australian dollar.

The foreign assets we hold can expose us to market, liquidity and credit risk, which we seek to mitigate where possible. Our risk mitigation approach includes holding a diversified portfolio and investing only in assets of high credit quality and appropriate liquidity (Table 2.2.3; see also Part 3.3: Risk Management).

Table 2.2.3: Foreign Assets

30 June 2024

	A\$ million
Official reserve assets	
Foreign currency	56,830
Gold	9,035
SDRs	19,579
Reserve position in the IMF	3,438
Other reserve assets	6,062
Other foreign currency assets	1,228
Net forward foreign currency commitments: Short term	
Foreign currency	-2,735
Gold loans	0
Net forward foreign currency commitments: Long term	-9,997
<i>Memo item:</i>	
<i>Foreign currency liquidity^(a)</i>	<i>58,555</i>

(a) Foreign currency liquidity includes foreign currency holdings and other foreign currency assets, net of short-term foreign currency forward commitments (commitments with less than 12 months to maturity).

Source: RBA.

The composition of our foreign currency assets (net of forward commitments against the Australian dollar) is managed against an internally constructed benchmark. Subject to our risk tolerances, the benchmark is assessed to be the combination of foreign currency assets that maximise our expected returns over the long run. Within the portfolio, the largest allocation is to the US dollar, reflecting the significant depth in US dollar currency and asset markets (Table 2.2.4). Duration targets are relatively short for most of the foreign currency portfolios.

Investments in the benchmark currencies are limited to deposits at official institutions (such as central banks) and debt instruments issued (or guaranteed) by sovereign entities, central banks and supranational agencies (Table 2.2.5). Debt instruments issued by quasi-sovereign entities can also be accepted as collateral under reverse repos.

Table 2.2.4: Benchmark Foreign Currency Portfolio

30 June 2024

	US dollar	Euro	Japanese yen	Canadian dollar	Chinese renminbi	UK pound sterling	South Korean won
Currency allocation (per cent of total)	55	20	5	5	5	5	5
Duration (months)	6	6	<3	6	18	3	18

Source: RBA.

Table 2.2.5: Foreign Currency Assets^(a)

A\$ million, 30 June 2024

Currency	Securities held outright	Securities lent under repos	Deposits at official institutions ^(b)	Total (gross)	Forward FX commitments ^(c)			Total (net)
					Against A\$	Against other currencies	Other	
US dollar	9,483	–	836	10,319	15	10,418	4,668	25,420
Euro	3,585	–1,429	323	2,478	–5	4,425	2,241	9,139
Japanese yen	27,200	–	7,502	34,702	–17,635	–14,678	–	2,389
Canadian dollar	2,998	–	4	3,002	–	–554	–	2,448
Chinese renminbi	1,191	–	1,215	2,406	–	–	–	2,406
UK pound sterling	1,473	–	5	1,479	–2	971	–	2,448
South Korean won	2,443	–	1	2,444	–	–	–	2,444
Total	48,373	–1,429	9,886	56,830	–17,627	582	6,909	46,694

(a) Excludes gold, SDRs, the reserve position in the IMF, investments in the Asian Bond Fund, balances with overseas banks, futures margins and non-reserve currency holdings.

(b) Includes deposits at foreign central banks and the Bank for International Settlements.

(c) 'Forward FX commitments' reflect unsettled spot and forward transactions, converted to Australian dollars. Other forward commitments largely reflect cash lent under repos. This excludes forward commitments for non-reserve currencies and gold on loan.

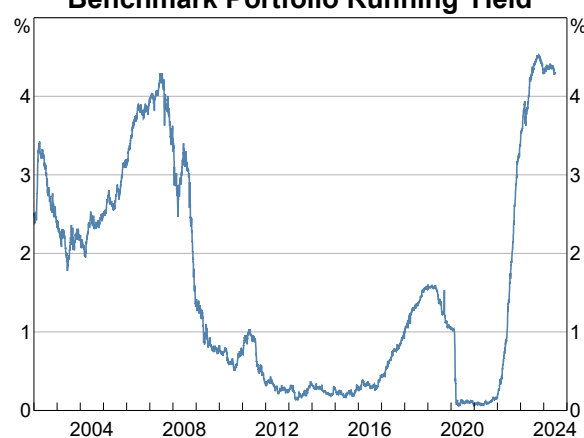
Source: RBA.

As was the case in prior years, yields on yen investments during 2023/24 generally exceeded those available in the other reserve currencies when the cost of hedging currency risk is taken into account. Reflecting this, we swapped other currencies in our reserves portfolio against the yen to enhance returns. Similarly, when long-term swaps against the Australian dollar have been used to increase our foreign currency assets, the yen was the preferred currency. As a consequence, while our exposure to changes in the value of the yen remained small in 2023/24 (with the allocation in the benchmark only around A\$2.4 billion), an additional A\$32.3 billion of yen was held at the end of June 2024 due to swaps against other currencies.

A small component of our foreign currency risk is managed outside the benchmark framework. We invest in a number of Asian debt markets through participation in the Executives' Meeting of East Asia-Pacific (EMEAP) Central Banks Asian Bond Fund. This fund was initiated in the early 2000s to assist in the development of bond markets in the region. At the end of June 2024, the total allocation of our reserves to these funds was around A\$770 million. In SDR terms, there was a return of 3.0 per cent on these investments over the year, reflecting returns on Asian government bonds and currency valuation.

Measured in SDRs, the return on our foreign currency assets over 2023/24 was 4.4 per cent (Graph 2.2.10). The running yield on the benchmark portfolio remained around 4.4 per cent over 2023/24.

Graph 2.2.10
Benchmark Portfolio Running Yield



Source: RBA.

Gold holdings (including gold on loan) at the end of June 2024 were around 80 tonnes, unchanged since 1997. Gold prices increased by 22.0 per cent in Australian dollar terms over 2023/24, increasing the value of the RBA's holdings of gold by around A\$1.6 billion to A\$9.0 billion.

We seek to earn income on our holdings by lending gold. This lending either has the benefit of a government guarantee on the borrower's payment obligations to us or is structured as a gold swap, such that the loan is fully collateralised by cash (either foreign currency or Australian dollars). Returns from these activities totalled A\$0.4 million in 2023/24 – lower than the previous year, mostly due to decreased activity. As at 30 June 2024, the RBA had no gold loans outstanding.

We hold gold in an allocated account at the Bank of England. All bars meet the London Bullion Market Association's 'Good Delivery' standards.

Bilateral currency swaps

We had bilateral local currency swap agreements with four other central banks as at September 2024 (Table 2.2.6). The purpose of these agreements is to allow each central bank to support trade settlement in local currencies, particularly in times of market stress, or to support financial stability.

Table 2.2.6: RBA Bilateral Local Currency Swap Agreements

As at September 2024

	Expiry	Maximum size (A\$ billion)
People's Bank of China	July 2026	41
Bank of Japan	March 2025	20
Bank of Korea	February 2028	12
Bank Indonesia	February 2025	10

Source: RBA.

Endnotes

- 1 See Kent C (2024), 'The Future System for Monetary Policy Implementation', Speech to Bloomberg Australia Briefing, Sydney, 2 April.
- 2 See RBA, 'Floating Rate Repos for Open Market Operations', Technical Note.
- 3 A small number of TFF loans matured on 1 July 2024, because 30 June 2024 fell on a weekend.
- 4 See RBA (2024), 'Eligible Securities'.
- 5 See RBA (2023), 'Margin Ratios'.
- 6 See ISDA (2020), 'ISDA 2020 IBOR Fallbacks Protocol'.
- 7 At the time each Annual Report is published, intervention data for the year under review are published on the RBA website: RBA, 'Statistical Tables: Daily Foreign Exchange Market Intervention Transactions – A5'.

2.3 Banking and Payment Services

We provide banking and payment services to meet the needs of the Australian Government and its agencies, and to support an efficient and stable Australian financial system. These services support the timely and reliable provision of financial assistance to Australian households and businesses. We also operate national infrastructure that fulfils the settlement obligations created between financial institutions when Australian consumers, businesses and government agencies make payments in the economy.

Key outcomes in 2023/24

Banking

- We provided transactional banking services to over 100 Australian government agencies.
- We distributed 335 million domestic payments and 1 million international payments for the Australian Government, totalling \$803 billion and \$17 billion respectively. We also processed 54 million collection-related transactions for the Australian Government, amounting to \$847 billion.
- We migrated several core transactional banking systems to the cloud, and deployed functionality to receive international payments through the New Payments Platform (NPP) and to send and receive several ISO 20022 message types.

Payment services

- The Reserve Bank Information and Transfer System (RITS) settled an average of 69,000 transactions per day, worth \$254 billion. The Fast Settlement Service (FSS) of RITS settled a daily average of 3 million transactions – almost 20 per cent more than in 2022/23 – worth \$3.7 billion per day.
- Around 76 per cent of High Value Clearing System (HVCS) payments settled in RITS during June 2024 used the new ISO 20022 message format. We have also started migrating overseas central bank and official institution clients to ISO 20022 for cross-border payments.
- We achieved our availability targets for both RITS and the FSS in 2023/24.
- We started programs to remediate findings from reviews into the major technology outage in 2022 impacting RITS and to enhance the resilience of end-of-life IT infrastructure.

Transactional banking services

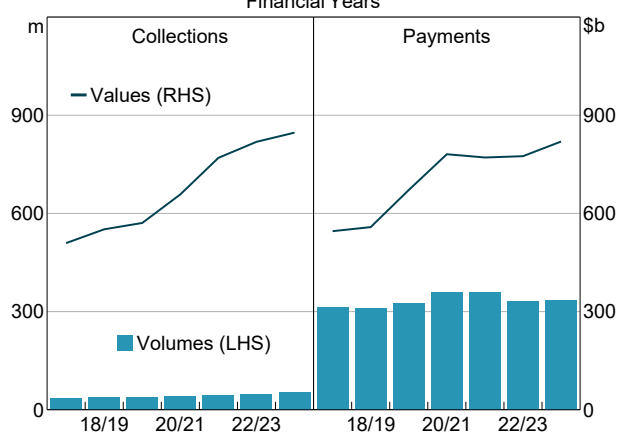
We aim to deliver secure, reliable, cost-effective banking and payment services to the Australian Government and its agencies, consistent with our responsibilities under the *Reserve Bank Act 1959*. These services enable the government, through its agencies, to make payments and collect revenue. These payments are critical, since the vast majority are welfare and age pension payments that are relied on by many Australians, and we prioritise these accordingly. We also work with industry to increase the resilience of the banking system and to minimise outages.

We provide a broad range of payment and collection services to our customers. At present, most payments are delivered using cost-effective direct entry systems,

both domestically and overseas. Other payment methods utilised by our customers include the NPP, the real-time gross settlement (RTGS) system, cheques and BPAY. Government revenue is received by the above methods, by card (at a terminal, over the phone or via an online service) and, to a lesser extent, cash.

In 2023/24 the number of payments processed for our government agency customers was similar to 2022/23 and somewhat less than in prior years (which were boosted by payments related to the COVID-19 pandemic and natural disasters, such as floods in eastern Australia). We continued to see an increase in the number of collections-related transactions for the Australian Government in 2023/24 (Graph 2.3.1).

Graph 2.3.1
Payments and Collections
Financial Years



Source: RBA.

The transactional banking services we offer and the technologies we use are evolving in response to innovations in the industry. Over the past year:

- *We have progressed the migration of core transactional banking systems to the cloud.* This will improve the resilience of our systems, support best practice, and avoid costly and complicated hardware upgrades. The first systems have been successfully migrated, with remaining systems to be migrated over the next year.
- *We have deployed a solution to receive cross-border payments where the final leg is sent over the NPP.* This functionality provides richer payment data to customers and can increase the speed of settlement compared with some other methods.
- *We have enhanced several interbank messaging processes* to align with the International Organization for Standardization (ISO) 20022 messaging standard and to support process automation, efficiency and interoperability. This work forms part of a multi-year domestic and international program as various payment systems and messages are progressively modernised.

Alongside these activities, we have worked closely with our agency customers, government and industry to plan for the proposed decommissioning of both the cheques system and the Bulk Electronic Clearing System (BECS). The payment industry's transition away from BECS will involve significant work: over 85 per cent of our customers' payments and receipts (by volume) are processed through BECS. Together with our transactional banking customers, we accounted for around 6 per cent of all cheques issued in Australia

in 2023/24 and made around 10 per cent of all direct entry payments. The volume of cheque payments for government customers fell by a further 17 per cent in 2023/24.

There are significant barriers to migrating many of these payments to alternative systems, including legislation that requires the use and acceptance of cheques, entrenched legacy systems at many stages in the payments process and the current lack of a suitable alternative for bulk payments (such as regular pension payments). We will continue to work with our agency customers and industry to plan how these payments can be made securely, efficiently and cost-effectively in future.

In the coming year, we aim to complete the migration of transactional banking systems to the cloud and to continue upgrading messages and processes to align with ISO 20022. Additionally, we are participating in a Confirmation of Payee solution over the NPP, as part of an initiative managed by Australian Payments Plus. This new solution is an industry-wide banking service that checks if the account details of the recipient match the account name, BSB and account number provided by the payer, so as to help reduce the risk of mistaken payments and scams.

Pro forma business accounts

Our transactional banking services are subject to the Australian Government's competitive neutrality guidelines. We deliver these services in competition with commercial financial institutions, including by bidding for business at tenders. We must cost and price the services separately from our other activities and meet a prescribed minimum rate of return. In 2023/24 we achieved our competitive neutrality target rate of return.

Pro forma business accounts for our contestable businesses are prepared in accordance with competitive neutrality guidelines. These accounts do not form part of the audited financial statements.

In 2023/24 after-tax earnings from our transactional banking services were \$10.3 million, \$3.5 million higher than the previous year (Table 2.3.1).

Table 2.3.1: Transactional Banking Accounts

\$ million

	2022/23	2023/24
Revenue		
– Service fees	138.2	164.3
– Other revenue	4.6	7.7
Total	142.8	172.0
Expenditure		
– Direct costs	133.0	158.0
– Indirect costs	0.0	0.0
Total	133.0	158.0
Net profit/(loss)	9.8	14.0
Net profit/(loss) after taxes ^(a)	6.8	10.3
Assets^(b)		
– Domestic markets investments	3,804.7	7,004.0
– Other assets	21.8	20.1
Total	3,826.5	7,024.0
Liabilities^(b)		
– Capital and reserves	25.0	25.0
– Deposits	3,781.8	6,983.7
– Other liabilities	19.7	15.3
Total	3,826.5	7,024.0

(a) In accordance with the competitive neutrality guidelines, income tax expense has been calculated but no such amount is directly transferred to the Australian Government. Instead, the amount is notionally captured within the RBA's annual profit distribution.

(b) As at 30 June.

Source: RBA.

Central banking services

As part of our central banking services, we manage the overnight consolidation of Australian Government agency account balances. This requires the movement of agency account balances, held with either commercial financial institutions or the RBA, into the Official Public Account. We process daily payment instructions from the Department of Finance to move funds from the Official Public Account to agency bank accounts to meet their payment obligations.

While we manage the consolidation of the government's accounts, the Australian Office of Financial Management (AOFM) is responsible for ensuring that there are sufficient cash balances to meet the government's day-to-day spending commitments and for investing excess funds in approved investments. We offer a cash management account to assist the AOFM in this regard. We also provide a limited short-term overdraft facility to accommodate any unexpected demand for government cash balances. This overdraft facility is used infrequently and was not used during 2023/24.

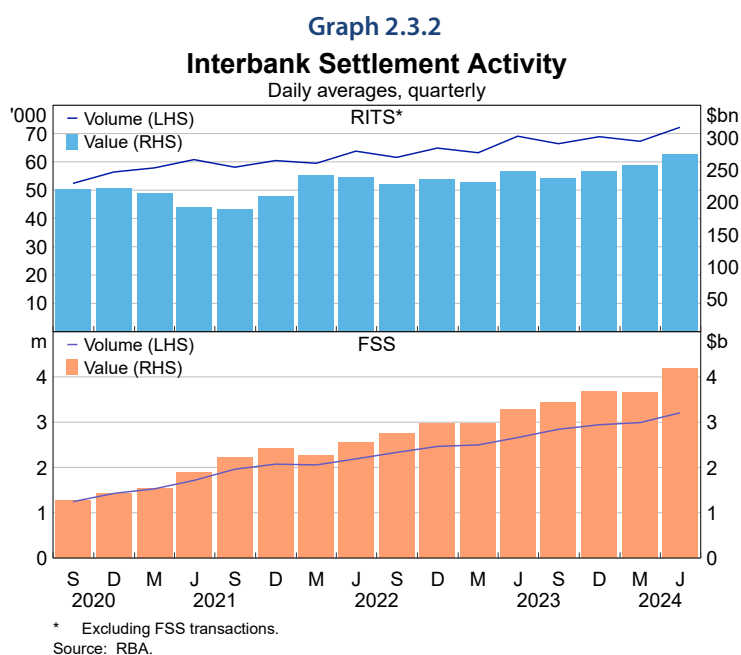
Settlement services

We own, operate and manage Australia’s interbank settlement system, RITS. This system performs final and irrevocable settlement of interbank obligations arising from the wide range of non-cash payments in the Australian economy. This includes card-related transactions, electronic retail payments and high-value transactions. These obligations are settled through the simultaneous debiting and crediting of Exchange Settlement accounts held at the RBA on behalf of RITS member institutions.

RITS settles most high-value transactions using RTGS, including those from the HVCS (exchanged via Swift messaging services), Austraclear and cash transfers (funds transfers between Exchange Settlement accounts entered directly into RITS). Low-value payments initiated through the NPP are also settled on an RTGS basis through the RITS FSS. While some low-value payments

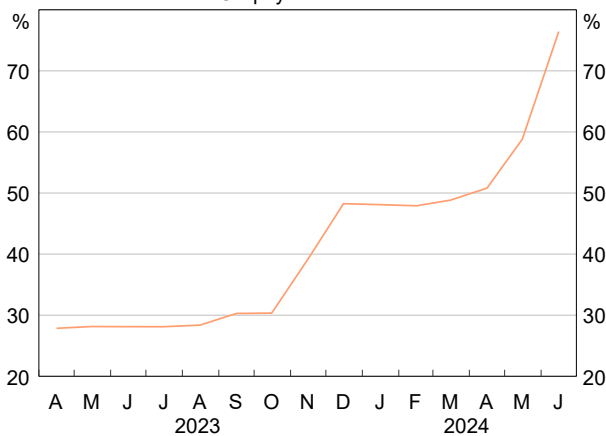
are transitioning to the NPP, most are still settled on a net deferred basis via the RITS Low Value Settlement Service. This service collates interbank obligations arising from payments by some debit and credit cards, BPAY, ATM, cheque and BECS, also known as direct entry or ‘pay anyone’ (with many of these exchanged in bulk files, including salaries and welfare payments). RITS also facilitates net settlement of obligations arising from card payments processed by eftpos and Mastercard, equities transactions processed by the ASX Clearing House Electronic Subregister System (CHES), and electronic property transactions processed by Property Exchange Australia (PEXA) and Sympli Australia.

In 2023/24, RITS (excluding FSS) transactions grew by 6 per cent in number and 8 per cent in value, while FSS transactions grew by 20 per cent in number and by 25 per cent in value (Graph 2.3.2).



We continue to support the migration of HVCS payments to the ISO 20022 messaging standard – a modern and flexible format used for electronic messages between financial institutions. Migration to ISO 20022 for the HVCS commenced in March 2023, leading to the new format accounting for 76 per cent of all HVCS payments settled in RITS at the end of 2023/24, compared with 28 per cent at the end of 2022/23 (Graph 2.3.3). To align with revised dates for the global migration of cross-border Swift payments to ISO 20022, the HVCS coexistence period – which allows use of both old message types and new ISO 20022 messages – has been extended to late 2025 for inbound cross-border payments. We have also completed an upgrade of our back-office payment processing systems to allow us to exchange ISO 20022 HVCS and cross-border payments for both the RBA and on behalf of our customers.

Graph 2.3.3
HVCS ISO 20022 Migration
Share of HVCS payments settled in RITS



Source: RBA.

In addition to payments messages, we are also adopting ISO 20022 formats for messages used in the RITS Automated Information Facility (AIF). This service enables automated reporting, credit and liquidity management. RITS members will begin their AIF migration in 2024/25.

In March 2024, we hosted a cyber-attack simulation exercise with 16 participating organisations, including selected RITS members and other payment system and scheme operators. This exercise rehearsed a simulated cyber event affecting parts of the payments system and identified opportunities to improve industry-level cyber incident response and communication protocols. We will work with industry to implement these improvements. We also remain actively involved in industry cyber and contingency exercises.

We continually work to ensure that RITS is secure and resilient. Several projects to refresh Swift, FSS and other parts of the RITS infrastructure that are nearing end of support were commenced or completed in 2023/24. Our broader 'CoreMod' project, to address technological obsolescence and mitigate risks associated with the renovation of our 65 Martin Place Head Office, also involves migrating RITS to modern infrastructure in a new co-located data centre. The renovation of 65 Martin Place also required the relocation of staff supporting RITS operations to our temporary head office.

We offer correspondent banking services to 63 overseas central banks and official institutions. This allows for the settlement of their Australian dollar transactions, and provides safe custody services to these overseas agencies. The face value of securities held in custody was around \$143 billion at the end of June 2024. We also provide registry services to around seven supranational organisations that issue Australian dollar denominated securities, and settlement services for banknote lodgements and withdrawals by commercial banks.

Strengthening the operating environment supporting RITS

Following a major technology outage in October 2022 affecting a range of RBA systems, including aspects of RITS settlement services (such as the FSS), we commissioned a number of reviews into the causes of the incident. These included an external review of the operating environment supporting RITS conducted by Deloitte (the Deloitte Review), and an assessment by Payments Policy Department of the extent to which RITS complies with the Principles for Financial Market Infrastructures (the RITS Assessment). The Deloitte Review and RITS Assessment concluded that aspects of our systems and operating processes should be strengthened to achieve the high standards of service availability required in operating critically important national payments infrastructure.¹

We are committed to implementing the recommendations from the Deloitte Review and RITS Assessment. As discussed in Part 1.2: Governance and Accountability, we have established the Payments Operations Program (POP) to address recommendations covering the IT and payments settlements functions. The POP's work will span the RITS operating model and resourcing, IT system controls, knowledge management, investment prioritisation and

IT service and asset management. We are addressing the remaining recommendations on risk management, governance and broader cultural aspects through the separate Future Hub transformation program (see Part 1.2: Governance and Accountability).

The POP and Future Hub are both overseen by senior-level steering committees, chaired by the RBA Governor. Deloitte has also been contracted to work with us.

The key focus of the POP's work to date has been a detailed scoping exercise, in conjunction with Deloitte and internal subject matter experts, to specify the output required to implement the Deloitte Review and RITS Assessment recommendations. Program staff have also prepared associated project timelines and reviewed dependencies with other RBA projects, while continuing to review and monitor project risks. The POP will carefully time the development and implementation of their work over coming years to minimise operational disruption, in light of the high level of impending change from a range of large projects and ongoing business-as-usual operations.

The second stage of the POP commenced in August 2024 and will include the detailed design and build of various initiatives to implement recommendations from the Deloitte Review and RITS Assessment. Work on the RITS operating model and project investment prioritisation is expected to be completed by December 2025. The IT service and asset management work is expected to be completed in 2026, while the IT system controls and knowledge management work will continue into 2027.

This work is being complemented by a broader uplift of our 'Three Lines of Accountability' risk governance model and work to align with selected industry risk standards (see Part 3.3: Risk Management).

The POP will also formalise the appointment of a 'quality review' firm to provide independent comment on program work and to test output.

Endnotes

1 For further information, see RBA (2023), 'Strengthening the RBA's Payments Infrastructure', Media Release No 2023-12, 30 May.

2.4 Banknotes

We are responsible for producing and issuing Australia’s banknotes, ensuring they are of high quality and that the threat of counterfeiting is low. The use of cash for payments has declined over recent decades, but it remains an important means of payment for many Australians. Cash also continues to be used as a store of value and a back-up method of payment. Ensuring Australians continue to have reasonable access to cash and have confidence in banknotes is critical to meeting their needs.

Key outcomes in 2023/24

- We implemented the Banknote Distribution Framework, which standardises wholesale arrangements for the distribution of banknotes between the major banks and the RBA.
- We convened several industry roundtables and working groups with some key participants in the cash distribution system, to discuss actions to support cash distribution in the short term and options to build sustainability and resilience in the longer term.

Recent developments in wholesale cash distribution

The decline in the use of cash for transactions over recent decades has contributed to significant excess capacity within the cash distribution network in Australia. Similar developments have been evident overseas, resulting in a general trend towards consolidation in cash-in-transit (CIT) industries in many countries. In June 2023, the Australian Competition and Consumer Commission (ACCC) approved the merger between the two largest CIT companies in Australia – Linfox Armaguard (Armaguard) and Prosegur Australia. The merger was subject to a three-year undertaking regarding pricing and service levels, and both firms agreed to continue supplying CIT services to existing customers until September 2026. In June 2024, Armaguard’s major banking and retail customers agreed to provide approximately \$50 million of additional funding support in 2024/25, allowing more time for Armaguard to embed efficiency gains and improve its financial sustainability.

In response to challenges in the CIT industry, we convened a number of Wholesale Banknote Distribution Roundtables in late 2023 and early 2024. Together with the Australian Treasury and key participants in the cash distribution industry, we have also formed a number of working groups to consider actions to support the sustainability of cash distribution and business continuity arrangements in the event of a disruption to the supply of cash. Another focus has been

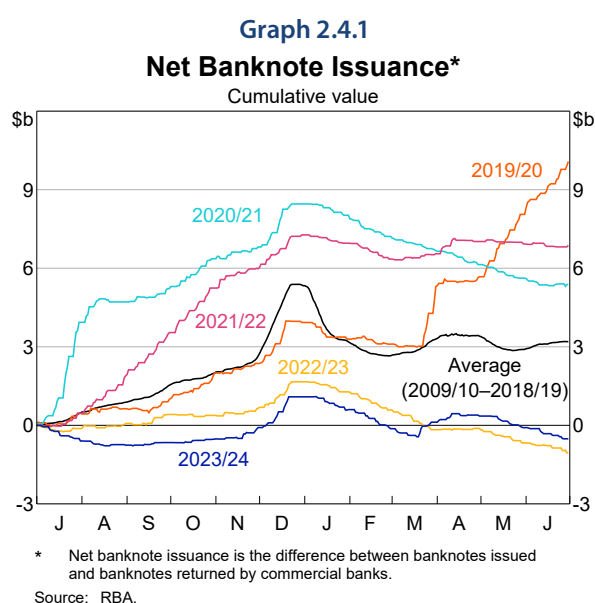
on the longer term sustainability of the cash distribution system. These and other industry discussions – that may not otherwise have been permitted under competition laws – have been enabled by ACCC authorisations.

Distribution activities

We sell banknotes wholesale to the four major commercial banks under the Banknote Distribution Framework (BDF). The banks, in turn, have arrangements in place to distribute banknotes around Australia to meet the demands of their customers.

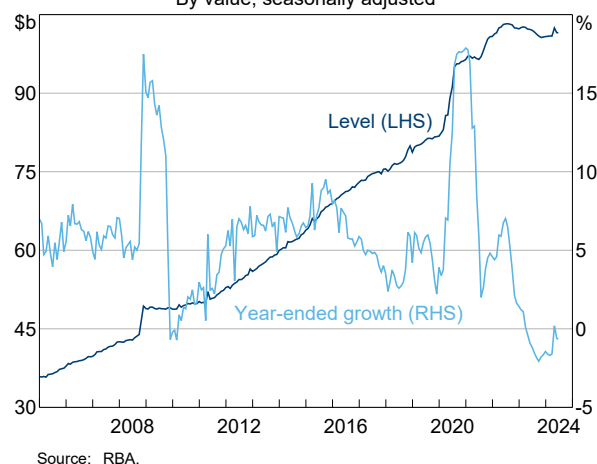
In March 2024, as part of implementing the new BDF, we translated bilateral agreements for wholesale banknote distribution into a publicly available, standard set of terms and conditions.¹ This was a key recommendation of the 2022 Review of Banknote Distribution Arrangements.² Standardised and transparent contractual arrangements for wholesale banknote distribution are aimed at enabling easier implementation of changes that benefit the cash distribution system as a whole, particularly as the cash distribution landscape evolves. At the same time, we have increased the per-unit payment we make to banks for the return of unfit banknotes by 30 per cent, in recognition of the increasing unit cost of banknote transportation associated with the decline in the use of cash for transactions.

Banknote distribution activities in 2023/24 were subdued, as in the previous year (Graph 2.4.1). This follows the large increase in banknotes on issue during the COVID-19 pandemic. In 2023/24 we issued around \$3.6 billion of banknotes: about 40 per cent of a typical year's gross issuance. Returns by commercial banks to us also remained below the historical average, with around \$4.2 billion of banknotes returned in 2023/24, mainly consisting of the previous banknote series. In 2023/24, 91 per cent of transactions were carried out from the National Banknote Site in Craigieburn, Victoria, with the remainder carried out from separate contingency sites in Sydney and Craigieburn for operational reasons.



With a greater value of banknotes being returned to us than purchased by commercial banks, the value of banknotes in circulation declined by 0.5 per cent over 2023/24 (Table 2.4.1). This largely reflected a decline in \$50 banknotes in circulation. Nonetheless, the value of banknotes in circulation remained high: \$100.8 billion at the end of June 2024, equivalent to around 4 per cent of GDP (Graph 2.4.2). There are currently almost 2 billion banknotes in circulation.

Graph 2.4.2
Banknotes in Circulation
By value, seasonally adjusted



The proportion of all banknotes in circulation that are part of the Next Generation Banknote (NGB) series (the saturation rate) increased modestly over 2023/24. NGB \$20 and \$50 banknote saturation increased by around 5 and 3 percentage points from the previous year, to represent just under half of these banknotes on issue (Graph 2.4.3). The NGB \$100 banknote saturation increased by a similar amount to 16 per cent. The two lower denominations, on the other hand, saw little change. Saturation of NGB \$5 and \$10 banknotes is unlikely to rise substantially from their current rates, since many of the earlier series banknotes are stored, lost or held abroad and so are unlikely to be returned to us in the near term.

Table 2.4.1: Banknotes in Circulation

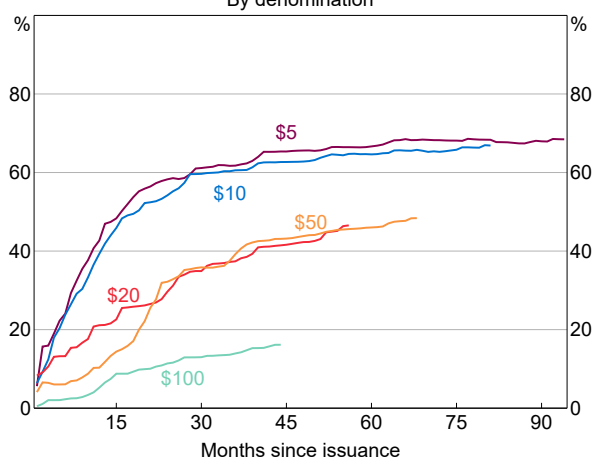
Annual growth by value by denomination; non-seasonally adjusted; per cent

	\$5	\$10	\$20	\$50	\$100	Total
End-June 2024	1.2	2.8	-0.6	-2.1	0.9	-0.5
10-year average ^(a)	2.9	2.5	1.8	5.8	6.7	5.9

(a) Financial years up to June 2023.

Source: RBA.

Graph 2.4.3
Saturation Rates of NGB Series*
 By denomination



* Saturation rate – proportion of second polymer series banknotes to total banknotes in circulation.

Source: RBA.

Banknote quality and counterfeits

We aim to have high-quality banknotes in circulation. Such notes are more easily handled by machines and reduce the possibility of counterfeits being accepted. Accordingly, there are arrangements in place to encourage the major commercial banks and CIT companies to sort the banknotes they handle to agreed quality standards. Based on this sorting, banknotes that remain fit for circulation are redistributed, while those that are deemed unfit are returned to the RBA, removed from circulation and destroyed.

In 2023/24 we received \$3.2 billion worth of banknotes deemed unfit for recirculation and paid over \$14 million to the commercial banks under the quality-sorting framework. We began a project to commission two new banknote processing machines at the National Banknote Site to replace four machines that have reached end of life.



Newly delivered banknote processing machine. Source: RBA.

We also make interest compensation payments on banknotes that the major commercial banks store in private cash depots. This arrangement was designed to support efficiency in banknote distribution by encouraging BDF banks to hold their banknotes at cash depots around Australia, in turn supporting trading of banknotes between banks and reducing the incentive to return banknotes to the RBA. These payments also incentivise quality sorting because only banknotes that have been quality sorted are eligible. In 2023/24, we paid around \$138 million in interest payments, which was higher than in 2022/23 because of the higher interest rates prevailing in 2023/24.

We also remove banknotes from circulation through our Damaged Banknotes Facility. The facility is offered to holders of Australian banknotes who have come into possession of damaged banknotes unwittingly or whose banknotes have been accidentally damaged. Claims that meet the requirements set out in the Damaged Banknotes Policy are paid based on their assessed value.³ In 2023/24, the Damaged Banknotes Facility processed around 8,500 claims and made \$3.5 million in payments. This was a significant reduction from the previous two financial years, which were boosted by claims arising from flooding events in eastern Australia during 2022.



Assessment of damaged banknote claims. Source: RBA.



Heat-damaged banknotes assessed at the RBA's laboratory.

Source: RBA.

Counterfeiting activity has remained subdued compared with the historical average. In 2023/24, just over 10,000 counterfeits, with a nominal value of around \$820,000, were detected in circulation (Table 2.4.2). This corresponds to a counterfeiting rate of around five counterfeits detected per million banknotes in circulation, but this is expected to be closer to seven once the analysis of all counterfeits detected in 2023/24 has been completed. This would be the first time the counterfeiting rate has not decreased since 2019/20, but it remains much lower than the 20-year average of almost 13 counterfeits detected per million banknotes in circulation (Graph 2.4.4). This subdued level of counterfeiting reflects a combination of effective law-enforcement activities and the increasing saturation of the NGB series of banknotes, which is proving difficult to counterfeit due to their enhanced security features.

Table 2.4.2: Counterfeit Banknotes in Australia 2023/24^(a)

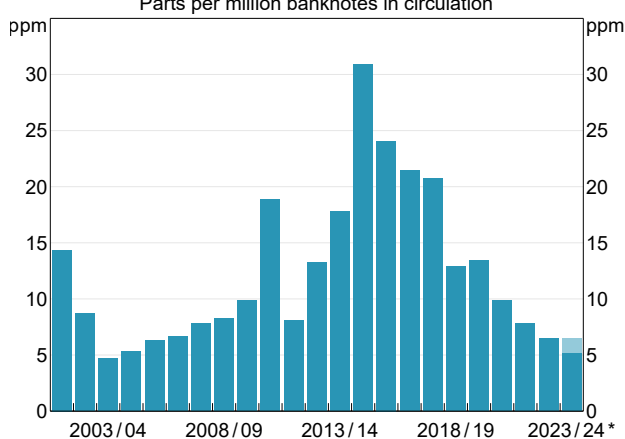
	\$5	\$10	\$20	\$50	\$100	Total
Total number	25	104	87	3,228	6,579	10,023
First polymer series	6	90	78	3,049	6,511	9,734
NGB series	18	14	9	179	68	288
Paper series	1	0	0	0	0	1
Total nominal value (\$)	125	1,040	1,740	161,400	657,900	822,205
Counterfeiting rate ^(b)	0.1	0.7	0.5	3.4	13.7	5.1

(a) Figures are preliminary and subject to upward revision because of lags in counterfeit submissions to the RBA.

(b) Counterfeits per million banknotes in circulation.

Source: RBA.

Graph 2.4.4
Counterfeits Detected
Parts per million banknotes in circulation



* Includes estimates.

Source: RBA.

Counterfeiting rates remain highest for the \$100 denomination, particularly the older series. Counterfeiting rates for the NGB series remain very low. Since the first NGB banknote was released in 2016, there have been only 512 NGB counterfeits detected. In 2023/24, the counterfeiting rate for the NGB series was just 0.44 counterfeits detected per million notes in circulation, compared with 11 counterfeits detected per million in circulation of the previous banknote series. The average quality of the NGB counterfeits is also lower than the average quality of the previous series' counterfeits.

Law-enforcement efforts to investigate and prosecute counterfeiting operations continue to play a significant role in managing the threat of counterfeiting. We support court proceedings around Australia through the provision of information about counterfeit currency and expert witness statements. In 2023/24, we completed 63 statements concerning 1,998 counterfeits. We are aware of 11 court proceedings that occurred during the year related to the possession, passing and making of counterfeit currency.

Redesign of \$5 banknote

In February 2023 we announced the redesign of the current \$5 banknote. Work is underway to redesign the portrait side, which currently features the late monarch, Her Majesty Queen Elizabeth II. The Australian Parliament will continue to feature on the reverse side. The new design will honour the history and culture of First Nations peoples of Australia. In 2023/24 we concluded an Australia-wide nomination campaign to gather ideas for themes – gaining over 2,100 submissions and meeting with over 40 First Nations organisations in communities all around Australia (see Part 2.6: Communication and Community Engagement). An Imagery Selection Panel will guide the theme and imagery selection decisions for the new design of the \$5 banknote. The panel comprises senior representatives of the RBA and Note Printing Australia, along with prominent First Nations representatives. The project will take several years to complete.

Research and development

We maintain an active banknote research and development program, to develop and assess cost-effective, counterfeit-resistant security features and detection technologies for Australian banknotes. The primary purpose of this program is to ensure that Australia's banknotes remain durable and secure against counterfeiting and are easy to authenticate for a wide range of users. This is achieved in part through collaboration with domestic and international experts from various external organisations, including universities, public and private companies, research institutes and other central banks.

Continuous assessment of several issues is fundamental to this program. These include: the vulnerability of banknotes to different forms of counterfeiting; the mechanisms by which banknotes wear in circulation; production capability; and how the public and banknote-processing machines use and authenticate banknotes. This work is complemented by the design and manufacture of new equipment and the development of new methods for testing banknote quality and assessing damaged banknotes. There was a strong focus on the development and testing of security feature options for the \$5 banknote redesign project over 2023/24. There was also work to understand the circulation wear properties of the NGB series and the product and process improvements that might reduce costs and improve circulation life. The program also assisted Note Printing Australia with the provision of technology and expertise for its export customers.

Note Printing Australia Limited

Note Printing Australia (NPA) is a wholly owned subsidiary of the RBA that produces banknotes and passports for Australia. It also prints banknotes and other security products for other countries.

More detail on NPA is provided in Part 1.2: Governance and Accountability.

In 2023/24, NPA:

- delivered 178 million Australian banknotes to the RBA and was paid \$47 million for the supply of banknotes and related services
- produced around 3.9 million R-series passports for the Australian Department of Foreign Affairs and Trade
- printed 1.5 million births, deaths and marriages certificates for all state governments in Australia
- delivered around 323 million banknotes under contract to Singapore, Papua New Guinea and the Philippines, dealing directly with the central banks in those countries.

Endnotes

- 1 RBA, 'BDF Legal Framework'.
- 2 RBA (2022), 'Review of Banknote Distribution Arrangements: Conclusions Paper', August.
- 3 See Burton A and H Winata (2022), 'What Can You Do With Your Damaged Banknotes?', *RBA Bulletin*, June.

2.5 International Financial Cooperation

We participate in international efforts to address the challenges facing the global economy and financial system, and to improve the international financial architecture. We do so through membership of global and regional forums, and through bilateral relationships with other central banks.

Key outcomes in 2023/24

- Our engagement in international forums has contributed to better regional and global outcomes, and ensured that Australian interests are taken into account in the development of cross-country initiatives.
- We maintain and build relationships with overseas counterparts – including from other central banks, international organisations and overseas regulators – allowing us to share and gain knowledge.
- This year the main topics of international discussion on the global economic outlook were inflationary pressures, macroeconomic policy settings and geopolitical risk. Work also continued on a range of financial sector issues including: learning from the overseas banking stresses in early 2023; considering financial risks arising from digitalisation, climate change and non-bank financial intermediation; and enhancing cross-border payments.

Group of Twenty (G20)

Purpose

The G20 is a forum for the world's largest economies, including Australia, and international organisations to discuss economic, financial and other policy issues, and to explore ways to collectively address global challenges. The G20 was chaired by India from December 2022 to November 2023, and has been chaired by Brazil since December 2023.

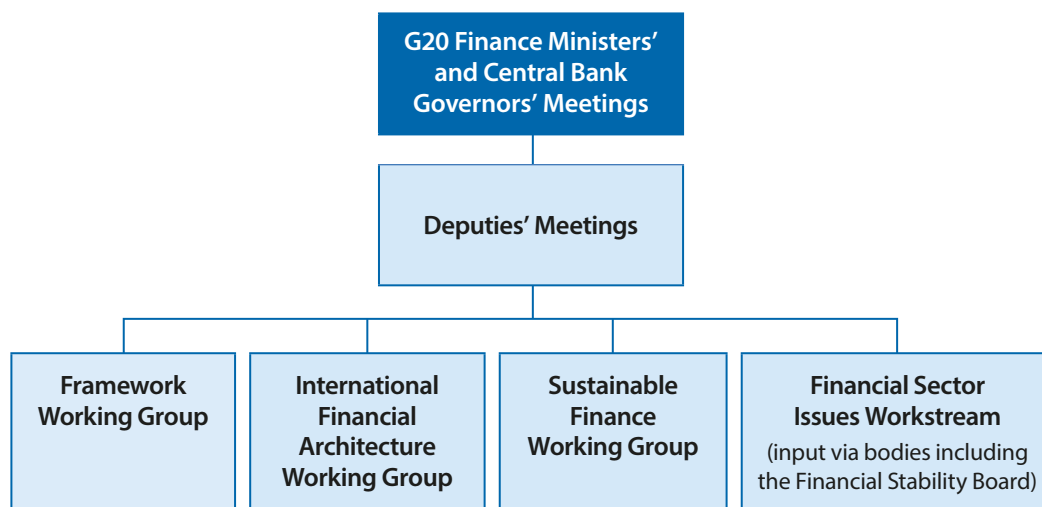
RBA involvement

The Governor, Deputy Governor and Assistant Governor (Economic) represent the RBA at high-level meetings of the G20, while other staff participate in G20 working groups and contribute to the G20's work on financial sector issues.

Our staff participated in three G20 working groups during 2023/24 (Figure 2.5.1):

- the *Framework Working Group* focused on identifying and monitoring risks to the global economic outlook
- the *International Financial Architecture Working Group* focused on the resilience and stability of the international financial system
- the *Sustainable Finance Working Group* addressed barriers to financing climate and sustainability goals.

Figure 2.5.1: RBA Involvement in the G20



Source: RBA.



Kate Hickie (Manager, International Policy and Engagement), Governor Michele Bullock and Clare Noone (Chief Representative, New York Representative Office) at the IMF Spring Meetings and G20 Finance Ministers' and Central Bank Governors' Meeting in April 2024, Washington DC. Source: RBA.

A key objective of the G20 is to address emerging risks to the global financial system and enhance the system's resilience, while also progressing work programs related to the financial sector. This involves close collaboration among G20 jurisdictions and relevant international bodies, including the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS) and the Committee on Payments and Market Infrastructures (CPMI). As discussed below, the RBA and other agencies of the Council of Financial Regulators (CFR) are involved with aspects of the work of these bodies, given the CFR's mandate to promote financial system stability and support effective and efficient financial regulation.

Financial Stability Board (FSB)

Purpose

The FSB promotes international financial stability by coordinating national financial sector authorities and international standard-setting bodies as they develop strong regulatory, supervisory and other financial sector policies. It also plays a central role in identifying and assessing evolving global financial sector trends and risks.

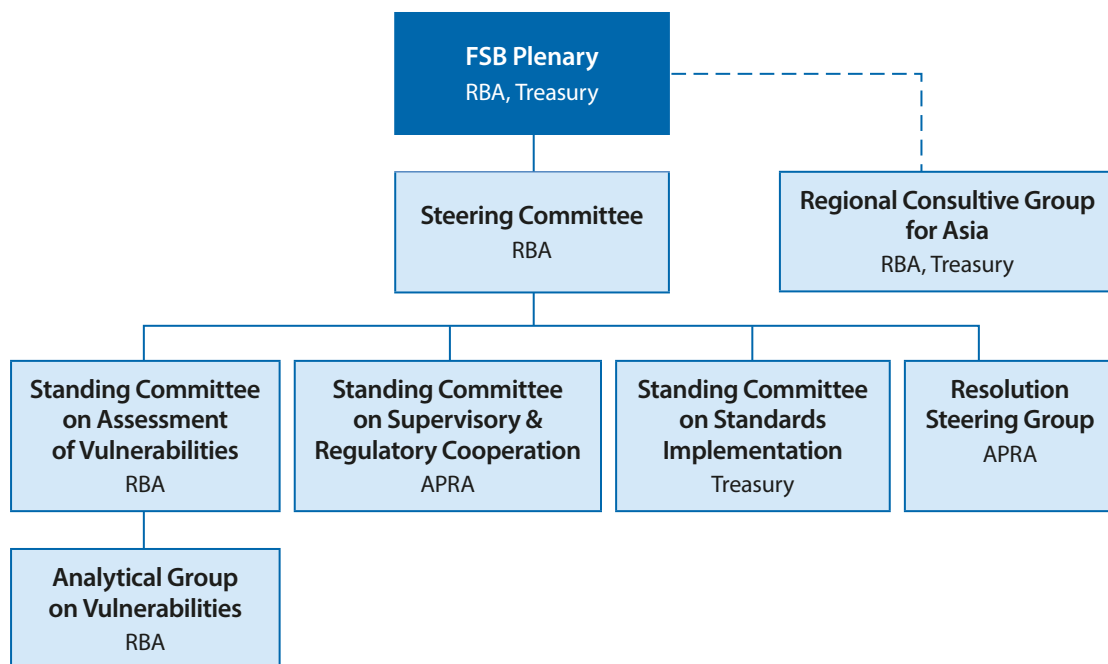
FSB members include representatives from 24 economies and the main international financial institutions – including the Bank for International Settlements (BIS) and the International Monetary Fund (IMF) – and standard-setting bodies such as the BCBS.

RBA involvement

The decision-making body of the FSB is the Plenary. The RBA Governor is a member of the Plenary, the Steering Committee and the Standing Committee on Assessment of Vulnerabilities (SCAV).

Senior RBA staff also participate in meetings of various FSB groups (Figure 2). This includes the Analytical Group on Vulnerabilities, which supports the work of the SCAV, and the Financial Innovation Network.

Figure 2.5.2: Australian Involvement in Key FSB Committees



Source: RBA.

The FSB's work over the year involved a combination of progressing the priorities of the Brazilian G20 Presidency and the FSB's own ongoing work program. The former priorities included:

- *Continuing to identify lessons from the international banking stresses in March 2023 by examining interest rate and liquidity risk in the financial system, and exploring risks and vulnerabilities associated with depositor runs in light of new technologies and social media* – One of our staff members is involved in the latter work, and a summary of both analyses will be reported to the G20 in October 2024.
- *Assessing and addressing the risks arising from non-bank financial intermediation (NBFi)* – For example, in December 2023 the FSB released revised policy recommendations for managing vulnerabilities arising from liquidity mismatch in open-ended funds. In July 2024 the FSB reported on progress enhancing the resilience of NBFi, including monitoring and addressing the financial stability risks from leverage in NBFi. An RBA staff member is on the FSB's Non-bank Monitoring Experts Group.
- *Closely monitoring the financial stability implications of digital innovations, including in crypto-asset markets, tokenisation and artificial intelligence* – Much of the FSB's work in this area is undertaken by the Financial Innovation Network that includes a senior RBA staff member.
- *Addressing climate-related financial risks* – In November 2024 the FSB will report on progress towards disclosure and reporting in line with international standards, in coordination with the International Sustainability Standards Board and other bodies. Separately, the FSB's Climate Vulnerabilities and Data working group, in which we participate, is developing a framework and analytical toolkit for assessing climate-related financial risks, including forward-looking metrics.

- *Enhancing the efficiency of cross-border payments* – In February 2023 the FSB published a revised plan of specific priority initiatives to help achieve the G20 targets set in October 2020. We have since taken several policy actions to promote the adoption of new functionality and messaging capabilities in cross-border payments infrastructure by industry participants. We are also involved with central bank partners in Project Mandala, which is developing a common technical protocol to automate policy and regulatory compliance requirements for cross-border payments.

We also participated in a number of other FSB groups during 2023/24, including:

- the Cross-border Crisis Management Group for Financial Market Infrastructures (a sub-group of the Resolution Steering Group), which works on resolution arrangements for central counterparties
- a country peer review of Switzerland.

Bank for International Settlements (BIS)

Purpose

The BIS and its associated committees play an important role in supporting collaboration among central banks and other financial regulatory bodies. They do so by bringing together officials to exchange information and views about the global economy, vulnerabilities in the global financial system and other issues affecting the operations of central banks.

RBA involvement

The RBA is one of 63 central banks and monetary authorities that hold shares in the BIS. The RBA Governor participates in the bimonthly meetings of governors and in meetings of the Asian Consultative Council. The RBA Assistant Governor (Financial Markets) is a member of the BIS Markets Committee (MC) and the Committee on the Global Financial System (CGFS).

The CGFS seeks to identify potential sources of stress in the global financial system and promotes the development of well-functioning and stable financial markets. The MC considers how economic and other developments, including regulatory reform and technological change, affect financial markets, particularly central bank operations.

Over the year, the committees monitored the implications of the high interest rate environment for financial conditions and financial stability. Other areas of focus included member experiences with macroprudential policy and the insurance coverage gap for physical climate risks.

During 2023/24 our staff participated in a number of BIS committee sub-groups and other working groups, including:

- a CGFS working group examining the interest rate risk exposures of non-financial corporates and households; the final report is expected to be published later in 2024
- a BCBS-CGFS-MC working group examining the interaction of central bank reserves, the regulation of liquidity and implications for financial stability
- a CGFS study group assessing recent experience with macroprudential measures targeting housing markets, including policy effectiveness; the study group's report was released in December 2023

- an Asian Consultative Council working group examining macrofinancial stability frameworks in the region; its report was released in October 2023
- meetings of the Asia Monetary Policy Working Group, chief economist meetings and monetary policy workshops.

We are also part of a BIS Asia Climate Network, established in February 2023 to provide a regional perspective on climate-related issues. We co-chair a BIS Innovation Network working group exploring the application of emerging supervisory and regulatory technologies to common challenges facing member central banks.

Basel Committee on Banking Supervision (BCBS)

Purpose

The BCBS is hosted by the BIS and is the primary international standard-setting body for the banking sector. It provides a forum for regular cooperation on banking supervisory matters among its 28 member jurisdictions. It seeks to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide.

RBA involvement

The RBA Governor is a member of the Group of Governors and Heads of Supervision, which is the oversight body for the BCBS. The RBA Assistant Governor (Financial System) is a member of the BCBS.

An ongoing focus over 2023/24 for BCBS members, including the RBA and the Australian Prudential Regulation Authority (APRA), was examining the lessons learnt from earlier banking stresses in Switzerland and the United States. This included assessing whether specific features of the Basel framework performed as intended during the stresses, such as those relating to liquidity risk and interest rate risk in the banking book. The BCBS also assessed trends, and current and emerging risks, in the global banking system in the light of recent economic and financial market developments.

Other work over the year included a consultation paper on a Pillar 3 disclosure framework for bank exposures to climate-related financial risks, revisions to the *Core Principles for Effective Banking Supervision* and a report on the digitalisation of finance.

Committee on Payments and Market Infrastructures (CPMI)

Purpose

The CPMI is hosted by the BIS. It serves as a forum for central banks to monitor and analyse developments in payment, clearing and settlement infrastructures, and sets standards for these facilities. The CPMI has 28 member institutions.

Joint working groups of the CPMI and International Organization of Securities Commissions (IOSCO) bring together members of these two bodies to coordinate policy work on the regulation and oversight of financial market infrastructures.

RBA involvement

Several RBA staff are members of the CPMI, the CPMI-IOSCO Steering Group, the CPMI-IOSCO Implementation Monitoring Standing Group, the CPMI-IOSCO Policy Standing Group, CPMI Future of Payments Working Group and the CPMI-IOSCO Operational Resilience Group. An RBA staff member is the chair of the CPMI messaging workstream contributing to the G20 Roadmap to enhance cross-border payments.

Cooperative oversight arrangements

Purpose

These multilateral and bilateral arrangements support oversight of foreign-headquartered financial market infrastructures that play an important role in the Australian financial system.

RBA involvement

Over 2023/24, RBA staff from the Payments Policy Department participated in forums to oversee or share information relating to CLS Bank International, LCH Limited, CME Inc, SWIFT, Clearstream Banking S.A. and Euroclear Bank SA/NV. They also participated in an information-sharing arrangement with the Reserve Bank of New Zealand, the New Zealand Financial Markets Authority and the Australian Securities and Investments Commission (ASIC).

International Monetary Fund (IMF)

Purpose

The IMF oversees the stability of the international monetary system by:

- monitoring, analysing and providing advice on the economic and financial policies of its 190 members and the linkages between them. Article IV consultations are a key mechanism for achieving this and are conducted with Australia every year
- providing financial assistance to member countries experiencing actual or potential balance of payments problems.

RBA involvement

Australia holds a 1.38 per cent quota share in the IMF and is part of the Asia and the Pacific Constituency, which is represented by one of the IMF's 24 Executive Directors. Australia also contributes to the IMF's supplementary borrowed resources, including the Poverty Reduction and Growth Trust and the Resilience and Sustainability Trust (RST). The RBA supports the Constituency Office at the IMF by seconding an advisor with expertise in economic and financial sector matters and by working with the Australian Treasury to provide support on matters discussed by the IMF's Executive Board.

During 2023/24 the IMF continued to provide financial assistance to vulnerable member countries. While overall lending approved decreased a little, the provision of financial assistance remained strong under the IMF's recently established RST. The RST provides longer term financing to help address deeper structural issues that pose risks to prospective balance of payments stability, including climate change.

In December 2023 the IMF Board of Governors approved a 50 per cent increase in IMF member quotas, which marked the first time an increase has been agreed since 2010. When it comes into effect, this will result in a 50 per cent rise in the IMF's permanent resources, although the IMF's total lending capacity will be largely unchanged as this increase is set to be offset by reductions in other more temporary forms of resources. While Australia's quota will increase by 50 per cent, its quota share in the IMF will remain unchanged.

Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)

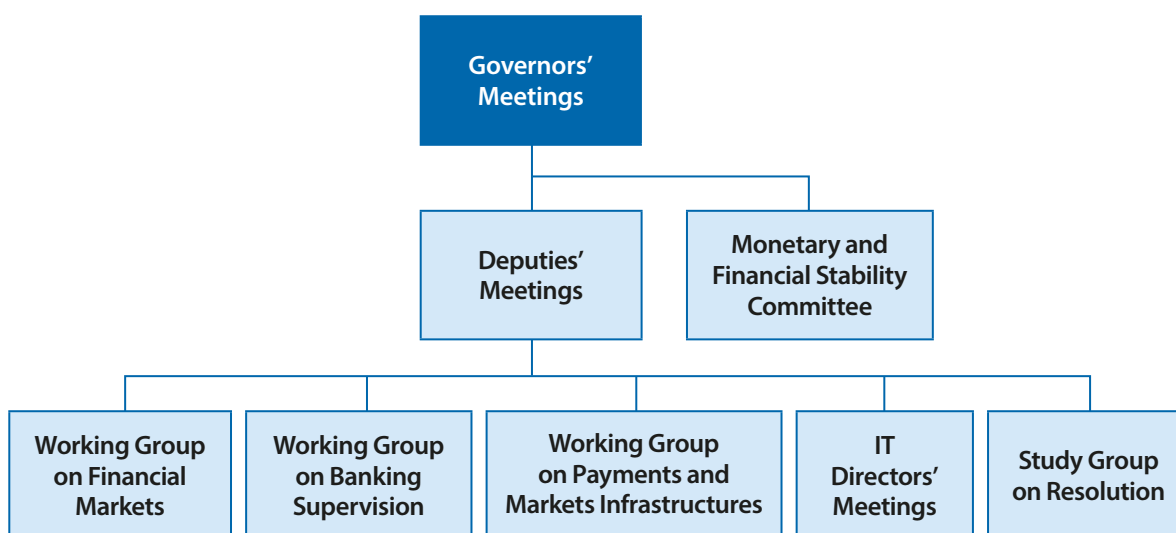
Purpose

EMEAP brings together central banks in the east Asia-Pacific region to discuss issues relevant to monetary policy, financial markets, financial stability and payment systems. Its members are Australia, China, Hong Kong SAR, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea and Thailand.

RBA involvement

We participate in EMEAP, including at the Governor and Deputy Governor level (Figure 2.5.3). Our staff also participate in several working-level groups.

Figure 2.5.3: RBA Involvement in EMEAP



Source: RBA.

EMEAP Governors meet annually to discuss key issues in the region. The October 2023 EMEAP Governors' meeting covered the impact of policy rate tightening in major advanced economies, the sustainability of the ongoing regional economic recovery, inflationary pressures across the region and potential sources of regional vulnerability. Governors also meet annually with the heads of supervisory authorities in the region to discuss issues related to the financial system.

The EMEAP Monetary and Financial Stability Committee discusses current economic and financial market developments and the associated policy challenges for EMEAP members. In 2023/24 the Committee met twice and discussed topics including regional inflationary pressures, external trade and fragmentation risks, and the outlook for growth and developments in cross-border payment systems.

Trans-Tasman Council on Banking Supervision (TTBC)

Purpose

TTBC membership is comprised of the Australian CFR agencies, the New Zealand Treasury, the Reserve Bank of New Zealand and the New Zealand Financial Markets Authority.

The TTBC provides a platform for cooperation and information sharing between the regulators of the banking sectors in Australia and New Zealand. It supports the development of a single economic market in banking services and promotes a joint approach to trans-Tasman banking supervision that delivers a seamless regulatory environment. The TTBC considers issues relating to financial stability, efficiency and integration throughout the financial sector, with a particular focus on the banking system and bank supervision, including crisis preparedness.

RBA involvement

We are represented on the TTBC by the Governor, Deputy Governor and Assistant Governor (Financial System).

Over the year, the TTBC considered matters related to trans-Tasman bank supervision and regulation, insurance and climate change, the future of money and other topics of mutual interest in the financial sector. TTBC members continued to collaborate in relation to cybersecurity events and have been reviewing the potential for harmonisation of regulation and supervision in relation to cyber risk. The TTBC work program complements the ongoing bilateral engagements between TTBC member agencies and enhances crisis preparedness.

Network for Greening the Financial System (NGFS)

Purpose

The purpose of the NGFS is to share best practices, contribute to the development of climate and environment-related risk management in the financial sector, and mobilise mainstream finance to support the transition towards a sustainable economy. Over 130 central banks and supervisors are members of the NGFS.

RBA involvement

The RBA joined the NGFS in July 2018 and contributed to several workstreams over 2023/24.

A key contribution of the NGFS is the development of climate scenarios that provide a common starting point for analysing climate risks to the economy and the financial system. We participate in the workstream on scenario design and analysis. In 2023 this workstream released a new set of updated long-term scenarios and started work on the development of short-term scenarios.¹

Over 2023/24 we also participated in workstreams on monetary policy, net zero for central banks, the task force on biodiversity loss and nature-related risks and the experts' network on legal issues.

Global Foreign Exchange Committee (GFXC)

Purpose

The GFXC brings together central banks and private sector participants in the wholesale foreign exchange market to promote a robust and liquid market. It does this in part through the maintenance of the FX Global Code, which is a set of principles of good practice for market participants.

RBA involvement

We sponsor the Australian Foreign Exchange Committee (AFXC) – one of 19 regional committees that comprise the membership of the GFXC. The RBA Assistant Governor (Financial Markets) is Chair of the AFXC and our representative on the GFXC.

In 2023/24 the GFXC initiated a review of the FX Global Code. It also continued to discuss evolving trends in foreign exchange settlement methods and ways to measure the amount of settlement risk within the market more accurately.

Organisation for Economic Co-operation and Development (OECD)

Purpose

The OECD is an international organisation of 38 countries that promotes policies to improve the economic and social wellbeing of people worldwide. It provides a forum in which governments can work together to share experiences and seek solutions to the economic, social and governance challenges they face.

RBA involvement

Our Chief Representative in Europe participates in the OECD's Committee on Financial Markets on behalf of the RBA and in the Advisory Task Force on the OECD Codes of Liberalisation on behalf of the Australian Treasury.

The OECD Committee on Financial Markets promotes efficient, open, stable and sound financial systems that contribute to sustainable and inclusive economic growth. Special focus areas in 2023/24 included environmental sustainability practices in the financial sector, and regulatory and other issues arising from technological developments affecting the financial sector.

The OECD's Codes of Liberalisation promote openness, transparency and international cooperation around cross-border capital movements and financial services. The Codes provide a framework for countries to capture the potential benefits of capital flows while mitigating risks associated with their volatility in an ever-changing global financial system. The Advisory Task Force meets to discuss and address questions relating to the Codes to encourage international cooperation and policy dialogue on management of capital flows.

Technical cooperation and bilateral relations

We provide technical assistance to foreign central banks. While our technical cooperation activities focus on capacity building in the areas of monetary policy and financial stability, their scope extends to other areas of central banking, including payment systems, note issue operations and risk management. In 2023/24 we assisted the central banks of a number of countries in the South Pacific region, South America, south-east and central Asia, and Europe. We also participate in the Australian Government's Prospera Program to help build the capacity of government institutions in Indonesia.

Engagement in the South Pacific

We foster close ties with South Pacific countries through participation in high-level meetings, staff exchanges and the provision of technical assistance across a wide range of central banking issues.

In November 2023, we participated in the annual meeting of the South Pacific Central Bank Governors. The Governors discussed recent economic and financial developments, and the challenges presented by de-risking in the region. Over 2023/24, we engaged in work to address the loss of correspondent banking relationships (CBRs) in the Pacific. This included supporting the Australian and US governments in hosting the Pacific Banking Forum, held in July 2024, and engaging with the Pacific Island Forum and World Bank on their CBR Roadmap and Pacific Strengthening CBR initiatives.

Since 1992, we have provided financial support for Bank of Papua New Guinea officers to undertake postgraduate studies in economics, finance or computing at an Australian university. At the request of the Bank of Papua New Guinea, these funds will be reallocated to support secondments of Bank of Papua New Guinea officers to the RBA. The aim of this program is to support the development and 'on-the-job learning' of officers from the Bank of Papua New Guinea. The program was developed over 2023/24 and is expected to commence soon.

International visitors and secondments

International visits to the RBA in 2023/24 covered the full range of its activities and included delegations from Cambodia, France, the Philippines, South Korea, and Sri Lanka.

During the past year, we hosted secondees from the Deutsche Bundesbank and the Bank of England. In turn, our staff were seconded to other central banks and international organisations, including the Bank of Canada, the BIS, the Bank of England, the IMF and the Federal Reserve Bank of New York. These arrangements provide a valuable opportunity for the exchange of skills and expertise between the RBA and the broader global economic and financial policymaking community.

Endnotes

- 1 Network for Greening the Financial System (NGFS) (2023), 'Conceptual Note on Short-term Climate Scenarios', October; NGFS (2023), 'NGFS Climate Scenarios for Central Banks and Supervisors – Phase IV', November.

2.6 Communication and Community Engagement

We are committed to being open, transparent and accountable. Our staff work to understand community priorities and concerns across Australia and, in turn, share and explain our policies and decisions. We engage with the community via a longstanding regional and industry liaison program, consultation programs, public speeches, roundtables, publications, social media and a public education program. We also appear before parliamentary committees, respond to public enquiries, support academic research, publish a broad range of statistics, and operate an online museum where visitors can discover the history of Australia's banknotes and economic development.

Key outcomes in 2023/24

- We hosted four media conferences following Reserve Bank Board meetings in the first half of 2024, attracting an average of 2,200 unique views. We also redesigned our flagship publications to streamline content and target a broader audience, and readership and engagement increased over this time.
- Around 7,000 economics students attended our education presentations and we supported economics education in numerous other ways.
- We held over 1,000 liaison meetings with business, industry representatives, government agencies, community organisations, banks and financial market participants to better understand conditions in the economy, financial markets and payments industry.
- We provided almost \$450,000 in sponsorship for research and participated in or hosted a wide range of conferences. A further \$200,000 was donated to charitable activities.
- We digitised and published a growing number of archival records, while expanding the online offering of our museum.
- We met with around 100 First Nations community representatives from over 40 First Nations organisations to raise awareness about the redesign of the \$5 banknote.

Communication

We communicate information about the RBA's policy decisions, analysis and operations to the public through publications, media releases and appearances by senior staff. We also respond to public enquiries.

Following recommendations of the 2023 RBA Review, we created a new Communications Department, tasked with elevating the role of communications within the RBA (see Part 1.2: Governance and Accountability). This included embedding a communications lens throughout the monetary policy process and providing strategic communications advice to the RBA's executive leaders and the two policy boards.

Consequently, in 2023/24 there has been a significant uplift in the RBA's communication with the public via the media. In particular:

- The Governor now holds a media conference after the announcement of each monetary policy decision. Since February 2024, these have been attended by around 30 journalists from a range of online, print, television and radio outlets. Media conferences are broadcast live by the RBA and video footage is published online after the event. Media coverage significantly expands the reach of these conferences beyond the direct audience.
- Our staff have adopted a more proactive approach to engaging with the media.

These efforts have been supported by a program of work to build a more evidence-based approach to assessing the effectiveness of our communication.

Public appearances and enquiries

Public appearances provide opportunities for senior staff to explain our role and insights. During 2023/24, the Governor, Deputy Governor and other senior staff took part in 33 public speaking engagements. In addition to prepared speeches, these included an increasing number of interactive ‘fireside chats’ and panel discussions. Video footage of each address made by the Governor and Deputy Governor, including question-and-answer sessions, are broadcast live on our website. Transcripts, video and audio recordings are also published on our website.

The Governor attended two hearings of the House of Representatives Standing Committee on Economics and four hearings of the Senate Economics Legislation Committee, accompanied by other senior staff. Other senior staff also appeared before several other hearings of parliamentary committees (See Part 1.2: Governance and Accountability).

In 2023/24 we responded to around 5,400 public enquiries. These covered a broad range of topics, including monetary policy, banknotes, financial services and regulation of the payments system. Key themes and messages from public enquiries are shared regularly with senior staff to provide feedback on how our actions and communications are being received.

Our flagship publications

We explain our analysis through key publications such as the quarterly *Statement on Monetary Policy* (SMP), the biannual *Financial Stability Review* (FSR) and the quarterly *Bulletin*. In 2023/24, the SMP and the FSR were restructured and redesigned to enhance transparency, clarity and readability. Layering of content to support a broader audience was added to the SMP and enhanced for the FSR.

- Readership of the SMP ‘Overview’ increased by 135 per cent from the November 2023 issue to the February 2024 issue, after it was restructured to provide a narrative-style discussion of how the RBA’s assessment of economic and financial conditions led to the monetary policy decisions of the Reserve Bank Board. An ‘In Brief’ plain English summary of key messages was also added in 2024, attracting an average of 20,000 views in February and May.
- Readership of the FSR ‘Financial Stability Assessment’ chapter, which was introduced in October 2023, increased by around 150 per cent between that time and April 2024.



Governor Michele Bullock addressing journalists at the June 2024 monetary policy decision media conference.

Source: Michael Quelch, *Australian Financial Review*.

Media lock-ups continued to be held shortly before the release of the SMP, the FSR and Reserve Bank Board monetary policy minutes, to facilitate timely and accurate reporting of content to the public.

Our website and social media presence

We continue to publish new and refreshed content on our website and social media. Followers of the RBA’s social media accounts on Twitter, LinkedIn, Facebook and Instagram grew by almost 30 per cent over 2023/24, to a little over 260,000 in total. The number of subscribers to the email alert service for publications grew by around 15 per cent to almost 20,000. Visitors to the website also made use of RSS feeds providing alerts about data updates, media releases, speeches, research papers and other publications, including those related to Freedom of Information requests. In August 2023, SMS alerts were introduced for monetary policy decisions.

Our education program

A key part of our community engagement is with students and educators through our nationwide public education program that involves presentations to students, the development of curriculum-linked resources, and professional development opportunities for educators.

The main focus of our education program is economics education at senior high school. However, we also provide services for other stages of learning – from senior primary school to university. We have a longstanding commitment to economics education across Australia, with renewed efforts in recent years motivated by a significant reduction in the size and diversity of the high school and university economics student population.¹

In 2023/24 we completed additional research to inform the strategic direction of our public education program. This included:

- measuring the economic literacy of Australian adults and the relationship between economic literacy and inflation expectations, with articles on both topics published in the *Bulletin*²
- research on enrolments in economics and related subjects, along with the transition of economics students from school to university
- a survey of economics teachers about their classroom experiences
- evaluation of the education program – with modelling showing that economics enrolments in schools that had participated in the RBA's education program were higher than would otherwise have been the case.³

The Educators Advisory Panel met twice during 2023/24 to review the education program's progress and discuss the future needs of economics students and educators. Members also provided regular feedback on the development of resources. Their work was supported by the establishment of a Teacher Reviewer Pool, which provided additional insights from practising teachers to help refine the RBA's educational resources.



Members of the Educators Advisory Panel at their mid-year meeting at the HC Coombs Centre. Source: RBA.

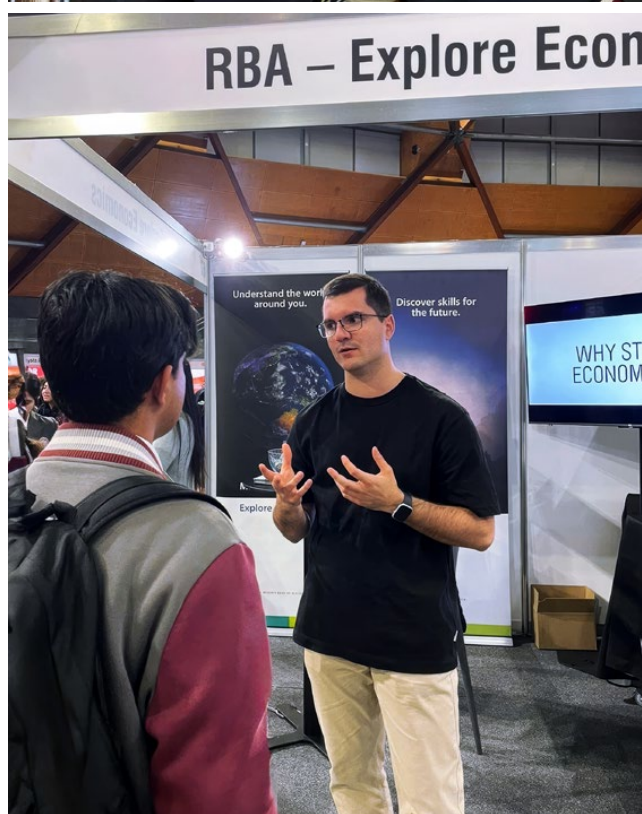
RBA Ambassador talks and careers expos

The main service we provide under the education program is for RBA Ambassadors – RBA economists who are trained to engage directly with students – to give talks to individual classes (in-person and online) as well as at multi-school webinars, student conferences and careers events. In 2023/24 these talks reached around 7,000 students, of whom around 6,100 were high school students. Online delivery helped maintain the program’s geographic reach, including to regional areas of Australia.

More than half of the education program talks were on current economic conditions, with content drawing on the RBA’s assessment of the economy in the quarterly SMP. In addition, a short video was prepared after each SMP to provide an accessible resource for students and teachers on current economic conditions.

In 2023/24 our staff also participated in major careers fairs and other events that were attended in-person by a total of more than 45,000 high school students. This provided an opportunity to expose a large number of students to economics and we had over 1,400 substantive discussions with individual students about their subject and career choices.

Other events provided an opportunity to engage with high-potential students. For example, national winners of the Australasian Economics Olympiad attended an ‘experience day’ at the RBA during which they met with senior staff, received a presentation from the Assistant Governor (Economic) and heard from economics graduates about their work as economists.



At the Western Sydney Careers Expo, students speak with Emma Chow (top) and Christopher Schwartz (above) about studying economics. Source: RBA.

Explainers and 'Ask an Economist' videos

In 2023/24 our Explainers about economic concepts and events remained an actively used education resource. In response to educator requests, we published an explainer on the main economic effects of the COVID-19 pandemic in Australia from 2020 to 2021 and policymaker responses.⁴ Explainers were widely viewed by both education audiences and the public, with a cumulative 4 million views since 2020 and average monthly views of around 120,000 over the past two years. Explainers about inflation were the most viewed.

Our RBA Ambassadors continued to participate in panel discussions to explain the benefits of studying economics and possible career paths. To complement these discussions, in July 2023 we launched a six-part 'Ask an Economist' video series exploring different aspects of the relevance of economics and employability of economists. In response to teacher queries, we also produced a video on 'Bringing the Aggregate Demand Equation to Life' to showcase the practical application of classroom content.⁵



Siddharth Roche, RBA Ambassador, is filmed for the 'Ask an Economist' video series. Source: RBA.

Educator professional development

In 2023/24 we continued to support educators through professional development activities. Foremost was the in-person Teacher Immersion Event attended by teachers from across the country, including from regional areas. The Governor, Deputy Governor and other staff gave presentations and sessions were recorded for the benefit of those who could not attend. Our staff also presented at professional development events for educators hosted by external parties.

Our liaison activity

Our extensive program of liaison on economic conditions is conducted by staff based in Adelaide, Brisbane, Melbourne, Perth and Sydney. In 2023/24 we held more than 950 liaison meetings, spanning businesses, industry associations, government agencies and community organisations. We held several of these meetings during in-person visits to Hobart, Darwin and a number of regional centres.

Timely information from liaison contacts helps us to monitor real-time trends in the Australian economy and in specific industries. De-identified high-level and thematic information from liaison contacts is regularly shared with the Reserve Bank Board to better inform board members' understanding of issues affecting businesses and the wider economy, and in turn the Board's policy decisions. We also publish insights from liaison in a dedicated section of the quarterly SMP. Broad messages from liaison also contribute to the RBA's regular public statements, publications and speeches.⁶

Staff in our state offices play an important role in communicating with members of the public. In 2023/24 state office staff presented at schools, conferences, business roundtables and regional chambers of commerce. In addition, our staff presented summaries of the SMP and the FSR to more than 550 participants in the liaison program.



At the 2023 Teacher Immersion Event, Public Education Economist Alex Symonds introduces new resources to teachers. Source: RBA.



Deputy Governor Andrew Hauser (centre) and Regional and Industry Analysis staff Ellen Waterman and James Holloway in Perth to discuss local economic conditions. Source: RBA.

In addition to liaison on economic conditions, staff from Financial Markets Group and Financial Stability Department continued to regularly meet with banks, non-bank financial institutions, investors, issuers, dealers and other financial markets participants. These meetings covered conditions in fixed income, securitisation, equity and other markets, as well as insights about credit demand and supply and loan performance. The insights obtained from these meetings enhance our staff's understanding of developments in financial markets, contribute to our assessment of financial conditions, and inform staff advice to the Reserve Bank Board. De-identified high-level messages from these meetings were also reflected in relevant publications such as the SMP and FSR.

In July 2024 we convened our annual Small Business Finance Advisory Panel. The Panel, which was established over 30 years earlier, discusses issues relating to the provision of finance and the broader economic environment for small businesses. Membership is drawn from a range of industries across the country. Insights from the Panel's discussions and other sources of information on small business finance are shared with the Reserve Bank Board and are published in an annual *Bulletin* article. Staff from the economic liaison program also meet with representatives from the small business sector throughout the year to better understand the conditions they face.

Staff from Payments Settlements Department similarly conduct regular liaison meetings with members of the Reserve Bank Information and Transfer System and industry groups, such as the Australian Payments Network (AusPayNet). Participating in these groups, and a number of other industry forums, helps us remain well informed about developments in these areas.

Consultations

We engage with a wide variety of groups to inform our policy and operational activities. Senior staff meet regularly with representatives of various domestic and international official agencies, business groups and financial market participants to discuss economic, financial and industry developments.

The Governor, Deputy Governor and other senior staff hold regular panel discussions with market economists and academics to gain insights on monetary policy and the economy. The RBA hosted a panel of academics in March 2024 and panels of market economists in October 2023 and May 2024. Each panel included up to a dozen participants.

During 2023/24 we consulted relevant stakeholders on potential future systems for implementing monetary policy and on several topics related to our policy and oversight responsibilities for payments and financial market infrastructure. The latter included consultations on:

- options for enhancing the competitiveness, efficiency and safety of Australia's debit card market
- the ATM Access Regime
- the pricing of account-to-account payments
- the threshold for the application of the Financial Stability Standards to securities settlement facilities.

We also met with various stakeholders to gather views on issues to be covered in the forthcoming Review of Retail Payments Regulation.

Staff from Payment Settlements Department also participated in various industry forums during the year, including AusPayNet's High Value Clearing System Management Committee. A senior staff member sits on the Board of AusPayNet, and staff from Payments Settlements and Banking departments represent the RBA on New Payments Platform operating committees (see also Part 2.3: Banking and Payment Services).

Staff from Note Issue Department also continued to engage with industry and members of the public in support of counterfeit resistance and banknote functionality testing (see Part 2.4: Banknotes).

Research

We publish the results of longer term research conducted by staff in the form of Research Discussion Papers (RDPs), which stimulate discussion and comment on policy-relevant issues. The views expressed in RDPs are those of the authors and do not necessarily represent those of the RBA. Eight RDPs were published during 2023/24, on a range of topics across the RBA's core functions. Staff also published their research in various external publications, including the *Economic Record*, *VoxEu* and *American Economic Association Papers and Proceedings*.

Research conducted at the RBA is frequently presented at external conferences and seminars. In 2023/24, RBA staff presented in Australia and abroad, including at the:

- Australian Conference of Economists
- Women in Macroeconomics Workshop
- Australian Bureau of Statistics and RBA Joint Conference (Human Capital)
- 17th Symposium on Econometrics Theory and Applications
- Pacific Island Centre for Development Policy and Research
- FRB Economics of Payments Conference
- FIRN (Financial Research Network) Banking and Financial Stability meeting hosted by the Australian National University.

The most recent RBA Annual Conference (on inflation) was held in September 2023 and the annual Quantitative Macroeconomic Workshop was held in December 2023. The RBA co-hosted a conference with the Australian Bureau of Statistics in June 2024. In 2023/24 we also hosted workshops with representatives from the Reserve Bank of New Zealand and Norges Bank to share research and discuss issues of common interest.

We regularly host policymakers and academics from various domestic and international institutions. During 2023/24 these included staff from the International Monetary Fund, the Bank of England, the Bank for International Settlements, the Federal Reserve Bank of New York and various Australian and overseas universities.

In 2023/24 we started a collaborative research project with the Digital Finance Cooperative Research Centre. The project explores design options for how central bank money and associated infrastructure could be used to facilitate the settlement of wholesale tokenised asset transactions. This work is part of a broader research agenda on shaping the future of money in Australia, as discussed in our 2024/25 Corporate Plan.⁷ We have also collaborated with industry participants to study the potential benefits, design choices and challenges associated with interlinking fast payment systems across countries. A report on our findings was published in April 2024.

In May 2024 we sponsored a special issue of *Australian Economic Papers* (Volume 63, Issue S1) that showcased top-quality economic honours theses from Australian universities. John Simon, Head of Economic Research Department until leaving the RBA in August 2024, noted in his introduction to the issue that:

'The honours programs at Australian universities provide a world-class education in economics to some of our smartest students. ... by showcasing the wide range of interesting questions that economists are addressing and the quality of both our budding economists and our economics education in Australia, this volume can contribute to a reinvigoration of the study of economics.'

Research sponsorship and membership

In 2023/24 we provided \$431,424 to support external research and debate. This included continued financial support of:

- a monthly survey of inflation expectations, undertaken by the Melbourne Institute of Applied Economic and Social Research at the University of Melbourne
- a quarterly survey of union inflation and wage expectations, undertaken by the Australian Council of Trade Unions
- the *International Journal of Central Banking*
- the Group of 30's program of research into issues of importance to global financial markets
- the Australian Research Council Centre of Excellence in Population Ageing Research (CEPAR), based at the University of New South Wales (and a senior RBA staff member sat on CEPAR's Advisory Board during 2023/24)
- the Economic Society of Australia's Central Council

- eight conferences in economics and closely related fields
- the periodic Online Banknote Survey to gauge community perceptions and understanding of Australia's banknotes, experiences with counterfeit banknotes, and cash use preferences.

We are a corporate member of several policy institutes and similar entities in Australia. The RBA's criteria for such memberships are that the entity is: independent and not aligned with a political party or some other institution; is not for profit; regularly produces research reports and makes those research reports publicly available; covers a broad range of economic and financial issues that are relevant to the RBA's mandate (rather than specific issues); offers corporate membership that is assessed to provide good value for money; and promotes the public interest. In 2023/24 these criteria saw the RBA renewing its corporate memberships of:

- the Centre for Independent Studies
- the Committee for Economic Development of Australia
- the Ethics Alliance
- the McKell Institute
- the Lowy Institute for International Policy
- the South Australian Centre for Economic Studies
- Women in Banking and Finance.

Comparable principles also underpinned the decision to renew corporate membership of the American Australian Association in New York.

In addition, we:

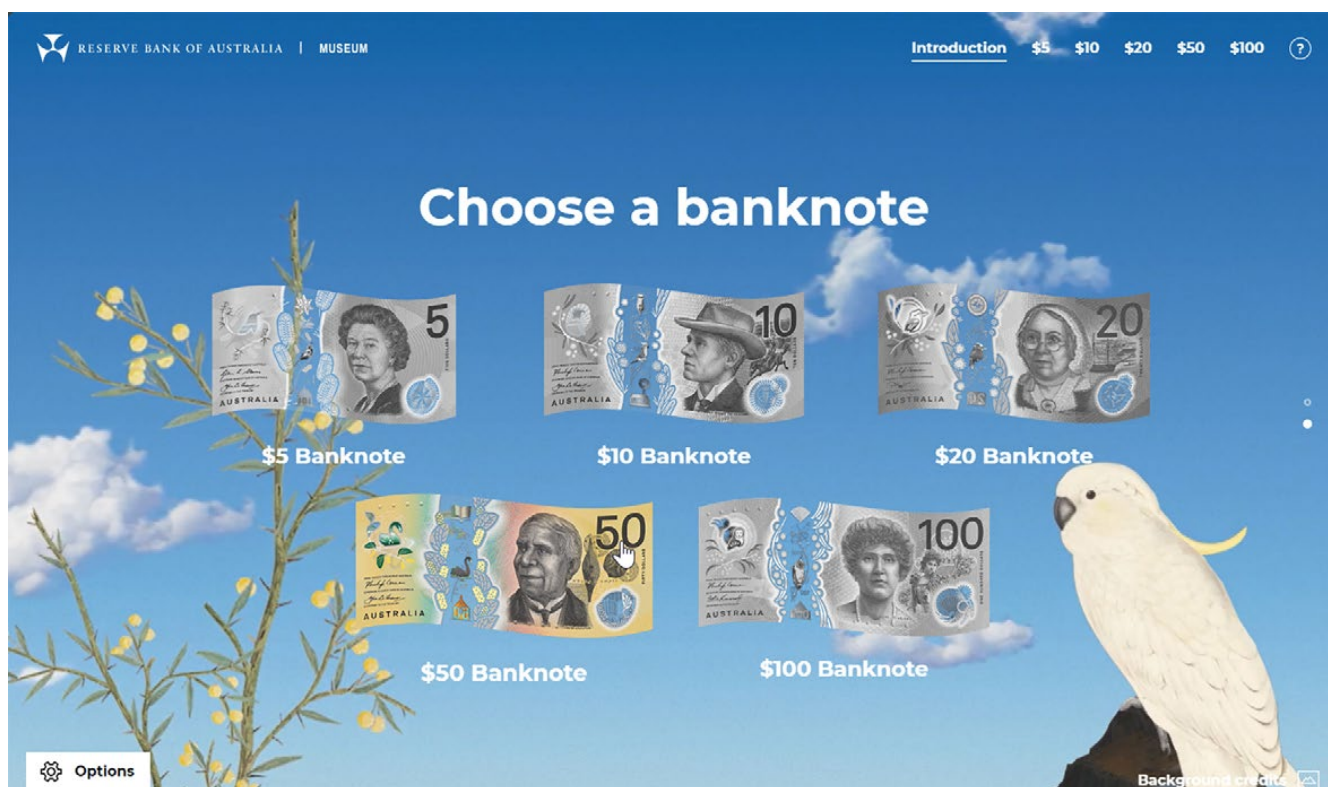
- provided in-kind support for the Grattan Institute by seconding a staff member to the Institute
- continued our associate membership of the South-East Asian Central Banks Research and Training Centre
- continued to sponsor the Brian Gray Scholarship Program in conjunction with the Australian Prudential Regulation Authority – in 2024 one scholarship was awarded, at a cost of \$7,500
- continued to sponsor a PhD student under the Digital Finance Cooperative Research Centre's industry PhD program, at a cost of \$38,500 in 2023/24.

Our museum

The RBA Museum has traditionally displayed a permanent collection of artefacts related to the history of currency in Australia, along with thematic exhibitions that showcased our other collections. With construction work in our Head Office building resulting in extended closure of the RBA Museum, its most popular content has been made publicly available online. This year, we launched an interactive website application for users to explore the unique cultural and security features of our current series of 'Next Generation' banknotes.⁸

The RBA Museum also participated digitally in the 2024 History Week NSW 'Voices from the Past'. We promoted audio recordings of the microprint on the current banknote series, with a focus on the \$50 banknote, whose microtext from David Unaipon's book *Legendary Tales of the Australian Aborigines* is read by his grandniece, Aunty Elaine Kropinyeri.

In 2023/24 we also began preparing content for an official oral history of the RBA for publication online and possible inclusion in a refurbished museum. To date, we have interviewed five former Governors and Deputy Governors, focusing on their role in key episodes in Australia's contemporary economic history. We have also interviewed others connected with our history, such as Harry Williamson, designer of both Australia's first \$100 banknote and the \$10 commemorative banknote for the Australian Bicentenary – the first polymer banknote issued in Australia.



Australia's \$50 Next Generation Banknote, featuring David Unaipon can be explored on the museum's interactive application 'Exploring the Next Generation of Banknotes'. Source: RBA.



Harry Williamson, banknote designer, interviewed for our official oral history and holding the \$10 commemorative Bicentennial banknote. Source: RBA.

Our archives

We have a unique and rich archives collection that includes records about our own operations, as well as Australia's economic, financial and social history over the past 200 years. The records predate the RBA as it is known today because the RBA stems from the original government-owned Commonwealth Bank of Australia, which had a central banking function and had absorbed other banks with a colonial history.

In 2023/24 there were 77,000 views of volumes of records, individual records and collection items in our digital archive, Unreserved – a significant increase from the prior year. Digitisation of archival records is ongoing and in 2023/24 three tranches were publicly released through Unreserved. This included two regular releases and a special release to mark the 40th anniversary of the floating of the Australian dollar.

Digitised records released during the past year include:

- *Early banking records*: Additional ledgers of various State Savings Banks between 1832 and 1932
- *The 1890s Depression*: Financial and accounting records for the period of the Depression of the 1890s and its aftermath between 1891 and 1909
- *School banking records*: Records of various State Savings Banks and the Commonwealth Bank between 1900 and 1959
- *Economic and financial conditions*: Records from the Commonwealth Bank's state offices on economic conditions in the states, and records on financial conditions, between 1930 and 1960
- *Monetary policy*: Correspondence with prominent economists, public servants, research bodies and banks about the Australian economy and monetary policy between 1930 and 1970
- *Legislation*: Records relating to banking legislation between 1944 and 1958 and the projected legislation about the separation of the original Commonwealth Bank's central banking functions from its commercial banking activities
- *Board papers*: Board papers of the original Commonwealth Bank from 1924 to 1959, concluding prior to the first Board meeting of the separate RBA
- *The float*: Records related to the float of the Australian dollar in 1983, including the 'War Book' prepared in anticipation of an instruction to implement a floating exchange rate regime.

In 2023/24 we also published Research Guides to help users of Unreserved conduct independent research on: the Depression of the 1890s; the legislation that created the Commonwealth Bank; the float of the Australian dollar; the history of school banking; and family history.⁹



From the RBA's archival photographic collection, staff in the foreign exchange dealing room, International Department, 1980s. Source: RBA Archives PN-013844.

The Archives continued to provide public access to RBA records in the open access period (20 years from the closure of a record) despite disruption to our repositories due to Head Office building works. Over 2023/24, we responded to nearly 130 research requests, entailing around 400 hours of research by the archivists. Topics of interest were varied and included historical aspects of Reserve Bank Board meetings, visits by Nobel Laureate economists and other leading economists, historical banknote designs (including those of countries in our region), the history of the Bank of Papua New Guinea (in relation to its 50th anniversary in 2023) and heritage aspects of the RBA's Head Office building.

Our archivists also continued to support the Bank's Historian, Associate Professor Selwyn Cornish of the Australian National University, who is documenting the 1975–2000 period of the RBA's official history.

Banknotes

We actively engage with a range of stakeholders spanning the entire lifecycle of banknotes, from design and planning through to manufacturing and public usage.

As noted in Part 2.4: Banknotes, in February 2023 we announced a redesign of the \$5 banknote. Prior to the Australia-wide theme nomination campaign, staff travelled to Alice Springs, Barmah, Bathurst, Broome, Cairns, Condobolin, Darwin, Hobart, Kalgoorlie, Orange, Port Augusta, Shepparton and the Torres Strait to meet with First Nations organisations and raise awareness about the nomination period. Overall, we met with around 100 First Nations community representatives from over 40 organisations. Multiple online information sessions were also conducted to facilitate participation from all parts of the country. We also engaged a First Nations public relations

company, Little Rocket, to further raise awareness about the redesign with all Australians, and particularly to ensure appropriate reach to First Nations communities.

Our communication with the cash-handling industry – which includes equipment manufacturers, financial institutions and other high-volume cash handlers – is an important part of ensuring Australian banknotes remain secure and reliable. Across 2023/24, we continued to support the industry in ongoing research and development, as well as equipment upgrades to maintain confidence against counterfeiting. Our staff also attended industry events and engaged with industry representatives in preparation for testing that will be conducted as the \$5 redesign project progresses.



Sarah Panizza and Jake Thomson visiting the Torres Strait to raise awareness of the \$5 redesign theme nomination period. Source: RBA.

Our charitable activities

In 2023/24 we contributed \$208,662 to charitable activities.

This included our 22nd annual contribution of \$50,000 to the Financial Markets Foundation for Children, which is chaired by the Governor. The Governor addressed the Anika Foundation's annual fundraising event in September 2024 to support research into adolescent depression and suicide.

We also contribute to charitable activities through staff-led initiatives. Key among these is dollar-matching staff payroll deductions organised by the Reserve Bank Benevolent Fund. The Fund supports 14 recognised charities, chosen based on: the preferences of staff; the effectiveness and transparency of the charities themselves and supporting a diverse range of activities. The current set of charities supported operate in the areas of welfare, education, mental health, illness, disability, international medical aid and animal protection. We also facilitate staff salary sacrificing under a Workplace Giving Program. In 2023/24 dollar-matching of staff payroll deductions totalled \$153,434.

Other staff-led initiatives over the past year included matching staff donations for the Benevolent Fund's Christmas appeal for Foodbank Australia, Barnados Australia and Fred Hollows Foundation. In July 2024 we matched staff donations to the appeal for victims of the May 2024 Enga landslide in Papua New Guinea. We also allow volunteer leave for teams that engage in particular charitable activities.

Endnotes

- 1 See Dwyer J (2024), 'The State of Economics', Address to the Economic Society of Australia, Sydney, 28 May.
- 2 McCowage M (2023), 'Economic Literacy in Australia: A First Look', *RBA Bulletin*, September; McCowage M and P Rickards (2024), 'Inflation Expectations and Economic Literacy', *RBA Bulletin*, January.
- 3 For more detail, see Dwyer, n 1.
- 4 RBA (2024), 'The COVID-19 Pandemic: 2020 to 2021', RBA Explainers.
- 5 RBA (2023), 'Bringing the Aggregate Demand Equation to Life', 3 October.
- 6 See, for example, Johal A, J Kemp, K McLoughlin and M Zang (2024), 'What Do Firms Tell Us About the Inflation Outlook?', *RBA Bulletin*, January.
- 7 See RBA (2024), 'Corporate Plan 2024/25'.
- 8 See RBA Museum, 'Exploring the Next Generation of Banknotes'.
- 9 RBA (2024), 'Guides', Unreserved.



Part 3:

Management

Arrente Country
Alice Springs
Northern Territory

3.1 Management of the RBA

We are committed to discharging our policy and operational responsibilities in an efficient manner. To achieve this, we invest in our people, technology, data, facilities and the related capabilities essential for achieving our strategic objectives. In 2023/24 we also embarked on a multi-year transformation agenda that has been – and will remain – a prime focus of our leaders.

Management structure

Under the *Reserve Bank Act 1959*, the RBA is managed by the Governor, with the support of two key management committees: the Executive Committee and the Risk Management Committee.

Executive Committee

The Executive Committee supports the Governor in managing operational and strategic matters with enterprise-wide significance, including delivery of our strategic priorities (see Part 1.1: Our Role). The Committee meets weekly and is chaired by the Governor and comprises the Deputy Governor, the Chief Operating Officer and the Assistant Governors. Other senior executives attend meetings when required to provide specialist advice.

Risk Management Committee

The Risk Management Committee is responsible for ensuring that operational and financial risks are identified, assessed and properly managed in line with our Risk Management Policy. It is chaired by the Deputy Governor and comprises senior executives mainly from operational areas. The Committee meets six times a year and keeps the Executive Committee and the Reserve Bank Board Audit Committee informed of its activities. For details on the Risk and Compliance Management Framework, see Part 3.3: Risk Management.

Executive Accountability Framework

The Executive Accountability Framework supports our high standards of executive accountability.¹ It outlines where accountability lies for our functions and operations, and is currently being updated in line with the structural changes discussed in Part 1.2: Governance and Accountability. The framework complements our broader governance framework, which is set out in legislation, charters of board subcommittees and committees, and RBA policies.

Financial management

We seek to ensure that our strategic, policy and operational objectives are met, while prudently managing spending and resourcing. Our annual planning cycle is a key component of this accountability, covering the resourcing and expenditure budget for the coming year. The Executive Committee supports the Governor in overseeing the budget.

The Investment Committee, chaired by the Chief Operating Officer, oversees the project portfolio. Its primary role is to support the Governor and the Executive Committee to prioritise investments to deliver outcomes consistent with our operational and strategic objectives. We use a project management framework covering the full lifecycle of a project to underpin project delivery from business case through to implementation. Senior executive accountability is established through their sponsorship of and participation in project steering committees.

Assistant governors and department heads are responsible for managing expenditure within approved budgets. Finance Department provides support for financial management as well as regular updates and forward estimates to the Executive Committee to enable it to make timely decisions to support efficient delivery of priorities. Our expenditure and payment approval policy and related processes provide appropriate oversight of expenditure and payments to suppliers of goods and services to the RBA. Material spending commitments are approved by executive leaders in line with the RBA's delegations of authority.

For large procurements, we are required to apply the Commonwealth Procurement Rules (CPRs) because we are a corporate Commonwealth entity 'prescribed' under section 30 of the *Public Governance, Performance and Accountability Rule 2014*. These rules apply when performing duties relating to certain procurements with an expected value exceeding \$400,000 for non-construction services and \$7.5 million for construction services. We are also required to report

certain activities on the Commonwealth's AusTender website. For all other procurements, we follow the CPR principles with the broad objective of procuring goods and services in an efficient manner and ensuring we obtain value for money, supported by effective processes for accountability and probity.

Where appropriate, we seek to recoup operating costs associated with our operational responsibilities through fees and charges. This includes from the use of our payment systems, such as the Reserve Bank Information and Transfer System (RITS) and the Fast Settlement Service, and from transactional banking services provided to clients. Operating costs associated with producing, issuing and managing Australia's banknotes are indirectly funded by net interest income; holders of 'banknotes on issue' are not paid interest, but we earn interest on our assets. These activities are discussed further in Part 2.2: Operations in Financial Markets, Part 2.3: Banking and Payment Services and Part 2.4: Banknotes.

Operating costs

Our general operating costs were \$607.6 million in 2023/24 (Table 3.1.1). Underlying spending on core business-as-usual activities grew by 0.9 per cent, while we invested more in our project and transformation activities to support strategic priorities (including renovation of our Head Office at 65 Martin Place in Sydney, modernising our core technology infrastructure and uplifting technology resilience). The additional spending on technology resilience initiatives included ongoing strengthening of cyber defences, automation of technology services, and transitioning more services to the cloud (see 'Technology' and 'Data' sections below).

Our work to transform the RBA following the RBA and Deloitte reviews added \$11.4 million – or 2.3 per cent – to the cost base in 2023/24. We expect further investment to occur in 2024/25 as the transformation continues. (For more details on our transformation agenda, see Part 1.2: Governance and Accountability and the 2024/25 Corporate Plan.²)

Table 3.1.1: General Operating Costs^(a)

\$ million

	2019/20	2020/21	2021/22	2022/23	2023/24
Staff costs	241.8	243.2	256.3	299.7	334.5
Technology costs	41.0	42.4	44.6	52.8	62.3
Premises costs	26.5	28.8	29.1	30.5	60.1
Other costs	32.0	35.9	35.5	56.5	97.8
General operating costs (excl. depreciation)	341.4	350.3	365.5	439.4	554.7
Depreciation	64.7	62.3	64.3	61.5	52.9
General operating costs	406.0	412.7	429.8	500.9	607.6
– of which: Cost of projects	20.1	30.3	37.1	65.5	157.0
General operating costs by function ^(b)					
– Policy	89.7	89.7	90.2	98.8	103.2
– Business services	100.9	90.8	87.6	93.4	97.8
– Executive and corporate support	215.4	232.2	252.0	308.7	406.6

(a) Excluding Note Printing Australia Limited and banknote management expenses, and costs directly linked with transaction-based revenue. Some prior period costs have been reclassified to align with the current basis of presentation. New text here.

(b) Costs by function shown are on a direct basis, with no allocating of executive and corporate support costs across functions.

Source: RBA.

Our capital expenditure reflects our program of investment to maintain the value of our property portfolio and technology assets, and supporting the delivery of new capabilities and services. In 2023/24, this investment was focused on the renovation of 65 Martin Place, modernising our core technology infrastructure and migrating one of our two in-house primary data centres to a co-location centre.

Despite this, capital expenditure was lower in 2023/24 (Table 3.1.2). This was due in part to delays with the 65 Martin Place renovation following the identification of extensive hazardous materials (see 'Facilities' section below). Capital expenditure is expected to increase in 2024/25 as the investments mentioned above progress.

We engage consultants if we need specialist expertise or independent research, review or assessment. In 2023/24, spending on consultants amounted to ¼ per cent of our general operating expenditure. This spending included support for analysing the short-term financial issues associated with distributing cash throughout Australia (Table 3.1.3)

Technology

IT systems and infrastructure are important to our ongoing operations and account for a significant proportion of our strategic investments. Our technology environment comprises approximately 850 software applications, 3,500 servers, two data centres and resilient network infrastructure across multiple sites.

Major projects

In 2023/24 we prepared for two major technology projects to ensure we can continue to provide highly resilient payment and banking services. The projects involve:

- modernising core technology infrastructure and migrating one of the RBA's two in-house primary data centres to a co-location centre
- uplifting technical controls relating to the RITS ecosystem, as discussed in Part 2.3: Banking and Payment Services.

Table 3.1.2: Capital Expenditure^(a)

\$ million

	2019/20	2020/21	2021/22	2022/23	2023/24
Capital costs ^(b)	43.6	62.0	49.3	72.6	59.8
– of which: Cost of major projects	20.3	44.1	29.2	60.9	54.0

(a) Excluding Note Printing Australia Limited.

(b) Excludes write-offs.

Source: RBA.

Table 3.1.3: Spending on Consultancies^(a)

	\$
2019/20	485,896
2020/21	613,823
2021/22	599,759
2022/23	2,059,205
2023/24	1,415,130

(a) Sum of individual consultancies that cost \$10,000 or more (excl. GST).

Source: RBA.

We completed some major technology-related projects in 2023/24. These included implementing a new service management system, designing and implementing required technology in our interim head office at 8 Chifley Square in Sydney, and upgrading infrastructure for critical systems. Significant progress was also made on projects to improve access management for key systems and to upgrade security monitoring tools.

Cybersecurity

Cybersecurity remains a focus area, with continued investment in ensuring the security of our systems and information. Our vulnerability management standard is aligned to the Australian Cyber Security Centre's updated 'Essential Eight' framework. Our cybersecurity activities include:

- continually monitoring security vulnerabilities to inform continuous security improvements
- undertaking penetration testing of our systems and processes
- applying strong security governance over new technology solutions as they are introduced into our IT environment.

These activities are supported by programs aimed at building cybersecurity awareness among all staff. We also actively engage in intelligence sharing within the financial services, government and central banking communities.

Technology stability and resilience

We continue to pursue strategies to drive the efficiency, stability and resilience of our IT assets. The strategies include automating patching and release management activities, and utilising cloud computing and managed services where appropriate. In 2023/24 we substantially increased investment in IT training and development to ensure we have access to the skills needed to support our services into the future.

Data

Harnessing the power of data is key to helping achieve our objectives and strategic priorities. We recently completed a four-year program to uplift the maturity of technology, processes and people capabilities for working with data. Our focus is now on:

- better data collection and sharing
- leveraging large and non-traditional datasets and advanced analytics tools and techniques, including artificial intelligence (AI)

- wider application of cloud computing and automation.

This work is intended to enhance analytical insights, improve efficiencies and risk management, and defend against growing cyber threats.

Key activities in 2023/24 included completing the multi-year refresh of our strategic data platforms and tools, and delivering training to maintain staff proficiency with these new tools. The new platform, tools and training have, in turn, enabled many data acquisition, storage and analytics solutions to be developed, which are supporting better economic and financial analysis and operations management.

There has also been ongoing use of advanced data science techniques in policy and operational projects in support of our functions. Over the past year, staff have explored the opportunities and risks posed by the rapid emergence of AI more widely.

Facilities

We own premises in locations where there is a business need to do so. Our facilities include:

- the Head Office building at 65 Martin Place, Sydney
- the H.C. Coombs Centre for Financial Studies in Kirribilli, Sydney
- a Business Resumption Site (BRS) in north-west Sydney
- an office building in Canberra, which includes a banking chamber
- facilities for the printing, processing, storage and distribution of banknotes at Craigieburn, northern Melbourne.

We also lease office space in Adelaide, Brisbane, Melbourne, Perth, Beijing, London and New York for staff based in these locations. In 2023/24 we entered into a long-term lease for an interim head office in Sydney to accommodate staff while the 65 Martin Place building is being upgraded.

Valuations of our domestic properties are undertaken every second year. The most recent portfolio valuation was estimated at \$387 million. This is lower than the prior estimate because of a temporary reduction in the value of the Martin Place building while the upgrade is in progress.

We also lease out space that is not required for our own business purposes to external tenants. In 2023/24, net income from such leases amounted to \$5.9 million.

Head Office upgrade

The upgrade of the Head Office building is a substantial project. It involves upgrading base building infrastructure that is at its end of life, and ensuring the building is a safe, efficient and effective workplace that meets our long-term needs, while preserving heritage features and modernising the office space. The project has encountered material latent conditions, including extensive hazardous materials, which has affected both the time and cost of the project. It is expected to be completed by 2030.

APS Net Zero 2030 emissions and other reporting

The Australian Public Service (APS) Net Zero 2030 strategy sets out the Australian Government's approach to reducing greenhouse gas emissions

in the APS to net zero by 2030, and reporting on emissions in a transparent way. As part of the strategy, all Commonwealth entities are required to report on their operational greenhouse gas emissions.

The Greenhouse Gas Emissions Inventory in Table 3.1.4 shows our greenhouse gas emissions in 2023/24. Results are presented on the basis of Carbon Dioxide Equivalent (CO₂-e) emissions. Greenhouse gas emissions have been calculated in line with the APS Net Zero Emissions Reporting Framework, consistent with the whole-of-government approach adopted under the APS Net Zero 2030 strategy. Not all data sources or reliable usage data were available at the time of finalising the report, and amendments may be required. The process for reporting amendments to the APS Net Zero emissions data are being reviewed for this and future reporting years.

Table 3.1.4: Greenhouse Gas Emissions Inventory – Location-based Method^(a)

2023/24; t CO₂-e^(b)

Emission source	Scope 1	Scope 2	Scope 3	Total
Electricity (location-based approach) ^(c)	n/a	18,427.153	1,494.187	19,921.340
Natural gas ^{(c),(d)}	1,095.671	n/a	106.334	1,202.005
Solid waste ^(e)	n/a	n/a	453.021	453.021
Refrigerants ^{(e),(f)}	140.712	n/a	n/a	140.712
Fleet and other vehicles	8.428	n/a	2.360	10.788
Domestic commercial flights ^(g)	n/a	n/a	139.956	139.956
Domestic hire car ^{(e),(h)}	n/a	n/a	0.073	0.073
Domestic travel accommodation ^{(e),(h)}	n/a	n/a	46.274	46.274
Other energy ⁽ⁱ⁾	18.155	n/a	4.474	22.629
Total t CO ₂ -e	1,262.966	18,427.153	2,246.679	21,936.798

(a) This table presents emissions related to electricity usage using the location-based accounting method.

(b) CO₂-e = carbon dioxide equivalent.

(c) Electricity and natural gas includes emissions output from RBA-owned buildings and leased office space where available. While care has been taken to report on RBA-specific emissions where possible, some of the reporting may include usage from tenants that also use the same office space (including Note Printing Australia Limited and other government agencies). Because billing cycles did not align with the end of the financial year, some natural gas data were not available during the initial collection process in July–August 2024 and adjustments to the data may be required in future reports.

(d) Gas emissions for Craigieburn Site 1 and Site 2 are based on estimated data from the supplier for all of the 2022/23 reporting year and part of the 2023/24 reporting year. This data will likely be amended at a future date once more reliable usage data is available. All other gas emissions are based on direct meter readings and reflect actual usage for the reporting year.

(e) Indicates emission sources collected for the first time in the 2023/24 reporting year and may be incomplete due to a lack of robust data from third-party sources. The quality of data is expected to improve over time as emissions reporting matures.

(f) Reporting on refrigerants is optional for the 2023/24 reporting year and will be phased in over time as emissions reporting matures.

(g) Emissions data have been provided by Corporate Travel Management (CTM; under the whole-of-Australian Government travel contract). As per the APS Net Zero Emissions Reporting Framework, only emissions from domestic flights have been captured (which includes the domestic leg of connecting international flights), but not international flights.

(h) Emissions data have been provided by CTM and other sources (including invoices from suppliers). As per the APS Net Zero Emissions Reporting Framework, certain data have been excluded if they did not contain adequate information for emissions reporting purposes.

(i) Other energy includes emissions from diesel fuel use.

Source: Australian Government Department of Finance calculations under the APS Net Zero Emissions Reporting Framework, based on data provided by RBA from multiple sources.

The electricity emissions reported in Table 3.1.4 are calculated using the location-based approach (where emissions are based on the local area in which the energy is consumed). When applying the market-based method – which accounts for electricity purchased through contractual instruments (net of offsets and site-generated renewables) and assigns the associated emissions to the purchasing entity – the total emissions for electricity are lower (Table 3.1.5).

Table 3.1.5: Electricity Greenhouse Gas Emissions^(a)
2023/24; t CO₂-e^(b)

	Scope 2	Scope 3	Total	Percentage of electricity use
Location-based electricity emissions ^(c)	18,427.153	1,494.187	19,921.340	100.0
Market-based electricity emissions ^(c)	12,147.203	1,499.655	13,646.858	60.0
Total renewable electricity	–	–	–	40.0
– of which: Mandatory renewables ^(d)	–	–	–	18.7
– of which: Voluntary renewables ^(e)	–	–	–	21.3

(a) This table presents emissions related to electricity usage using both the location-based and the market-based accounting methods.

(b) CO₂-e = Carbon Dioxide Equivalent.

(c) Electricity includes emissions output from RBA-owned buildings and leased office space where available. While care has been taken to report on RBA-specific emissions where possible, some of the reporting may include usage from tenants that also use the same office space (including Note Printing Australia Limited and other government agencies).

(d) Mandatory renewables are the portion of electricity consumed from the grid that is generated by renewable sources. This includes the renewable power percentage.

(e) Voluntary renewables reflect the eligible carbon credit units surrendered by the entity. This may include purchased large-scale generation certificates, power purchasing agreements, GreenPower and the jurisdictional renewable power percentage (ACT only).

Source: Australian Government Department of Finance calculations under the APS Net Zero Emissions Reporting Framework, based on data provided by RBA from multiple sources.

Climate-related disclosures

The Department of Finance is finalising the Commonwealth Climate Disclosure Policy, under which Commonwealth entities will be expected to report on their exposures to climate-related risks and opportunities in their annual reports. The RBA will likely be expected to provide climate-related disclosures under the policy from the 2024/25 financial year.

Environment, sustainability and climate change

We are committed to improving the environmental performance of our operations and minimising the impact of our activities on the environment. To do this, and in line with the APS Net Zero 2030 strategy, we have set a target of achieving net zero for Scope 1 and 2 emissions by 2030. We have also developed policies and practices that are consistent with the

principles of ecologically sustainable development set out in the *Environment Protection and Biodiversity Conservation Act 1999*. These principles are captured in our Environmental Statement.³

Energy and waste management initiatives

We have an ongoing program of works to reduce carbon emissions from our operations. Energy management initiatives to improve the performance of our building infrastructure and reduce carbon emissions in 2023/24 included:

- reprogramming the operating hours of HVAC systems in Craigieburn's main production building, based on revised occupancy schedule
- continuing to install LED lighting across all RBA sites, replacing non-LED lighting to improve environmental performance and reduce electricity consumption
- replacement of end-of-life heating boilers in Canberra

- optimising the performance of Canberra heating and air-conditioning controls to improve energy efficiency
- designing a solar panel installation at Craigieburn with a capacity of 1.3 megawatts, with options to introduce a battery storage system to maximise future opportunities.

Initiatives focused on improving the operation and emissions reduction of our buildings included:

- starting the design and scope definition of a whole-of-building electrification project for our Canberra site
- aligning with the Australian Government's net zero pathway for sustainable leases, as part of our Head Office relocation to 8 Chifley Square (a building with a 5-star National Australian Built Environment Rating System (NABERS) energy rating)
- developing a pathway to net zero Scope 1 and 2 emissions by 2030 at the Craigieburn banknote production and storage sites, through initiatives including removal of reliance on gas heating and improved plant controls.

Other initiatives focused on improving waste management during the year included:

- repurposing some furniture and equipment to other RBA sites – including 8 Chifley Square – and diverting others from landfill by working with partners to rehome and reuse furniture in the community as part of the head office relocation
- introducing waste weighing systems and better waste management practices at Craigieburn, the Business Resumption Site and in Canberra.

Energy and water consumption

Our use of energy fell in 2023/24, because of considerable gains in energy efficiency (including from the initiatives discussed above). We have achieved this despite expanding the number of sites we occupy and maintaining higher occupancy rates at the BRS and H.C. Coombs Centre. The data underpinning this assessment also now cover a broader span of properties than in 2022/23, including sites that we lease for office space in Adelaide, Brisbane, Melbourne and Perth and for third-party data processing and storage.

Our use of purchased electricity declined by 1 per cent in 2023/24. This was partly because of increased on-site generation of electricity at the BRS and the H.C. Coombs Centre. In addition, our electricity consumption declined by 3½ per cent. This was primarily because of moving our Head Office to more efficient buildings at 400 George Street and now 8 Chifley Square. Higher occupancy and data centre utilisation at the BRS site caused electricity consumption there to rise by 2 per cent.

Gas usage declined by 7½ per cent in 2023/24. This was achieved by decommissioning boilers at 65 Martin Place and using more efficient boilers at our Canberra site. Increased utilisation at the H.C. Coombs Centre saw gas consumption at that site rise, but this accounts for a small portion of our total usage.

Measured water consumption declined as a result of moving our Head Office from 65 Martin Place and into 8 Chifley Square. However, accurately comparing water consumption from last year is complicated by our new tenancy at 8 Chifley Square not having water meters installed and because we identified a faulty water meter at our site in Craigieburn. These two locations represent the majority of our water consumption.

Banknote sustainability

We continue to review opportunities to improve the sustainability of Australian banknotes throughout the banknote lifecycle. Sustainability is considered through banknote design, supplier engagement, production (working with Note Printing Australia Limited), distribution and recycling. We also continue to recycle all unfit polymer banknotes at their end of life. In 2023/24, a total of 78 million unfit banknotes were returned to us for disposal. All polymer from unfit banknotes was recycled by our recycling partner into new products. A total of 70 tonnes of polymer waste was recycled during 2023/24. Our recycling program has been expanded to other products used in the banknote lifecycle, such as the containers used to store and transport banknotes (these are reusable and are recycled once they eventually reach end of life).

Climate research and policy agenda

Climate change and the actions taken in response will have wide-ranging implications for the economy, the financial system and society more broadly. Climate change affects our responsibilities for price stability, employment and the stability of the financial system, as discussed by then Deputy Governor Bullock in August 2023.⁴

We are building our capacity to understand the implications of climate change for the Australian economy and financial system, through internal analysis and external engagement. In 2023/24, internal analysis focused on:

- understanding how climate change might affect the economy and the implications for monetary policy – including by considering the impact of domestic and foreign climate policies, monitoring developments in energy markets and developing modelling capacity
- analysing the risks climate change poses to the financial system and our own operations – including by assessing physical climate risk embodied in Australian residential mortgage-backed securities⁵
- monitoring climate-related trends in financial markets and developments in international sustainable finance frameworks and policies, while also considering the implications for the domestic financial system – including by exploring the development of domestic sustainable finance markets.⁶

Through the Council of Financial Regulators (CFR), we contribute more generally to promoting awareness and understanding of the financial risks and opportunities associated with climate change. In addition, Australian financial system regulators are coordinating on a set of priorities to enhance the ability of financial market participants to manage the financial risks and identify the opportunities associated with climate change and the energy transition.

In 2023/2024, the CFR Climate Working Group priorities included:

- exploring the impact of climate change on the Australian economic system, including through a climate vulnerability assessment of the impacts of climate change on home insurance affordability
- improving the transparency and consistency of sustainability related information, through the implementation of mandatory climate disclosure reforms, as well as anti-greenwashing and ESG labelling initiatives
- overseeing the development of an Australian Sustainable Finance Taxonomy.

We are also actively involved in external forums to learn from peers and contribute to the development of best practice in assessing the impact of climate change (see Part 2.5: International Financial Cooperation).

Endnotes

- 1 RBA (2023), 'Executive Accountability Framework', August.
- 2 See RBA (2024), 'Corporate Plan 2024/25'.
- 3 See RBA (2019), 'Environmental Statement', December.
- 4 Bullock M (2023), 'Climate Change and Central Banks', Sir Leslie Melville Lecture, Canberra, 29 August.
- 5 McCarthy R and G Reid (2024), 'Assessing Physical Climate Risk in Repo-eligible Residential Mortgage-backed Securities', *RBA Bulletin*, April.
- 6 Armour C, D Hunt and J Lwin (2023), 'Green and Sustainable Finance in Australia', *RBA Bulletin*, September; Schwartz C (2023), 'Australian Financial Markets and Climate Change', Speech at Risk Conference, Sydney, 8 August.

3.2 Our People

Our staff are specialists in their field who contribute to the prosperity and welfare of the Australian people. We promote openness and inclusivity. We seek people who embody our values and culture, and leaders who can inspire and empower them.

Our 'Open & Dynamic' culture

In May 2024 we launched our aspiration for a more 'Open & Dynamic' workplace culture. This marked the culmination of extensive work and engagement, building on the findings and recommendations in the RBA Review.

- Being Open involves considering and incorporating different perspectives, internally and externally, working across teams, and being transparent with one another.
- Being Dynamic involves delivering quality efficiently and effectively, by focusing on outcomes and prioritisation, and testing, learning and refining as we go.

Together, being Open & Dynamic means doing more of the things that contribute positively to our culture to help us achieve our mission and strategic priorities, and less of the things that no longer serve us well.

One key element that remains unchanged is our values, which are set out in our Code of Conduct. These are:

1. promotion of the public interest
2. excellence
3. intelligent inquiry
4. integrity
5. respect.

As part of our Open & Dynamic ambition, we have introduced three key behaviours – inspire trust, open minds and work dynamically. These behaviours represent how our values come together to help us become a more open and dynamic central bank. Our Open & Dynamic ambition and behaviours are underpinned by our strong and ongoing commitment to nurturing an environment that is inclusive, diverse and fosters belonging.

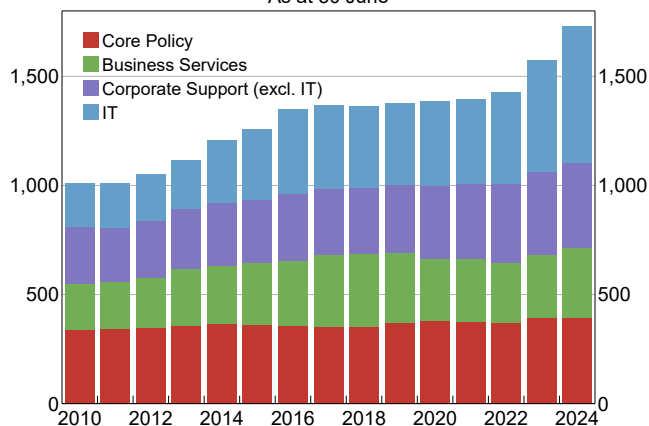
We have started a multi-year program of work to help achieve this ambition, as outlined in the 2024/25 Corporate Plan.¹ In 2023/24, we commenced initiatives such as: workshops to help our people understand what an Open & Dynamic culture looks like; revised enterprise-wide people leader goals for

2024/25 (with leaders being evaluated based on how they drive and model cultural change and encourage the expression of different perspectives); standardised and more transparent processes for internal job opportunities; and advertising management vacancies externally by default. For executives, we also ran a tailored change leadership training program and commenced an externally facilitated 360-degree feedback and coaching process. All people leaders also participated in training aimed to foster a positive and respectful workplace environment that contributes to realising our Open & Dynamic ambition.

Workforce profile

In June 2024, the RBA (excluding Note Printing Australia Limited) had 1,774 employees (Graph 3.2.1; Table 3.2.1). With almost 7 per cent of employees working part time, our workforce comprised 1,735 full-time equivalent (FTE) employees. We hired 409 employees during the year. Two-thirds of these were recruited on fixed-term contracts, mostly to provide a near-term impetus to projects in pursuit of our strategic priorities and to accelerate our transformation agenda. In 2024/25, we will continue to invest in our transformation by recruiting people with advanced skills in economic modelling, research and analytics.

Graph 3.2.1
RBA Employee Numbers*
As at 30 June



* Excludes NPA and contingent workers.

Source: RBA.

Table 3.2.1: RBA Staff Profile^(a)

Location	30 June 23										30 June 24										
	Man			Woman			Non-binary			Total	Man			Woman			Non-binary			Total	
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total		Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total		
Head Office, Sydney	803	15	818	535	85	620	0	1	1	1,439	903	21	924	616	86	702	2	1	3	1,629	
H.C. Coombs Centre for Financial Studies, Sydney	1	0	1	0	0	0	0	0	0	1	1	0	1	0	0	0	0	0	0	0	1
Business Resumption Site, Sydney	19	0	19	8	1	9	0	0	0	28	28	0	28	10	2	12	0	0	0	40	
Note-printing facility and National Banknote Site, Craigieburn	23	0	23	26	6	32	0	0	0	55	23	0	23	25	6	31	0	0	0	54	
Canberra Branch, Canberra	5	0	5	9	1	10	0	0	0	15	6	0	6	8	1	9	0	0	0	15	
Victorian Office, Melbourne	3	0	3	0	2	2	0	0	0	5	2	0	2	0	2	2	0	0	0	4	
Queensland Office, Brisbane	1	0	1	1	2	3	0	0	0	4	0	0	0	1	2	3	0	0	0	3	
South Australian Office, Adelaide	2	0	2	1	0	1	0	0	0	3	2	0	2	1	0	1	0	0	0	3	
Western Australian Office, Perth	0	0	0	2	0	2	0	0	0	2	0	0	0	2	0	2	0	0	0	2	
New York Representative Office, New York	8	0	8	3	0	3	0	0	0	11	6	0	6	4	1	5	0	0	0	11	
European Representative Office, London	5	1	6	2	2	4	0	0	0	10	5	0	5	4	1	5	0	0	0	10	
China Representative Office, Beijing	2	0	2	0	0	0	0	0	0	2	2	0	2	0	0	0	0	0	0	2	
Total	872	16	888	587	99	686	0	1	1	1,575	978	21	999	671	101	772	2	1	3	1,774	

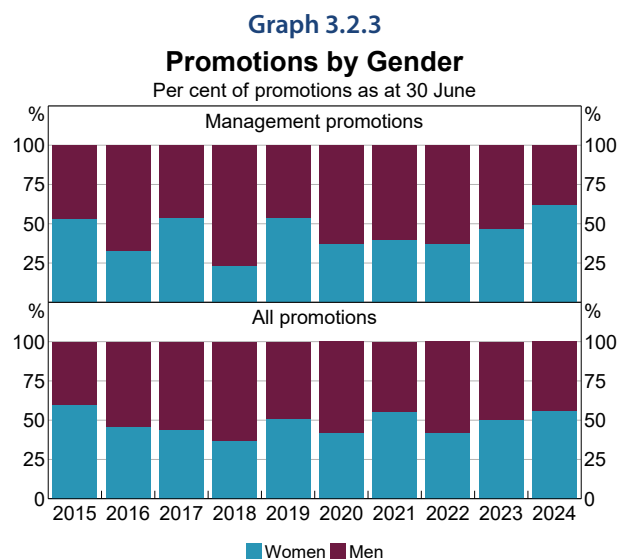
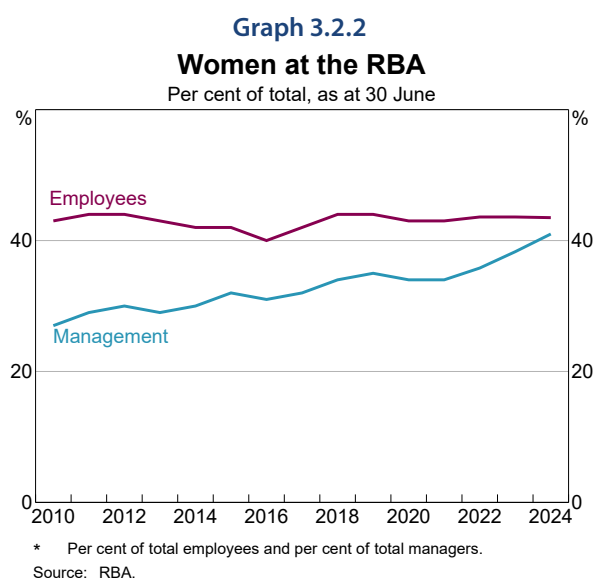
(a) Excludes Note Printing Australia Limited.

Source: RBA.

We are committed to achieving gender equity at all levels in the RBA. In June 2024 we reached our interim goal of achieving a 40 per cent share of women in management roles. Over the longer term, our goal is to achieve equal representation of men and women in management positions. To achieve and maintain these levels of representation, we are focusing on equity in recruitment and selection, succession planning and development opportunities.

As at 30 June 2024, women accounted for 44 per cent of RBA employees (Graph 3.2.2). (By comparison, women make up 49 per cent of all employees in Australia.) Four of the seven positions on the RBA's Executive Committee, and 41 per cent of management positions, were held by women.

During 2023/24, 56 per cent of all promoted employees were women (Graph 3.2.3). Of the 48 employees promoted to management positions, 63 per cent were women.



Recruitment and development

We have maintained our ability to attract and retain high-quality staff by establishing recruitment practices and processes based on the principles of transparency, non-discrimination and merit.

Formal training and mentoring

We offer a core curriculum of learning aligned to our Leadership and Capability Framework and support this curriculum with additional experiential learning. We place particular importance on leadership development, particularly high-quality offerings that develop an effective, inclusive and supportive leadership style. We also seek to build specific leadership skills such as coaching and having performance conversations.

Our core leadership offering 'iLead' is a key initiative both of our leadership development and our ID&B Strategy. The iLead program provides participants with an opportunity to deepen self-awareness as an inclusive leader and apply practical tools and strategies to develop and empower others. In 2023/24, 61 staff members participated in the program.

An enterprise-wide mentoring program was piloted between April and October 2023. The program matched mid-career level staff, with senior mentors from across the RBA. This program has been established as an ongoing development initiative.

We place significant value on investing in our staff to help them reach their full potential through further education. We provide financial support to some staff to study full time or part time in disciplines related to their work and development, and which are of interest and relevance to the RBA both now and in the future. During 2023/24, we provided support to 37 employees to undertake part-time study and 21 employees to undertake full-time postgraduate study at universities in Australia and overseas.

We offer two flagship early career programs open to students and graduates from a wide range of educational backgrounds – an Intern Program and a Graduate Development Program. These programs offer an opportunity for interns and graduates to gain practical experience and develop their skills in a real-world business environment.

The Intern Program provides high-performing university students with work experience and training through an applied research project and exposure to working in a business environment. In our 2023/24 intake, 42 per cent of interns were female and 58 per cent were male.

The Graduate Development Program provides structured development opportunities through a balance of on-the-job training, rotations between key departments, and complementary development activities. For our 2024 intake, 50 per cent of graduates were female and 50 per cent were male.

Rotations and secondments

We also offer lateral career rotation opportunities with a goal of supporting new skill development, staff retention and growing our talent pipeline.

In partnership with other Australian and international institutions, secondment opportunities are offered to staff to share subject matter expertise and best practice, broaden their experience and assist with the development of their capabilities. During 2023/24, we continued to support short-term secondments to other Australian government agencies, including the Australian Prudential Regulation Authority, the Australian Competition and Consumer Commission and the Australian Treasury. Secondments to international institutions included the Bank of England, the Bank of Canada, the Bank for International Settlements, the International Monetary Fund and the Federal Reserve Bank of New York.

Inclusion, diversity and belonging (ID&B)

The RBA's ID&B Executive Council meets quarterly and is chaired by the Governor. The Council comprises the Chief People Officer, the sponsors of Employee Resource Groups (ERGs) and other People Department team members responsible for ID&B. The chairs of each of the ERGs form the Diversity and Inclusion Advisory Panel. The panel meets every second month to discuss activities relevant to their respective ERGs as well as opportunities for intersectional initiatives and/or celebrations.

Our current ID&B Strategy is founded on a commitment to continue to build a more diverse and inclusive culture, where all staff are treated with respect throughout their careers. The ID&B Strategy is overseen by the Executive Committee, in consultation with the ID&B Executive Council – the latter being responsible for monitoring the development and implementation of ID&B initiatives, policies and practices. The key focus areas of the strategy for the 2024 calendar year are:

- reinforcing leadership commitment to inclusion, where all leaders show visible, authentic commitment to inclusion and consistently model inclusive behaviours
- building an inclusive culture, where our people are empowered to contribute to and deliver on the RBA's mission and drive results through effective collaboration, open communication and challenging the status quo
- reviewing and updating employee lifecycle processes, so that diversity and inclusion is considered and built into key processes from recruitment to talent development and promotion.

Highlights of the current strategy include the development of an ID&B Learning Curriculum and the setting of a culturally and linguistically diverse (CALD) target in leadership. In addition:

- the ID&B Learning Curriculum incorporates four key areas: Inclusion@Work; disability confidence and inclusion; race, culture and inclusion; and inclusive hiring
- we have agreed in principle to a long-term target of 20 per cent of senior managers and above being from CALD backgrounds, to better reflect the composition of the Australian population.

In 2023/24 we made considerable progress in our First Nations initiatives, including finalising the First Nations employment plan by the end of 2023 and starting design of our cultural capability framework.

The three pillars of the First Nations employment plan include:

- recruiting and retaining First Nations people
- continuously improving our internal people processes around attraction and retention
- aligning to the Australia Public Service requirements.

The First Nations cultural capability framework will complement the First Nations employment plan. The first initiative aligned to this framework is to provide access to 'Core Cultural Learning' online interactive modules through the Australian Institute of Aboriginal and Torres Strait Islander Studies. During 2023/24 over 100 staff completed this learning.

The RBA's First Nations Advisory Panel met quarterly in 2023/24. Membership of the panel comprises:

- Leah Armstrong (Chair) – Chair and Founding Director, First Australians Capital
- Mark Motlop – Chair of the Larrakia Development Corporation
- Professor Cindy Shannon – Deputy Vice-Chancellor (Indigenous), Griffith University.

In 2023/24 the panel provided advice to a range of departments and teams across the RBA, including Procurement, Information Department, Economic Group, the \$5 Redesign team, the First Nations ERG and our First Nations' team.

The RBA assumed chairing duties of the working group for the Central Bank Network for Indigenous Inclusion in 2023. In September 2023, several RBA staff attended the network's bi-annual symposium in Auckland, New Zealand, hosted by the Reserve Bank of New Zealand. The symposium focused on a range of issues for First Nations and Indigenous peoples around access to capital and associated sub-themes.

Work health and safety, compensation and rehabilitation

We are committed to maintaining and improving the safety, health, and wellbeing of our staff.

The Reserve Bank Board and our executives receive regular reports on work health and safety (WHS) matters to assist them in exercising their duty of care and meeting due diligence obligations.

WHS activities

With an ongoing emphasis on safety and wellbeing in our approach to hybrid working, and additional safety issues arising from the Head Office upgrade, areas of strategic focus in 2023/24 included:

- ensuring the physical safety of our diverse workforce across all our workplace environments
- implementing initiatives to further enhance and embed mental health awareness and the capability of people leaders to support their teams.

We continued to support the physical and psychological health of our staff by promoting positive health outcomes and the prevention of potential health risks.

During 2023/24 this work included:

- encouraging employees to be mindful of the benefits of good physical health by implementing a skin check program, a general health check for all non-executives and extending the range of subsidised fitness centre options
- offering mental health initiatives, such as leadership training, targeted support training for groups at higher risk and seminars on topics related to mental health and wellbeing.

WHS incidents, claims and investigations

There were 78 WHS incidents reported in 2023/24, a 36 per cent increase on the previous year. The most common causes of incidents were:

- workplace hazards – such as people experiencing cuts, sprains, strains, burns and striking objects (31 per cent)
- mental stress (28 per cent)
- workplace factors – such as property damage and electrical or environmental hazards (26 per cent).

The increase in reporting followed a campaign throughout the year promoting our early intervention program.

There were four accepted workers' compensation claims in 2023/24, compared with two in the previous year. Our Lost Time Injury Frequency Rate (the number of lost time injuries per million hours worked) was 10.7 in 2023/24, up from 2.1 in 2022/23, reflecting the rise in workers compensation claims and consequent days lost from work.

We conducted 29 internal WHS investigations in 2023/24, relating to incidents that either caused moderate harm or had the potential to cause harm to a staff member (Table 3.2.2). The investigations did not identify systemic issues that would point to deficiencies in the way we manage health and safety.

In 2023/24 no investigations were required by Comcare into our businesses or undertakings, and no improvement, prohibition or non-disturbance notices were issued by Comcare under Part 10 of the *Work Health and Safety Act 2011* (WHS Act).

Table 3.2.2: Summary of Notifiable Incidents, Investigations and Notices under the WHS Act

Action	2022/23	2023/24
Death of a person that required notice to Comcare under section 35	0	0
Serious injury or illness of a person that required notice to Comcare under section 35	0	0
Dangerous incident that required notice to Comcare under section 35	0	1
Internal investigations conducted	7	29
Investigations conducted under Part 10 of the WHS Act	0	0
Notices given to RBA under section 90 (provisional improvement notices)	0	0
Notices given to RBA under section 191 (improvement notices)	0	0
Notices given to RBA under section 195 (prohibition notices)	0	0
Directions given to RBA under section 198 (non-disturbance notices)	0	0

Source: RBA.

Legal responsibilities and compliance

The RBA is a Licensed Authority under the *Safety, Rehabilitation and Compensation Act 1988*. This licence requires the RBA to provide an annual report to the Safety, Rehabilitation and Compensation Commission on WHS, workers' compensation and rehabilitation matters as they affect the RBA. Compliance with the relevant legislation – and the conditions of the RBA's licence as a Licensed Authority – was validated during 2023/24 by external audits of our safety, compensation and rehabilitation arrangements. The Commission subsequently confirmed that the RBA retained the highest rating for its prevention, claims management and rehabilitation practices in each area for 2023/24.

In 2023/24 the Australian Postal Corporation provided claims management and rehabilitation services to the RBA, along with reconsideration services and representation in the Administrative Appeals Tribunal or Federal Court, when necessary. From 2024/25 the management of these services will be transferred to Comcare's Claims Management Group.

Employment arrangements and remuneration

The positions of Governor and Deputy Governor are designated as principal executive offices in terms of the *Remuneration Tribunal Act 1973* and their remuneration is determined by the Remuneration Committee. For further details, see Part 1.2: Governance and Accountability.

Employment arrangements that apply to our employees vary according to their occupation and level of seniority. Executive and managerial employees are engaged under Individual Employment Agreements. Non-managerial employees are covered by an Enterprise Agreement.

Executive, managerial and non-managerial employees are considered for an annual salary increase and a Reward Increase Scheme. The annual salary increase is dependent on the employment arrangements. The Reward Increase Scheme is open to most employees and is used to recognise increased work experience and enhanced technical and core capabilities, with consideration given to how much an employee is paid relative to market data for their role. Reward increases help aid retention and ensure salaries remain competitive and in line with market benchmarks.

We use surveys – such as the Financial Institutions Remuneration Group, Aon Hewitt and Mercer – for remuneration and benefit benchmarking.

A new Enterprise Agreement with non-management employees was negotiated during the year and commenced operation on 28 December 2023. The Agreement resulted in an 11.2 per cent general salary increase across three years, inclusive of a 4 per cent increase paid in 2023. Most executive and management employees also received a 4 per cent general salary increase in 2023. Around 36 per cent of employees across executive, management and non-management received a reward increase, at an average value of 4.1 per cent.

The distribution of remuneration paid to our executives and other senior employees on an accrual basis is set out in Tables 3.2.3, 3.2.4 and 3.2.5. The provision of this information is consistent with similar information provided by other Commonwealth entities. As these figures are prepared on an accruals basis they can be influenced from year-to-year by factors such as the amount of leave taken and any revaluation of accrued entitlements.² Note 12 in Part 4: Financial Statements provides more information on remuneration for key management personnel.

Table 3.2.3: Remuneration of Key Management PersonnelReceived in 2023/24(\$)^(a)

Name	Position title	Short-term benefits			Post-employment benefits Superannuation contributions ³	Other long-term benefits		Termination benefits	Total remuneration ^{5,6}
		Base salary ¹	Bonuses	Other benefits and allowances ²		Long service leave ⁴	Other long-term benefits		
RBA executives									
Michele Bullock ^(b)	Governor	811,108	–	14,142	100,518	131,067	–	–	1,056,835
	Deputy Governor	179,098	–	2,042	20,226	4,014	–	–	205,380
Philip Lowe ^(c)	Governor	227,444	–	2,042	26,968	5,485	–	–	261,940
Andrew Hauser ^(d)	Deputy Governor	336,204	–	3,646	13,797	2,519	–	–	356,166
Susan Woods ^(e)	Chief Operating Officer	237,291	–	8,242	25,456	6,040	–	–	277,029
	Assistant Governor, Corporate Services	386,562	–	27,388	45,504	31,570	–	–	491,024
Michelle McPhee	Assistant Governor, Business Services	523,977	–	40,745	99,331	19,963	–	–	684,017
Sarah Hunter ^(f)	Assistant Governor, Economic	241,110	–	17,286	36,729	1,917	–	–	297,043
Luci Ellis ^(f)	Assistant Governor, Economic	148,140	–	10,888	25,205	13,519	–	–	197,752
Marion Kohler ^(f)	Assistant Governor, Economic (acting)	240,571	–	60,205	46,553	6,325	–	–	353,655
Christopher Kent	Assistant Governor, Financial Markets	598,331	–	40,413	106,444	17,434	–	–	762,622
Bradley Jones	Assistant Governor, Financial System	523,536	–	40,745	61,148	21,077	–	–	646,506
Non-executive members of the Reserve Bank Board									
Alison Watkins ^(g)	Member – Reserve Bank Board	83,187	–	–	9,151	–	–	–	92,338
	Chair – Reserve Bank Board Audit Committee	22,044	–	–	2,425	–	–	–	24,468
Ian Harper	Member – Reserve Bank Board	83,187	–	–	9,151	–	–	–	92,338
Carolyn Hewson ^(h)	Member – Reserve Bank Board	83,187	–	–	9,151	–	–	–	92,338
	Member – Reserve Bank Board Audit Committee	10,027	–	–	1,103	–	–	–	11,130
Steven Kennedy ⁽ⁱ⁾	Member – Reserve Bank Board	–	–	–	–	–	–	–	–

Table 3.2.3: Remuneration of Key Management Personnel *(continued)*Received in 2023/24(\$)^(a)

Name	Position title	Short-term benefits			Post-employment benefits Superannuation contributions ³	Other long-term benefits		Termination benefits	Total remuneration ^{5,6}
		Base salary ¹	Bonuses	Other benefits and allowances ²		Long service leave ⁴	Other long-term benefits		
Iain Ross	Member – Reserve Bank Board	83,187	–	–	9,151	–	–	–	92,338
Elana Rubin ⁽ⁱ⁾	Member – Reserve Bank Board	76,173	–	–	775	–	–	–	76,948
Carol Schwartz	Member – Reserve Bank Board	83,187	–	–	9,151	–	–	–	92,338
Mark Barnaba ^(k)	Member – Reserve Bank Board	15,390	–	–	–	–	–	–	15,390
	Member – Reserve Bank Board Audit Committee	4,448	–	–	–	–	–	–	4,448
Non-executive members of the Payments System Board									
Ross Buckley ^(l)	Member – Payments System Board	59,814	–	–	6,579	–	–	–	66,393
Gina Cass-Gottlieb ^(m)	Member – Payments System Board	–	–	–	–	–	–	–	–
Michelle Deaker ⁽ⁱ⁾	Member – Payments System Board	59,814	–	–	6,579	–	–	–	66,393
Scott Farrell	Member – Payments System Board	65,349	–	–	7,188	–	–	–	72,537
John Lonsdale ⁽ⁱ⁾	Member – Payments System Board	–	–	–	–	–	–	–	–
Deborah Ralston	Member – Payments System Board	65,349	–	–	7,188	–	–	–	72,537
Greg Storey ⁽ⁿ⁾	Member – Payments System Board	5,535	–	–	609	–	–	–	6,144

(a) Remuneration of Key Management Personnel are in relation to the Reserve Bank of Australia entity only.

(b) Appointed Governor on 18 September 2023.

(c) Retired on 17 September 2023.

(d) Appointed on 12 February 2024.

(e) Appointed Chief Operating Officer on 4 March 2024.

(f) Luci Ellis resigned as Assistant Governor (Economic) on 6 October 2023, Marion Kohler acted in that role from 10 July 2023 to 29 January 2024, and Sarah Hunter was appointed as Assistant Governor (Economic) on 29 January 2024.

(g) Appointed Chair of the Reserve Bank Board Audit Committee on 31 August 2023.

(h) Appointed to the Reserve Bank Board Audit Committee on 31 August 2023.

(i) The Secretary to the Treasury, as a member of the Reserve Bank Board, and the Chair of APRA, as a member of the Payments System Board, are not remunerated.

(j) Appointed to the Reserve Bank Board on 31 August 2023.

(k) Resigned from the Reserve Bank Board and Reserve Bank Board Audit Committee on 30 August 2023.

Table 3.2.3: Remuneration of Key Management Personnel *(continued)*Received in 2023/24(\$)^(a)

(l) Appointed to the Payments System Board on 1 August 2023.

(m) Ms Gina Cass-Gottlieb is not remunerated as a member of the Payments System Board following her appointment as Chair of the ACCC.

(n) Retired from the Payments System Board on 31 July 2023.

Notes

1. The 'Base salary' column is prepared on an accrual basis and includes gross fees or salary earned while working plus annual leave accrued and the cost of revaluing accrued leave entitlements in the case of Reserve Bank executives.
2. The 'Other benefits and allowances' column includes benefits that form part of an individual's remuneration package. This includes, for eligible members of staff, motor vehicle benefits, car parking and health benefits plus the related fringe benefits tax on these benefits.
3. The 'Superannuation contributions' column is calculated as: contribution amounts for individuals who are eligible for a defined contribution arrangement in a defined contribution scheme; and for individuals who are in a defined benefit arrangement, an amount equal to 15.4 per cent of superannuable salary plus any employer productivity contributions.
4. The 'Long service leave' column is calculated as long service leave accrued plus the cost of revaluing accrued leave entitlements.
5. Total remuneration does not include non-superannuation post-employment benefits, which are included in the reported total remuneration of Key Management Personnel in the notes to the financial statements.
6. Reported total remuneration for the positions of Governor and Deputy Governor differs from the remuneration determined by the Remuneration Tribunal by the net accrual of leave and the revaluation amount of accrued leave entitlements.

Table 3.2.4: Remuneration of Senior Executives

Received in 2023/24(\$)^(a)

Total remuneration bands	Number of senior executives	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary ¹	Average bonuses	Average other benefits and allowances ²	Average superannuation contributions ³	Average long service leave ⁴	Average other long-term benefits	Average termination benefits	Average total remuneration
\$0 to \$220,000	10	65,691	–	11,702	15,060	7,853	–	2,813	103,119
\$220,001 to \$245,000	2	161,186	–	25,358	28,973	8,735	–	–	224,253
\$245,001 to \$270,000	1	201,526	–	21,801	22,992	1,692	–	–	248,011
\$270,001 to \$295,000	6	210,841	–	24,338	37,048	9,436	–	–	281,663
\$295,001 to \$320,000	2	215,858	–	25,243	38,661	20,704	–	–	300,466
\$345,001 to \$370,000	1	243,850	–	38,988	43,609	18,688	–	–	345,135
\$370,001 to \$395,000	4	283,047	–	38,304	52,164	17,080	–	–	390,596
\$395,001 to \$420,000	7	306,480	–	38,247	50,645	11,149	–	–	406,521
\$420,001 to \$445,000	6	279,414	–	93,500	46,402	12,180	–	–	431,496
\$445,001 to \$470,000	7	333,763	–	38,935	59,629	19,188	–	–	451,515
\$470,001 to \$495,000	5	344,078	–	49,849	61,067	30,537	–	–	485,532
\$495,001 to \$520,000	1	383,968	–	38,988	67,402	12,455	–	–	502,813
\$520,001 to \$545,000	2	412,398	–	38,988	56,699	21,498	–	–	529,583
\$545,001 to \$570,000	3	441,925	–	38,877	60,245	19,534	–	–	560,581
\$570,001 to \$595,000	1	441,475	–	38,988	68,186	24,368	–	–	573,017
\$595,001 to \$620,000	1	460,229	–	38,988	67,142	35,533	–	–	601,892
\$795,001 to \$820,000	1	383,039	–	341,992	61,307	20,023	–	–	806,360
\$895,001 to \$920,000	1	288,053	–	556,186	51,568	8,697	–	–	904,504

(a) Each row shows an average figure based on the number of individuals within each remuneration band based on total remuneration earned; a senior executive for the purpose of this table is a member of staff holding a position of Head of Department or Deputy Head of Department (or equivalent).

Notes

1. The 'Base salary' column is prepared on an accrual basis and includes gross salary earned while working plus annual leave accrued and the cost of revaluing accrued leave entitlements.
2. The 'Other benefits and allowances' column includes benefits that form part of an individual's remuneration package. This includes, for eligible members of staff, motor vehicle benefits, car parking and health benefits plus the related fringe benefits tax on these benefits. For staff located interstate or overseas, this may also include allowances and accommodation benefits plus the related fringe benefits tax on these benefits.
3. The 'Superannuation contributions' column is calculated as: contribution amounts for individuals who are eligible for a defined contribution arrangement in a defined contribution scheme; and for individuals who are in a defined benefit arrangement, an amount equal to 15.4 per cent of superannuable salary plus any employer productivity contributions.
4. The 'Long service leave' column is calculated as long service leave accrued plus the cost of revaluing accrued leave entitlements.

Table 3.2.5: Remuneration of Other Highly Paid StaffReceived in 2023/24(\$)^(a)

Total remuneration bands	Number of other highly paid staff	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary ¹	Average bonuses	Average other benefits and allowances ²	Average superannuation contributions ³	Average long service leave ⁴	Average other long-term benefits	Average termination benefits	Average total remuneration
\$250,000 to \$270,000	59	191,748	–	28,682	31,264	8,524	–	–	259,542
\$270,001 to \$295,000	45	204,871	23	29,228	35,202	10,132	–	–	279,456
\$295,001 to \$320,000	25	228,378	–	23,272	39,900	11,862	–	3,449	306,861
\$320,001 to \$345,000	15	216,794	74	50,163	37,380	11,905	–	12,660	328,977
\$345,001 to \$370,000	2	264,917	–	22,425	47,897	19,149	–	–	354,388
\$370,001 to \$395,000	2	229,296	–	97,057	41,940	13,119	–	–	381,413
\$395,001 to \$420,000	3	289,197	–	51,715	42,705	18,869	–	–	402,485
\$420,001 to \$445,000	1	119,551	–	277,430	21,693	4,955	–	–	423,629
\$445,001 to \$470,000	3	206,612	–	149,424	36,244	13,606	–	50,293	456,179
\$495,001 to \$520,000	2	194,638	–	192,086	33,096	7,547	–	71,539	498,906
\$720,001 to \$745,000	1	165,165	–	531,583	30,272	6,072	–	–	733,093
\$1,220,001 to \$1,245,000	1	192,686	–	1,004,620	34,764	9,364	–	–	1,241,435

(a) Each row shows an average figure based on the number of individuals within each remuneration band based on total remuneration earned.

Notes

1. The 'Base salary' column is prepared on an accrual basis and includes gross salary earned while working plus annual leave accrued and the cost of revaluing accrued leave entitlements.
2. The 'Other benefits and allowances' column includes benefits that form part of an individual's remuneration package. This includes, for eligible members of staff, motor vehicle benefits and health benefits plus the related fringe benefits tax on these benefits. For staff located interstate or overseas, this may also include allowances and accommodation benefits plus the related fringe benefits tax on these benefits.
3. The 'Superannuation contributions' column is calculated as: contribution amounts for individuals who are eligible for a defined contribution arrangement in a defined contribution scheme; and for individuals who are in a defined benefit arrangement, an amount equal to 15.4 per cent of superannuable salary plus any employer productivity contributions.
4. The 'Long service leave' column is calculated as long service leave accrued plus the cost of revaluing accrued leave entitlements.

Endnotes

- 1 See RBA (2024), 'Corporate Plan 2024/25'.
- 2 For example, total remuneration received by Michele Bullock in 2023/24 was inflated by her accrued long service leave being revalued following her appointment as Governor and by her not taking her full annual leave entitlement.

3.3 Risk Management

To achieve our objectives and strategic priorities we use a Risk and Compliance Management Framework to identify and manage current and emerging risks in line with our risk appetite. This framework is overseen by the Risk Management Committee. The key risks we face at present relate to our large transformation agenda, psychosocial health, operational resilience, information security, management of suppliers and preserving public trust and confidence in our policymaking.

Risk and Compliance Management Framework

The Risk and Compliance Management Framework sets out the principles for how we manage risks to help us achieve our objectives. The framework is underpinned by a Risk Management Policy and Risk Appetite Statement, which outline how we identify, assess and manage risks within acceptable levels. We embed internal controls in our systems and processes to manage and/or mitigate risks.

We manage risks at both an enterprise (top-down) and departmental (bottom-up) level, commensurate with our risk appetite. We set risk appetite levels across our risk categories and monitor against quantifiable metrics, wherever possible. Processes, data and systems help us appropriately to oversee mitigating action plans when we deem risk levels outside target.

We continuously support and promote a proactive risk management culture that balances risk and reward. The Risk Management Policy provides staff with clarity on their responsibilities, as well as guidance for managing and taking appropriate risks.

As part of a multi-year program, we are currently transforming and strengthening our Risk and Compliance Management Framework, together with our risk management practices, risk accountabilities and risk culture more broadly.¹ This follows recommendations in the independent Review of the RBA and the Deloitte Review of the Reserve Bank Information and Transfer System (RITS). Key aspects of this transformation include:

- enhancing our 'Three Lines of Accountability' model across the RBA to align to global standards
- uplifting our risk culture model, in alignment with the organisation's 'Open & Dynamic' culture transformation
- reinforcing the critical role of the Chief Risk Officer and the 'voice of risk' within the RBA

- strengthening governance processes to prepare and support the operation of the proposal new Governance Board
- refreshing our risk management policies and standards to drive robust risk and control identification and assessment, align with industry best practices and meet the objectives set out in our Corporate Plan – this includes an assessment of current and target risk capability to deliver the transformation
- reviewing the Risk Management Committee charter, agenda and information processes to ensure it is an effective decision-making body, prior to the establishment of the proposed Governance Board.

Three Lines of Accountability

As part of the risk transformation, we are enhancing the 'Three Lines of Accountability' model to align with global standards and help staff understand their roles in actively managing risks. Under the model:

- *The 'first line' are departments, which own and manage their risks. As 'risk owners', departments are responsible for evaluating their risk environment, putting in place appropriate controls and ensuring these are implemented effectively to keep risks within appetite.*
- *The 'second line' is Risk and Compliance Department, led by the Chief Risk Officer. It supports consistent application of the Risk and Compliance Management Framework, provides independent review and challenge to first line management of risks and controls, and monitors the RBA's overall risk and control environment.*
- *The 'third line' is Audit Department, which provides independent assurance on the effectiveness of governance, risk management and internal controls.*

Implementing this enhanced 'Three Lines' model will require a material change in our capacity, capabilities and organisational structure.

Risk governance oversight

The Risk Management Committee has oversight of arrangements for risk management. It is chaired by the Deputy Governor, meets at least six times each year, and informs the Executive Committee and the Reserve Bank Board Audit Committee of its activities.

The Risk Management Committee is responsible for ensuring the assessment and effective management of all the risks we face, with the exception of those taken as part of decisions on monetary or financial stability policies and the payments policy functions. Responsibility for the latter risks lie with the Governor, the Reserve Bank Board and the Payments System Board, as discussed in Part 1.2: Governance and Accountability. The Reserve Bank Board oversees risks associated with the RBA's ownership of Note Printing Australia Limited (NPA), while the NPA Board and management oversee the NPA's operational risks.

The Risk Management Committee is assisted in its responsibilities by Risk and Compliance Department. The department also helps individual business areas to manage their risk and compliance environment effectively within a framework that is consistent across the RBA. It monitors risk and performance associated with the RBA's activities in financial markets and supports all business areas by ensuring consistent application of enterprise-wide control frameworks. These controls cover fraud, bribery and corruption, business continuity and compliance-related risks. The Chief Risk Officer reports directly to the Deputy Governor and the Reserve Bank Board Audit Committee.

Audit Department undertakes a risk-based audit program to provide independent assurance that risks are identified and that key controls to mitigate these risks are well designed, implemented and working effectively. The Head of Audit Department reports to the Deputy Governor and the Reserve Bank Board Audit Committee. The department's work is governed by the Audit Department Charter, which is approved by the Audit Committee.

Risk appetite and risk profile

Our risk appetite is defined as the amount of risk that we are prepared to accept when pursuing our objectives and strategic priorities. It can be expressed on a scale that ranges from 'high appetite' to 'no appetite'.

The Risk Management Policy, which captures our risk appetite, was updated in August 2023 to capture learnings from a service outage in 2022 (see below).² The policy aims to ensure that we manage risks in a manner that best facilitates the achievement of our objectives. Our risk appetite levels have been set across six categories of risk, namely: operational; strategic; financial markets; compliance; people and culture; and policy. Policy risk is managed by the Governor, the Reserve Bank Board and the Payments System Board, as noted above. It is therefore outside the RBA's Risk and Compliance Management Framework.

Operational risk

The RBA manages a broad range of operational risks in its day-to-day work:

- *Technology Resilience*: Our activities are highly dependent on IT systems. IT Department collaborates with relevant business areas to facilitate the monitoring, assessment and management of IT-related risks and to ensure IT-related initiatives are consistent with the Corporate Plan. This work is supported by ongoing evaluation of industry developments, to ensure our systems and procedures remain robust and conform to current IT standards.
- *Cyber Resilience*: Protecting digital assets from cybersecurity threats is a priority, alongside providing a high-quality IT service. We continue to strengthen both our preventative and detective controls and the response and recovery capabilities for our critical national infrastructure services and internal systems. We invest in significant security controls, receive regular independent assurance of compliance with security strategies endorsed by the Australian Signals Directorate, and maintain independent certification for the ISO 27001 global standard for Information Security Management.
- *Business Process Resilience*: The resilience of the payment and banking services we provide is critical for the Australian economy. We manage our operational resilience to minimise the likelihood and impact of disruptions to critical operations,

to communicate well with key stakeholders and to ensure staff safety and wellbeing. We undertake ongoing testing of our business resilience arrangements to ensure they remain responsive to potential disruptions. Our 2023/24–2026/27 strategic priority of ensuring highly resilient payment and banking services focuses on uplifting governance, testing, training, technology, and risk monitoring.

- *Information Management:* We manage a range of confidential, personal and sensitive information, along with a large archival collection. Loss, damage or unauthorised disclosure of this information could impair our ability to function effectively, and to meet our compliance obligations and possibly our legal responsibilities. Management of information assets is supported by an Information Management Framework, which includes policies, procedures, tools and a comprehensive training program and controls.
- *Third-party Risk Management:* We have a growing dependency on third parties to support critical and non-critical operations. We are strengthening supplier management frameworks and guidance to support the management of third parties. This will enhance our ability to achieve value for money over the vendor's lifecycle, and to mitigate relevant risks.

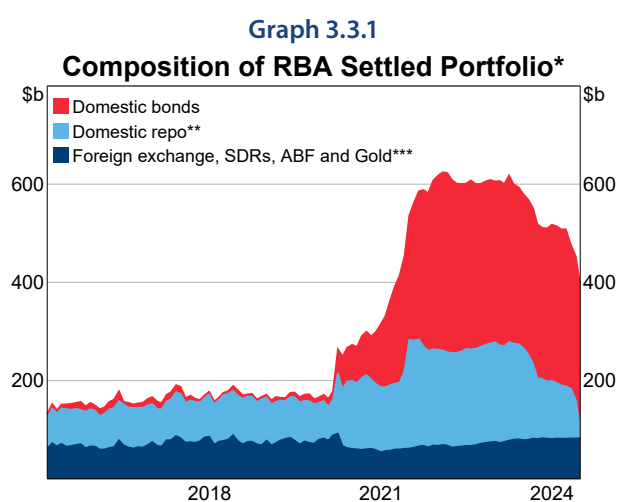
In addition, we continue to focus on the delivery of several large and complex multi-year projects. These include the renovation of the Head Office at 65 Martin Place in Sydney, and modernising core IT infrastructure. Successful delivery of these projects will help maintain high-quality services for the Australian public. Project steering committees play an important role in overseeing the management of project-related risks.

Strategic risk

The main ways we control strategic risk are by focusing on a defined set of strategic priorities that will best equip us to mitigate the risk, and by using innovative approaches to achieving these priorities. We oversee related initiatives and investment decisions through our enterprise project portfolio and ensure each is supported by an achievable work plan and appropriate resourcing. We also continue to focus on the use of innovation, data and analytics to achieve our objectives and strategic priorities, most notably when conducting monetary policy and working to shape the future of payments.

Financial markets risks

The RBA holds domestic and foreign currency denominated financial instruments to support operations in financial markets, in pursuit of policy objectives (see Part 2.2: Operations in Financial Markets). These instruments account for most of our assets and expose our balance sheet to financial risks (Graph 3.3.1). The primary responsibility for managing these risks rests with Financial Markets Group. Risk and Compliance Department monitors these risks, assesses compliance with the approved Financial Risk Management Governance Policy and reports to the Risk Management Committee.



* As of 30 June 2024.

** Domestic repurchase agreements (repos) are valued based on the amount of cash lent. Other assets are valued at market value.

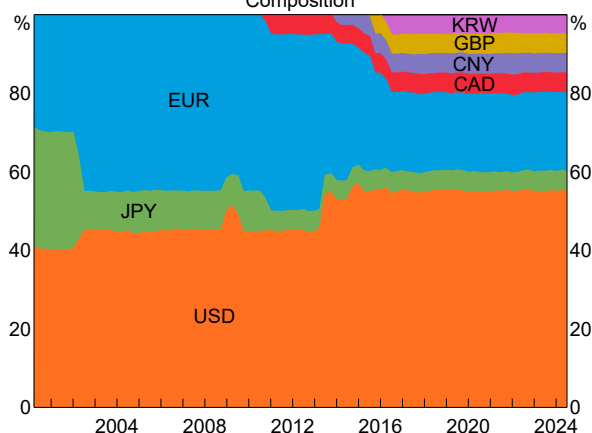
*** SDRs refer to Special Drawing Rights, and ABF refers to investments in the Asian Bond Fund.

Source: RBA.

Exchange rate risk

The RBA is exposed to exchange rate risk, as some of our assets are denominated in foreign currency while most of our liabilities are denominated in Australian dollars. Outright foreign exchange assets are held for policy purposes, so we do not hedge the foreign exchange risk exposure; however, we mitigate some risk by diversifying across currencies (Graph 3.3.2). The foreign portfolio's target shares are determined by the benchmark portfolio's currency allocation and reflects our risk appetite and desired liquidity (see Part 2.2: Operations in Financial Markets).

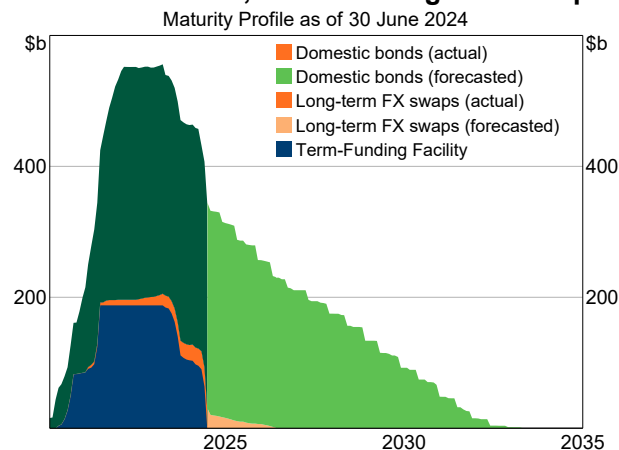
Graph 3.3.2
Foreign Portfolio
Composition



* Excludes assets funded by foreign exchange swaps.
Source: RBA.

Graph 3.3.3

Domestic Bonds, TFF and Long-term Swaps



Source: RBA.

The Australian dollar value of our outright foreign exchange holdings increased modestly over 2023/24. Based on the size of the outright foreign exchange portfolio as at 30 June 2024, a 10 per cent appreciation of the Australian dollar would result in a mark-to-market loss of \$4.4 billion, which is a small increase from the previous year.³

Interest rate risk

The value of the RBA's financial assets is also exposed to movements in market interest rates. Interest rate risk on our portfolio remains historically high because of policy decisions to increase domestic assets on the balance sheet between 2020 and 2022 in response to the COVID-19 pandemic. Many of the assets acquired had long tenors and low fixed interest rates, and were funded with liabilities that paid a variable interest rate.

Interest rate risk has declined from its peak, mainly reflecting a drop in the remaining maturity of securities purchased outright and the unwinding of the Term Funding Facility (TFF) (see Part 2.2: Operations in Financial Markets). For example, the interest rate sensitivity of the RBA's domestic portfolio outright holdings, measured as the loss in value for each basis point increase in interest rates, decreased to \$106 million as of 30 June 2024, down from a peak of \$194 million in early 2022 (see Part 4: Financial Statements, Note 15). Interest rate risk is expected to decline only gradually over the next five to seven years as the remaining long-term fixed-rate assets acquired between 2020 and 2022 mature (Graph 3.3.3).

Our foreign portfolio assets are managed relative to a benchmark portfolio in each currency that reflects our long-term appetite for interest rate risk and return. The weighted-average benchmark duration target for our total foreign portfolio has remained at a low level of 6.75 months.

Banknotes on issue have increased as share of liabilities over the year, to be 24 per cent, reflecting declines in Exchange Settlement account balances and the size of the balance sheet. Banknotes carry no interest cost.

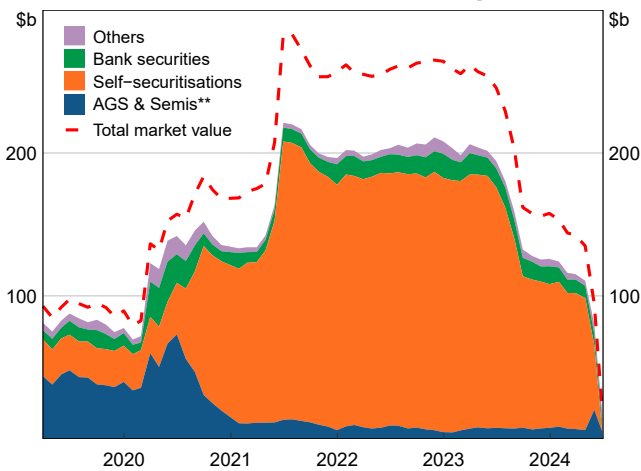
Credit risk

Credit risk is the potential for financial loss arising from the default of a debtor or issuer, or from a decline in asset values following a deterioration in credit quality. We manage our credit exposure by applying a strict set of eligibility criteria to our holdings of financial assets and to the counterparties we transact with. See Part 4: Financial Statements, Note 15, which reports the scale of our exposure to this risk.

We are exposed to minimal issuer credit risk on our outright holdings of domestic securities because we invest only in securities issued by the Australian Government and state and territory government borrowing authorities.

We are exposed to a small amount of counterparty credit risk on domestic repos. To protect against this, we transact repos only under a Global Master Repurchase Agreement with counterparties that meet our eligibility criteria; we also only purchase securities under repo that meet our eligibility criteria and apply an appropriate margin that is maintained through daily margining. With the maturing of all TFF repos by 1 July 2024, the size of our collateral holdings under repo has declined significantly (Graph 3.3.4).

Graph 3.3.4
Collateral Held under Repo*

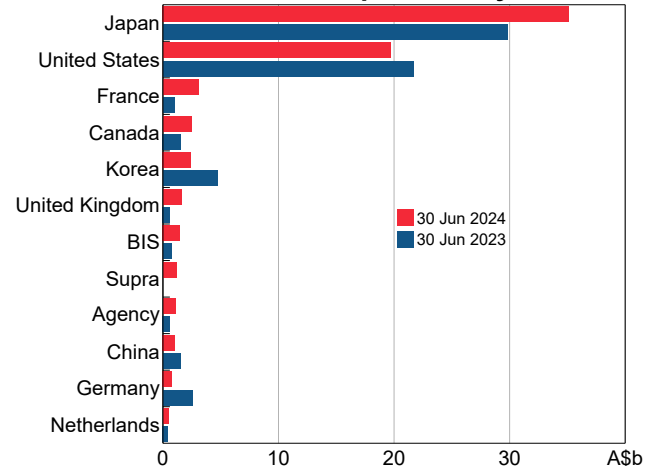


* As of 30 June 2024. Shaded areas represent haircut adjusted collateral values, by type of collateral. Dashed line represents the total market value of all collateral types.
** AGS are Australian Government Securities. Semis are semi-government securities.
Source: RBA.

Investments in the foreign currency portfolio are typically confined to highly rated issues by national governments, supranational institutions and government-owned agencies, as well as deposits with foreign central banks. Gross holdings of Japanese yen (JPY) denominated assets remained the largest share of the foreign currency issuer exposures, with these exposures funded largely under short-term foreign exchange swaps between JPY and other currencies in our portfolio or long-term foreign exchange swaps against the Australian dollar (Graph 3.3.5). A limit on the size of exposures to individual currencies mitigates concentration risk.

Graph 3.3.5

Portfolio Composition by Issuer*



* Includes assets held outright, funded by foreign exchange swaps, and held under repurchase agreements.

Source: RBA.

A portion of the foreign currency portfolio is held in short-term repos. As with the domestic portfolio, the small amount of residual credit risk on these positions is managed by requiring over-collateralisation with high-quality securities, imposing limits on individual counterparty exposures, and maintaining a Global Master Repurchase Agreement (or Master Repurchase Agreement where appropriate) with each counterparty.

Credit risk on foreign exchange and gold swaps is managed by transacting only with counterparties that meet strict eligibility criteria under an International Swaps and Derivatives Association (ISDA) agreement with a credit support annex. Daily two-way margining of market value changes takes place for foreign currency repos in their local currency and foreign exchange and gold swaps in Australian dollars (see Part 4: Financial Statements, Note 15).

Liquidity risk

As Australia's central bank, we do not fundamentally have liquidity risk on our domestic portfolio because we can create Australian dollar liquidity on demand. Nevertheless, we minimise the liquidity risk that could be incurred if we were to sell domestic securities in two ways. First, our outright holdings only include very liquid securities issued by the Australian Government or by state and territory government borrowing authorities, and the Reserve Bank Board's current strategy is to hold these to maturity. Second, liquidity risk from potential sales of securities held under domestic repos – which we could own in the event of a counterparty default – are managed through our collateral eligibility criteria, setting conservative margins and daily margin maintenance.

In our foreign portfolio, we require a high level of liquidity to ensure that we achieve our policy objectives – including through foreign currency intervention – at all times. The foreign portfolio liquidity framework incorporates internal assessments on the liquidity characteristics of various assets in the portfolio to ensure that a minimum level of investment is maintained in highly liquid assets. We also maintain foreign currency liquidity levels by entering into long-term foreign exchange swaps of up to five years. We have been transacting in long-term foreign exchange swaps in JPY and US dollars (USD) since February 2021 to maintain our capacity to implement policy decisions, including to meet IMF commitments (see Part 2.2: Operations in Financial Markets).

Compliance risk

The effective management of compliance risk is central to our activities. To do this, staff complete annual training in areas such as workplace behaviour, fraud awareness, privacy, and workplace health and safety. Risk and Compliance Department collaborates with all business areas to ensure compliance risks are managed effectively. The department also keeps the Risk Management Committee informed about compliance levels in key areas.

We manage risks related to the handling of confidential and sensitive information to ensure there are no unintended disclosures. While the primary focus is on ensuring sufficient controls exist to prevent a breach occurring, the risk and control framework also seeks to ensure that we can respond appropriately should a breach occur.

We do not tolerate dishonest or fraudulent behaviour and are committed to deterring and preventing such behaviour. We take cases, or suspected cases, of fraud and corruption very seriously. All staff involved in financial dealing have well-defined limits to their authority to take risks or otherwise commit the RBA. These arrangements are further enhanced by the separation of front-, back- and middle-office functions, where staff involved in trading, settlement and reconciliation activity remain physically apart and have separate reporting lines. For non-trading activities, several layers of fraud control are in place. We have established a clear decision-making hierarchy, and separation of duties and physical controls over systems and information. These are regularly reviewed. We also have arrangements for staff and members of the public to report any concerns anonymously, including an option, if preferred, to report concerns directly to the National Anti-Corruption Commission. All concerns are fully investigated. During 2023/24, there was one reported instance of fraud by an employee.

People and culture risk

We are exposed to risks relating to people and culture, such as resourcing, safety and wellbeing (see Part 3.2: Our People). We remain committed to maintaining and strengthening a workplace culture in which staff uphold the highest standards of behaviour. Our Code of Conduct sets out requirements for employees and others involved in our activities. We provide avenues for staff to report concerns about breaches of the Code of Conduct, including anonymously.

Key risks

We face a broad range of risks in our day-to-day operations, which are amplified by the scale, complexity and interdependency of the work involved in our transformation agenda. A summary of the key risks that are actively being managed at present, and the approach taken to mitigate them, is provided in Table 3.3.1.

Table 3.3.1: Key Risks

Risk	Approach to managing
<p>Strategic risk – Change delivery Delivery of our core objectives and strategic priorities, given the high volume of concurrent change being imposed on the organisation in response to independent reviews, major renovations to our Head Office and the need to replace our core IT infrastructure.</p>	Strategically prioritise work, continue to enhance our delivery capability, and suitably resource our programs of work to effectively manage change.
<p>People and culture risk – Psychosocial hazards The management of our people, including the psychosocial health and wellbeing of our staff and contractors.</p>	Maintain and improve the safety, health and wellbeing of our employees through the promotion of positive health outcomes and prevention of potential health risks.
<p>Operational risk – Critical technology services resilience The availability and resilience of our critical technology services and operational systems.</p>	Strengthening our systems and operating processes to ensure high standards of service availability required for operating our critically important national payments infrastructure.
<p>Operational risk – Information Security Management Management of security threats to our information systems and technologies.</p>	Building and strengthening our cyber defences and controls to ensure the confidentiality, integrity and availability of information.
<p>Operational Risk – Management of suppliers The management of our third-party and fourth-party contractual obligations to support critical and non-critical operations.</p>	Strengthen our supplier management frameworks and guidance to support the management of third-party and fourth-party engagements.
<p>Strategic risk – Trust and confidence The management of our internal and external communications to build and preserve trust and confidence in our policymaking.</p>	Strengthen our expertise in communications and continue to communicate regularly to the public and media.

Endnotes

- 1 For more information, see RBA (2024), 'Corporate Plan 2024/25'.
- 2 See RBA (2023), 'Risk Management Policy', August.
- 3 Based on our total foreign exchange reserves exposure (including outright holdings of foreign exchange, Special Drawing Rights, gold and the Asian Bond Fund) as at 30 June 2024, a 10 per cent appreciation of the Australian dollar would result in a mark-to-market loss of \$6.2 billion, up slightly from the previous year.

3.4 Earnings, Distribution and Capital

In 2023/24, we recorded an accounting loss of \$4.2 billion. This was due to negative underlying earnings, partially offset by valuation gains on domestic bond and foreign exchange holdings. In accordance with the *Reserve Bank Act 1959*, unrealised gains totalling \$3.0 billion were transferred to the unrealised profits reserve, with the balance of the accounting loss added to accumulated losses.

Earnings and distribution

Our earnings come from two sources: underlying earnings, which include net interest and fee income less operating costs; and valuation gains or losses on our holdings of government bonds and foreign exchange.

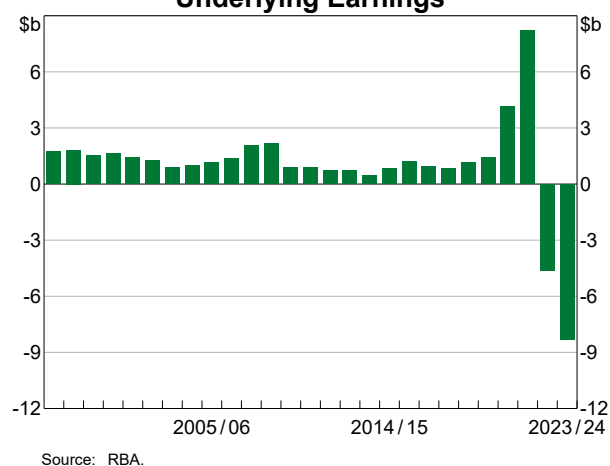
Underlying earnings arise because we earn interest on most of our assets but have historically paid no interest on a large proportion of our liabilities, namely banknotes on issue. With the substantial increase in Exchange Settlement (ES) balances in recent years, our net interest earnings were again negative in 2023/24. Most of our domestic assets earn fixed rates of return (and at the much lower interest rates that prevailed when those assets were acquired), but our interest-bearing liabilities (mainly ES balances) are paid a floating interest rate linked to the official cash rate. This is expected to remain the case for a few more years, but to improve gradually as the assets acquired during the pandemic mature (see Part 2.2: Operations in Financial Markets).

Valuation gains and losses result from movements in exchange rates or changes in the market yields on securities held outright. A depreciation of the Australian dollar or a decline in market yields results in valuation gains, while an appreciation of the Australian dollar or a rise in market yields leads to valuation losses. These gains and losses are realised only when the underlying asset is sold or matures.

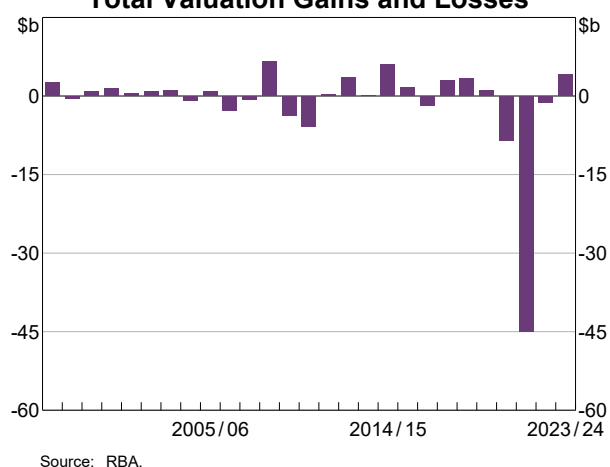
In 2023/24, our accounting loss of \$4.2 billion comprised the following:

- underlying earnings of $-\$8.3$ billion (Graph 3.4.1)
 - as noted above, this net expense reflects payment of a higher interest rate on ES balances than we earn on our portfolio of assets
- net valuation gains of $\$4.2$ billion, largely owing to unrealised gains on domestic government bonds and foreign exchange gains realised from foreign exchange swaps (Graph 3.4.2).

Graph 3.4.1
Underlying Earnings



Graph 3.4.2
Total Valuation Gains and Losses



Capital and reserves

The Reserve Bank Board has a framework for capital that aims to hold a sufficient balance in the Reserve Bank Reserve Fund (RBRF), essentially the RBA's capital, to absorb losses that might reasonably be anticipated. The target balance is set with reference to market risk arising from our portfolio of foreign and domestic securities. A small amount is also assigned to credit risk arising from the very small exposures to commercial banks that are not collateralised. Given the policy reasons that underpin our holdings of domestic and foreign assets, we have limited discretion to manage market risk on these assets. Accordingly, we accept that capital could, at times, be below target or possibly negative, owing to movements in interest and exchange rates.

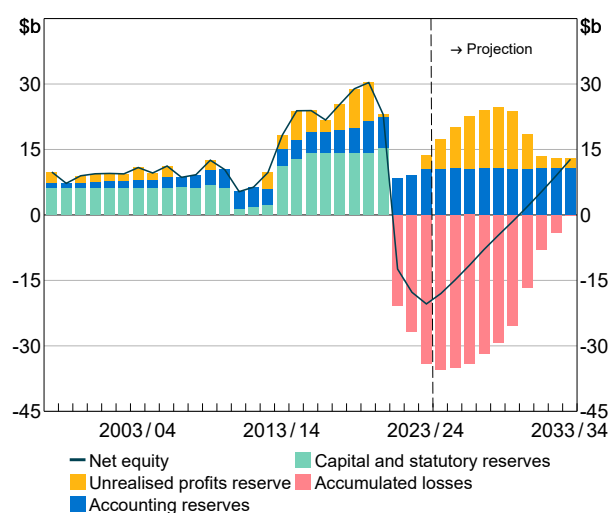
The targeted amount for the RBRF is not a minimum level of capital that needs to be maintained at all times. Rather, it is a benchmark for the Board to consider when providing advice to the Treasurer regarding the RBA's capital and dividends. As at 30 June 2024, the RBRF target was \$20.1 billion, compared with an actual balance of nil (and accumulated losses recorded elsewhere on the balance sheet of \$34 billion).

We also maintain several other financial reserves:

- the balance in the unrealised profits reserve represents accumulated unrealised valuation gains on holdings of securities and foreign exchange
- asset revaluation reserves comprise accumulated valuation gains on our non-traded assets, such as gold holdings and property.

As at 30 June 2024, we were in a negative equity position of \$20.4 billion, as accumulated losses on our balance sheet exceeded the combined balance of other reserves (Graph 3.4.3). The Reserve Bank Board's judgement remains that negative equity does not affect the RBA's ability to operate effectively or perform its functions, but that it is important that the equity position is restored over time.

Graph 3.4.3
Equity*



* Projections reflect market interest rate expectations and exchange rates from June 2024 and a passive unwind of the RBA's domestic bond portfolio. Future distributable earnings are assumed to offset accumulated losses, but such transfers are formally determined by the Treasurer each year.

Source: RBA.

Restoring the RBA's equity can be achieved by retaining profits over the years ahead. Now that funds lent under the Term Funding Facility have been repaid and most of our domestic bonds are carried at a discount to their face value (such that realised capital gains are expected as these bonds mature), our earnings outlook is more favourable.

Nevertheless, future earnings remain highly uncertain, owing to the continued mismatch between fixed returns on most of our assets and the variable rate paid on a large portion of our liabilities, notably ES balances. If market expectations (as at June 2024) for the cash rate are realised, negative equity is likely to persist for several years (though will gradually diminish from 2024/25). A return to the target for the RBRF is not expected for a further decade or so.

The Board has communicated its strong expectation to the Australian Government that future distributable earnings would be applied, in full, to offsetting the accumulated losses and then restoring the balance of the RBRF to the Board's target. In response, the Treasurer has endorsed the Board's approach to restoring the equity position over time, while noting any retention of earnings remains at the discretion of the Treasurer in terms of the *Reserve Bank Act 1959*. The Treasurer has also expressed agreement with the Board's judgement that the negative equity position is not affecting the RBA's ability to operate effectively or perform its functions.



Part 4:

Financial Statements

Wamba Wamba Country
Sea Lake, Lake Tyrrell
Victoria

Reserve Bank of Australia Financial Statements

For the year ended 30 June 2024

Statement of Assurance

In the opinion of the Governor, as the accountable authority of the Reserve Bank of Australia (RBA), and the Acting Chief Financial Officer, the financial statements for the year ended 30 June 2024 present fairly the Reserve Bank's financial position, financial performance and cash flows, comply with the accounting standards and any other requirements prescribed by the rules made under section 42 of the *Public Governance, Performance and Accountability Act 2013* and have been prepared from properly maintained financial records. These financial statements were approved by a resolution of the Reserve Bank Board on 24 September 2024.



Michele Bullock

Governor and Chair, Reserve Bank Board



Sam Tomaras

Acting Chief Financial Officer

25 September 2024

Statement of Financial Position

as at 30 June 2024

Reserve Bank of Australia and Controlled Entity

	Note	2024 \$M	2023 \$M
Assets			
Cash and cash equivalents	6	439	664
Australian dollar investments	1(b), 15	312,813	504,363
Foreign currency investments	1(b), 15	89,536	83,705
Gold	1(d), 15	9,035	7,406
Property, plant and equipment	1(e), 8	597	619
Other assets	7	1,320	1,345
Total assets		413,740	598,102
Liabilities			
Deposits	1(b), 9	318,229	497,790
Distribution payable to the Commonwealth	1(h), 3	–	–
Australian banknotes on issue	1(b)	100,765	101,285
Other liabilities	10	15,139	16,755
Total liabilities		434,133	615,830
Net (Liabilities)/Assets		(20,393)	(17,728)
Equity			
Reserves:			
– Unrealised profits reserve	1(g)	3,015	–
– Asset revaluation reserves	1(g), 5	9,648	8,045
– Superannuation reserve	1(g)	860	975
– Reserve Bank Reserve Fund	1(g)	–	–
Accumulated Losses	1(g)	(33,956)	(26,788)
Capital	1(g)	40	40
Total Equity		(20,393)	(17,728)

The above statement should be read in conjunction with the accompanying Notes.

Statement of Comprehensive Income

for the year ended 30 June 2024

Reserve Bank of Australia and Controlled Entity

	Note	2024 \$M	2023 \$M
Net interest income	2	(7,772)	(4,252)
Fees and commission income	2	213	225
Other income	2	162	168
Net gains/(losses) on securities and foreign exchange	2	4,166	(1,321)
General administrative expenses	2	(584)	(516)
Other expenses	2	(338)	(256)
Net Profit/(Loss)		(4,153)	(5,952)
<i>Gains/(losses) on items that may be reclassified to profit or loss:</i>			
– Gold		1,629	634
		1,629	634
<i>Gains/(losses) on items that will not be reclassified to profit or loss:</i>			
– Property		(50)	(141)
– Superannuation		(115)	147
– Shares in international and other institutions		24	27
		(141)	33
Other Comprehensive Income		1,488	667
Total Comprehensive Income		(2,665)	(5,285)

The above statement should be read in conjunction with the accompanying Notes.

Statement of Distribution

for the year ended 30 June 2024

Reserve Bank of Australia and Controlled Entity

	Note	2024 \$M	2023 \$M
Net profit/(loss)		(4,153)	(5,952)
Transfer (to)/from unrealised profits reserve		(3,015)	–
Transfer from asset revaluation reserves		0	–
Earnings available for distribution		(7,168)	(5,952)
<i>Distributed as follows:</i>			
Transfer to Reserve Bank Reserve Fund		–	–
Transfer to accumulated losses		(7,168)	(5,952)
Payable to the Commonwealth	3	–	–
		(7,168)	(5,952)

The above statement should be read in conjunction with the accompanying Notes.

Statement of Changes in Equity

for the year ended 30 June 2024

Reserve Bank of Australia and Controlled Entity

	Note	Earnings available for distribution \$M	Unrealised profits reserve \$M	Asset revaluation reserves \$M	Superannuation reserve \$M	Reserve Bank Reserve Fund \$M	Accumulated losses \$M	Capital \$M	Total equity \$M
Balance as at 30 June 2022		–	–	7,525	828	–	(20,836)	40	(12,443)
Net Profit/(Loss)	1(h)	(5,952)	–						(5,952)
Gains/(losses) on:									
– Gold	1(d), 5			634					634
– Shares in international and other institutions	1(b), 5			27					27
– Property	1(e), 5			(141)					(141)
– Superannuation	1(j)				147				147
Other comprehensive income				520	147				667
Total comprehensive income for 2022/23									(5,285)
Transfer from asset revaluation reserves	1(g), 3	–		–					–
Transfer from Reserve Bank Reserve Fund		–				–			–
Transfer to accumulated losses		5,952					(5,952)		–
Transfer to distribution payable to the Commonwealth	1(h), 3	–							–
Balance as at 30 June 2023		–	–	8,045	975	–	(26,788)	40	(17,728)
Net Profit/(Loss)	1(h)	(7,168)	3,015						(4,153)
Gains/(losses) on:									
– Gold	1(d), 5			1,629					1,629
– Shares in international and other institutions	1(b), 5			24					24

Statement of Changes in Equity *(continued)*

for the year ended 30 June 2024

Reserve Bank of Australia and Controlled Entity

	Note	Earnings available for distribution \$M	Unrealised profits reserve \$M	Asset revaluation reserves \$M	Superannuation reserve \$M	Reserve Bank Reserve Fund \$M	Accumulated losses \$M	Capital \$M	Total equity \$M
– Property	1(e), 5			(50)					(50)
– Superannuation	1(j)				(115)				(115)
Other comprehensive income				1,603	(115)				1,488
Total comprehensive income for 2023/24									(2,665)
Transfer from asset revaluation reserves	1(g), 3	0		(0)					–
Transfer from Reserve Bank Reserve Fund		–				–			–
Transfer to accumulated losses		7,168					(7,168)		–
Transfer to distribution payable to the Commonwealth	1(h), 3	–							–
Balance as at 30 June 2024		–	3,015	9,648	860	–	(33,956)	40	(20,393)

The above statement should be read in conjunction with the accompanying Notes.

Cash Flow Statement

for the year ended 30 June 2024

For the purposes of this statement, cash includes overnight settlement balances due from other banks.

Reserve Bank of Australia and Controlled Entity

	Note	2024 Inflow/(outflow) \$M	2023 Inflow/(outflow) \$M
Cash flows from operating activities			
Interest received		11,246	10,364
Interest paid		(18,629)	(13,317)
Net fee income received		68	93
Net payments for investments		185,190	20,250
Net cash collateral received		2,636	309
Net movement in deposit liabilities		(179,561)	(15,967)
Net movement in banknotes on issue		(520)	(1,060)
Other		(611)	(407)
Net cash from operating activities	6	(181)	265
Cash flows from investment activities			
Net payments for property, plant and equipment		(16)	(67)
Net payments for computer software		(9)	(10)
Other		0	0
Net cash from investment activities		(25)	(77)
Cash flows from financing activities			
Distribution to the Commonwealth	3	–	–
Other		(19)	(6)
Net cash from financing activities		(19)	(6)
Net increase/(decrease) in cash		(225)	182
Cash at beginning of financial year		664	482
Cash at end of financial year	6	439	664

The above statement should be read in conjunction with the accompanying Notes.

'Net movement in deposit liabilities' and 'Net movement in banknotes on issue' have been reclassified as 'Cash flows from operating activities' to better reflect their nature. Previously, these balances were reported as part of 'Cash flow from financing activities'. Corresponding changes have also been made in Note 6.

Notes to and Forming Part of the Financial Statements

Reserve Bank of Australia and Controlled Entity

Note 1 – Accounting Policies

The RBA reports its consolidated financial statements in accordance with the *Reserve Bank Act 1959* and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). These financial statements for the year ended 30 June 2024 are a general purpose financial report prepared under Australian Accounting Standards (AAS) and accounting interpretations issued by the Australian Accounting Standards Board, in accordance with the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*, which is issued pursuant to the PGPA Act. The RBA is classified as a for-profit public sector entity for the purposes of financial disclosure. These financial statements comply with International Financial Reporting Standards. Unless otherwise stated in Note 1(p), the RBA has not 'early adopted' any new accounting standards or amendments to current standards that apply from 1 July 2024 in preparing these financial statements.

All amounts in these financial statements are expressed in Australian dollars, the functional and presentational currency of the RBA. All revenues and expenses are brought to account on an accruals basis.

Management has used judgement and assumptions in the application of the RBA's accounting policies and in determining accounting estimates. Information on key assumptions is provided in the relevant notes to these financial statements, including provisions for employee benefits (Note 1(i)), the defined benefit superannuation obligation (Note 14), valuation of the RBA's property (Note 8), and its assessment of expected credit losses on its financial instruments (Note 15). Management do not consider that the current uncertainty around these estimates and assumptions has had a material impact on the RBA's overall financial position and performance at 30 June 2024.

Going concern

These financial statements are prepared on a going concern basis.

As at 30 June 2024, the RBA's liabilities exceeded its assets by \$20.4 billion (\$17.7 billion at 30 June 2023). The net liability position mainly reflects:

- valuation losses recorded on the RBA's holding of Australian dollar government bonds, which resulted from the significant rise in bond yields since 2021/22 (these bonds were purchased as part of the RBA's policy response to the COVID-19 pandemic, including under the Bond Purchase Program and as part of achieving a target for the yield on the three-year Australian Government bond)
- negative net interest income as increases in the domestic cash rate since 2022/23 resulted in the floating interest rate paid on most of the RBA's liabilities, namely Exchange Settlement balances, becoming higher than the fixed interest rate earned on the RBA's domestic assets.

The Governor and Reserve Bank Board are of the view that the RBA will continue to operate effectively, and in accordance with its functions and objectives set out in the Reserve Bank Act and in the *Statement on the Conduct of Monetary Policy*.

The RBA's liabilities are guaranteed by the Australian Government under section 77 of the Reserve Bank Act. As a central bank, the RBA also has the ability to create liquidity to meet its liabilities as and when they fall due and has substantial liabilities (in the form of banknotes on issue) that have a zero funding cost.

Additional information on the RBA's capital is provided in Part 3.4: Earnings, Distribution and Capital.

(a) Consolidation

The financial statements show information for the economic entity only; this reflects the consolidated results for the parent entity, the RBA, and its wholly owned subsidiary, Note Printing Australia Limited (NPA). The results of the parent entity do not differ materially from the economic entity and have therefore not been separately disclosed.

Note Printing Australia Limited Balance Sheet

	2024 \$M	2023 \$M
Assets	198.0	195.0
Liabilities	44.2	52.5
Equity	153.8	142.5

The assets, liabilities and results of NPA have been consolidated with the accounts of the parent entity in accordance with AASB 10 – *Consolidated Financial Statements*. All internal transactions and balances have been eliminated on consolidation. These transactions include items relating to the purchase of Australian banknotes, lease of premises and the provision of premises and security services.

(b) Financial instruments

A financial instrument is defined as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The RBA accounts for its financial instruments in accordance with AASB 9 – *Financial Instruments* and reports these instruments under AASB 7 – *Financial Instruments: Disclosures* and AASB 13 – *Fair Value Measurement*.

The RBA brings its securities, foreign exchange and derivative transactions to account on a trade date basis. Deposits, repurchase agreements and gold swaps are brought to account on settlement date.

Financial assets

Australian dollar securities

Australian dollar securities, except those held under reverse repurchase agreements, are measured at fair value through profit or loss, as they are held to implement monetary policy and may be sold or lent, typically for short terms, under repurchase agreements. The securities are valued at market bid prices on balance date; valuation gains or losses are taken to profit. Interest earned on securities is accrued as revenue.

Reverse repurchase agreements

In carrying out operations to manage domestic liquidity and foreign reserves, the RBA enters into reverse repurchase agreements in Australian dollar and foreign currency securities. Reverse repurchase agreements were also used to provide funding via the Term Funding Facility.

A reverse repurchase agreement involves the purchase of securities with an undertaking to reverse this transaction at an agreed price on an agreed future date. As a reverse repurchase agreement provides the RBA's counterparties with cash for the term of the agreement, the RBA treats it as an asset by recording a cash receivable. Reverse repurchase agreements are measured at amortised cost. Interest earned is accrued over the term of the agreement at either a fixed or floating rate and recognised as revenue.

RBA open repurchase agreements are available to assist eligible financial institutions manage their liquidity after normal business hours. An RBA open repurchase agreement is an Australian dollar reverse repurchase agreement without an agreed maturity date. Interest on open repurchase agreements is accrued daily and paid monthly.

Gold borrowed under gold swaps

Gold swaps are available to assist with domestic liquidity management and to enhance the return on the RBA's gold holdings.

Gold swaps involving the purchase of gold include an undertaking to reverse this transaction at an agreed price on an agreed future date. As these gold swaps provide the RBA's counterparty with cash for the term of the agreement, the RBA treats it as an asset by recording a cash receivable. Gold swaps are measured at amortised cost. The difference in agreed gold prices for the first and second legs is accrued over the term of the swap and recognised as interest income. Gold borrowed under a swap agreement is not recognised on the RBA's balance sheet, as the predominant risk and reward of ownership, including exposure to any movement in the market price of gold, remains with the counterparty.

Foreign government securities

Foreign government securities, except those held under reverse repurchase agreements, are measured at fair value through profit or loss, as they are available to be traded in managing the portfolio of foreign reserves. These securities are valued at market bid prices on balance date and valuation gains or losses are taken to profit. Interest earned on securities is accrued as revenue.

Foreign deposits

Some foreign currency reserves are invested in deposits with central banks and the Bank for International Settlements (BIS), while small working balances are also maintained with a small number of commercial banks. Deposits are measured at amortised cost. Interest is accrued over the term of deposits.

Foreign currency swaps

The RBA uses foreign exchange swaps in managing foreign reserve assets and Australia's foreign currency commitments as a member of the International Monetary Fund (IMF). These may also be used to assist with domestic liquidity management.

A foreign exchange swap is the simultaneous purchase and sale of one currency against another currency for a specified maturity. The cash flows are the same as borrowing one currency for a certain period and lending another currency for the same period. The pricing of the swap therefore reflects the interest rates applicable to these transactions. Interest rates are implicit in the swap contract but interest itself is not paid or received. Foreign exchange swaps are measured at fair value through profit or loss.

Foreign currency swaps are reported within 'Foreign currency investments'. Any gains or losses are reported within net gains/(losses) on securities and foreign exchange.

Bond futures

The RBA uses bond futures contracts on overseas exchanges to manage interest rate risk on its portfolio of foreign assets. Bond futures positions are measured at fair value through profit or loss with valuation gains or losses taken to net profit. Futures positions are reported within 'Foreign currency investments'.

Special Drawing Rights

Special Drawing Rights (SDR) are an international reserve asset created by the IMF to supplement the official foreign reserves of its member countries. It is a potential claim on the freely usable currencies of IMF members. The SDR is not a currency, but its value is based on a basket of five currencies – the US dollar, the euro, the Chinese renminbi, the Japanese yen, and the British pound sterling. The RBA's SDR holdings are translated into Australian dollar equivalents at the rate prevailing on balance date. Valuation gains or losses are taken to net profit. SDR holdings are reported within 'Foreign currency investments'.

Asian Bond Fund 2 (ABF2)

Through its participation in the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) Asian Bond Fund, the RBA invests in a number of non-Japan Asian debt markets. This investment comprises units in ABF2, which invests in local currency-denominated bonds issued by sovereign and quasi-sovereign issuers in EMEAP markets. ABF2 is measured at fair value through profit or loss and is valued on balance date at the relevant unit price of the fund, with valuation gains or losses taken to profit. ABF2 is reported within 'Foreign currency investments'.

Shareholding in the Bank for International Settlements (BIS)

Shares in the BIS are owned exclusively by the central banks and monetary authorities that are its members, including the RBA. The RBA has made an election to designate its shareholding in the BIS at fair value through other comprehensive income, as permitted under AASB 9. The shareholding is measured at fair value and valuation gains or losses are transferred directly to the revaluation reserve for 'Shares in international and other institutions' (Note 5). An uncalled portion of this shareholding is disclosed as a contingent liability in Note 11. Dividends are recognised as revenue in net profit, when declared.

Financial liabilities

Deposit liabilities

Deposits held with the RBA include Exchange Settlement balances, Australian and state government deposits and deposits from foreign official institutions and international organisations (Note 9). Deposit liabilities are measured at amortised cost. Interest is accrued over the term of deposits and is paid periodically or at maturity. Interest accrued on deposits not yet paid is included in Note 10.

Australian banknotes on issue

Banknotes on issue are recorded at face value.

The RBA pays interest on working balances of banknotes held by banks under cash distribution arrangements (see Note 4). Costs related to materials used in the production of banknotes are included in 'Other expenses' in Note 2.

Repurchase agreements

A repurchase agreement involves the sale of securities with an undertaking to repurchase them on an agreed future date at an agreed price. Securities sold and contracted for repurchase under repurchase agreements are retained on the balance sheet and reported within the relevant investment portfolio (see 'Australian dollar securities' and 'Foreign government securities', above). The counterpart obligation to repurchase the securities is reported in 'Other liabilities' (Note 10) and measured at amortised cost. The difference between the sale and purchase price is accrued over the term of the agreement and recognised as interest expense.

Gold loaned under gold swaps

Gold swaps involving the sale of gold include an undertaking to reverse this transaction at an agreed price on an agreed future date. Gold sold under gold swaps is retained on the balance sheet and reported within 'Gold holdings' (Note 1(d)). The counterpart obligation to repurchase the gold is reported in 'Other liabilities' (Note 10) and measured at amortised cost. The difference in agreed gold prices for each leg is accrued over the term of the swap and recognised as interest expense.

(c) Foreign exchange translation

Assets and liabilities denominated in foreign currency are converted to Australian dollar equivalents at the relevant market exchange rate on balance date in accordance with AASB 121 – *The Effects of Changes in Foreign Exchange Rates*. Valuation gains or losses on foreign currency are taken to net profit. Interest revenue and expenses and revaluation gains and losses on foreign currency investments are converted to Australian dollars using exchange rates on the date they are accrued or recognised.

(d) Gold

Gold holdings (including gold sold under gold swaps or on loan to other institutions) are valued at the Australian dollar equivalent of the 3:00 pm fix in the London gold market on balance date. Valuation gains or losses on gold are transferred to the asset revaluation reserve for gold.

In addition to gold swaps (Note 1(b)), the RBA also lends gold to institutions that participate in the gold market under gold loan agreements. Similar to gold swaps, gold provided under a loan is retained on the balance sheet. Interest is accrued over the term of the loan and is paid at maturity. The interest receivable on gold loans is accounted for in accordance with AASB 9.

(e) Property, plant and equipment

The RBA accounts for property, plant and equipment it owns in accordance with AASB 116 – *Property, Plant and Equipment* and AASB 13. Property, plant and equipment held under lease arrangements, including overseas and interstate representative offices and certain computer hardware, are accounted for under AASB 16 – *Leases*.

Expenditure, revaluation adjustments and depreciation of property, plant and equipment, including leased assets, are included in Note 8.

Property

The RBA measures its property at fair value. The RBA's Australian properties are formally valued biennially by an independent valuer, with the most recent valuation conducted in 2022/23; overseas properties are independently valued on a triennial basis, with the most recent valuation conducted in 2021/22. Between obtaining independent valuations, carrying values are reviewed by management to ensure that they remain appropriate. Reflecting their specialised nature, fair value for the RBA's Business Resumption Site and National Banknote Site is based on depreciated replacement cost. Valuation gains (losses) are generally transferred to (absorbed by) the asset revaluation reserve of each respective property. Any part of a valuation loss that exceeds the balance in the relevant asset revaluation reserve is expensed. Subsequent valuation gains that offset losses that were previously treated as an expense are recognised as income in net profit.

Annual depreciation is calculated on a straight-line basis using assessments of the remaining useful life of the relevant building.

Plant and equipment

Plant and equipment is valued at cost less accumulated depreciation. Annual depreciation is calculated on a straight-line basis using the RBA's assessment of the remaining useful life of individual assets.

Standard Useful Life for Each Class of Depreciable Asset

	Years
Buildings	15–50
Fit-out	5–10
Computer hardware	4
Motor vehicles	5
Plant and other equipment	4–20

Leased assets

Leased assets are measured at cost, which is equivalent to the lease liability (see Note 1(l)) adjusted by any initial direct costs, less accumulated depreciation. Annual depreciation is calculated on a straight-line basis using the length of the lease term.

(f) Computer software

Computer software is reported in accordance with AASB 138 – *Intangible Assets*. Computer software is recognised at cost less accumulated amortisation and impairment adjustments, if any (see Note 7). Amortisation of computer software is calculated on a straight-line basis over the estimated useful life of the relevant asset, usually for a period of between four and six years (see Note 7). The useful life of payments systems and core banking software may be for a period of between 10 and 15 years, reflecting the period over which future economic benefits are expected to be realised from these assets.

(g) Capital and reserves

The capital of the Reserve Bank is established by the Reserve Bank Act.

The Reserve Bank Reserve Fund (RBRF) is also established by the Reserve Bank Act and is regarded essentially as capital. The RBRF is a reserve maintained to provide for events that are contingent and not foreseeable, including to cover losses from falls in the market value of the RBA's holdings of Australian dollar

and foreign currency investments that cannot be absorbed by its other resources. The RBRF also provides for other risks such as operational risk. In accordance with the Reserve Bank Act, this reserve is funded only by transfers from net profits, as determined by the Treasurer, after consulting the Reserve Bank Board (see Note 1(h)). The Board assesses the adequacy of the balance of the RBRF each year (see Part 3.4: Earnings, Distribution and Capital).

The RBA's equity also includes a number of other reserves:

- Unrealised gains and losses on foreign exchange, foreign securities and Australian dollar securities are recognised in net profit. Such gains or losses are not available for distribution and are transferred to the unrealised profits reserve, where they remain available to absorb future unrealised losses or become available for distribution if gains are realised when assets are sold or mature.
- The balance of the superannuation reserve represents accumulated remeasurement gains or losses on the RBA's defined benefit superannuation obligations (Note 1(j)).
- Balances of asset revaluation reserves reflect differences between the fair value of non-traded assets and their cost. These assets are: gold; property held outright; and shares in international and other institutions. Valuation gains on these assets are not distributable unless an asset is sold and these gains are realised.

Accumulated losses represent losses, as calculated under section 30 of the Reserve Bank Act (see Note 1(h)), which could not be absorbed by the RBRF.

(h) Net profits

Net profits of the RBA are dealt with in the following terms by section 30 of the Reserve Bank Act:

1. Subject to subsection (2), the net profits of the Bank in each year shall be dealt with as follows:
 - (aa) such amount as the Treasurer, after consultation with the Reserve Bank Board, determines is to be set aside for contingencies; and
 - (a) such amount as the Treasurer, after consultation with the Reserve Bank Board, determines shall be placed to the credit of the Reserve Bank Reserve Fund; and
 - (b) the remainder shall be paid to the Commonwealth.

2. If the net profit of the Bank for a year is calculated on a basis that requires the inclusion of unrealised gains on assets during the year, the amount to which subsection (1) applies is to be worked out as follows:
- (a) deduct from the net profit an amount equal to the total of all amounts of unrealised gains included in the net profit; and
 - (b) if an asset in respect of which unrealised gains were included in the net profit for a previous year or years is realised during the year – add to the amount remaining after applying paragraph (a) the total amount of those unrealised gains.

Where the application of subsection (2) above results in an accumulated loss position within the unrealised profits reserve, such losses are first absorbed by other components of net profit and then by the Reserve Bank Reserve Fund, to the extent possible; remaining losses are reflected in accumulated losses (Note 1(g)).

(i) Provisions for employee benefits entitlements

In accordance with AASB 119 – *Employee Benefits*, the RBA records provisions for certain employee benefit entitlements, including accrued annual and long service leave and post-employment health insurance benefits. These provisions reflect the present value of the estimated future cost to meet those entitlements, including any applicable fringe benefit or payroll taxes and, in the case of leave entitlements, future leave accrual and superannuation contributions to the extent that any leave is assumed to be taken during service. The estimated future cost of these entitlements is discounted to its present value using yields on highly rated Australian dollar denominated corporate bonds. Leave provisions are calculated using assumptions for length of employee service, leave utilisation and future salary. The provision for post-employment health insurance benefits is estimated using assumptions about the length of employee service, longevity of retired employees and future movements in health insurance costs. This post-employment benefit ceased to be available for new employees appointed after 30 June 2013.

Further details on employee benefit provisions are included in Note 10.

(j) Superannuation fund

The RBA includes in its Statement of Financial Position an asset or liability representing the position of its defined benefit superannuation fund measured in accordance with AASB 119. Movements in the superannuation asset or liability are reflected in the Statement of Comprehensive Income. Remeasurement gains and losses are transferred to the superannuation reserve.

Details of the superannuation fund and superannuation expenses are included in Note 14.

(k) Committed Liquidity Facility

The RBA has at times made available a Committed Liquidity Facility (CLF) to eligible authorised deposit-taking institutions (ADIs). Any fees received from providing the CLF are recognised as fee income in net profit.

(l) Lease liabilities

Lease liabilities are measured at the present value of the remaining lease payments (see Note 10). The lease liability is subsequently remeasured where there is a change in the lease term or future lease payments. Lease payments in relation to new leases with a lease term of 12 months or less and leases for low-value assets are expensed on a straight-line basis over the lease term.

(m) Revenue from contracts with customers

In the course of its operations, the RBA enters into contracts for the provision of goods and services. These include: contracts for the provision of banking and payment services to the Australian Government, overseas central banks and official institutions; the provision of the CLF for participating ADIs (see Note 1(k)); and, in the case of the RBA's subsidiary, banknote and security products to overseas central banks.

Revenue is recognised on a gross basis at the point the contracted performance obligation is satisfied, as required by AASB 15 – *Revenue from Contracts with Customers*. In the case of banking and payment services, revenue is recognised upon the completion of the provision of service. Revenue from the sale of banknote and security products is recognised at the point at which the product is accepted, and CLF fee income is recognised over the period the facility is provided.

Where the right to consideration for the completion of the performance obligation under the contract becomes unconditional, a receivable is recognised in the Statement of Financial Position; a contract asset is recorded when this right remains conditional (see Note 7). Where a performance obligation under a contract remains unsatisfied, but consideration has been received, the RBA reports this as an unearned contract liability (see Note 10).

(n) Rounding

Amounts in the financial statements are rounded to the nearest million dollars unless otherwise stated.

(o) Comparative information

Certain comparative information may be reclassified where required for consistency with the current year presentation.

(p) Application of new or revised Australian Accounting Standards

New Australian Accounting Standards and amendments made to existing standards that apply to the RBA's financial statements in the current and future financial years are not expected to have a material impact on the RBA. However, management is still in the process of assessing the impact of AASB 18 – *Presentation and Disclosure in Financial Statements*, which was issued in June 2024 and replaces AASB 101 – *Presentation of Financial Statements* (applicable to the RBA's financial statements from the 2027/28 reporting period).

Note 2 – Net Profit

Net Profit

	Note	2024 \$M	2023 \$M
Net interest income			
Interest income	1(b), 4	10,653	10,672
Interest expense	1(b), 4	(18,425)	(14,924)
		(7,772)	(4,252)
Fees and commissions income			
Committed Liquidity Facility	1(k), 1(m)	–	44
Banking services	1(m)	164	138
Payment services	1(m)	49	43
		213	225
Other income			
	1(b), 1(m)	162	168
Net gains/(losses) on securities and foreign exchange			
Foreign investments	1(b)	128	(73)
Australian dollar securities	1(b)	3,198	(4,360)
Foreign currency	1(b)	840	3,112
		4,166	(1,321)
General administrative expenses			
Salaries, wages and on-costs		(348)	(304)
Net gains/(losses) on employee provisions		4	1
Superannuation costs	1(j)	(19)	(28)
Depreciation of property, plant and equipment	1(e), 8	(46)	(53)
Amortisation of computer software	1(f), 7	(19)	(20)
Premises and equipment		(130)	(90)
Other		(26)	(22)
		(584)	(516)
Other expenses			
Banking service fees		(145)	(120)
Materials used in banknote and security products		(88)	(72)
Other		(105)	(64)
		(338)	(256)
Net Profit/(Loss)		(4,153)	(5,952)

Note 3 – Distribution Payable to the Commonwealth

Section 30 of the Reserve Bank Act requires that the net profits of the RBA, less amounts transferred to the RBRF as determined by the Treasurer, shall be paid to the Commonwealth (see Note 1(h)). Also under section 30, unrealised profits are not available for distribution. Instead, they are transferred to the unrealised profits reserve, where they remain available to absorb future valuation losses or are realised when relevant assets are sold or mature. Unrealised losses are, in the first instance, absorbed within the unrealised profits reserve, where they are offset against unrealised profits accumulated from previous years. If such losses exceed the balance of the unrealised profits reserve, the amount by which they do so is initially charged against other components of net profit and then the RBRF, to the extent of the available balance in this reserve. Any remaining loss is transferred to accumulated losses.

In 2023/24, the RBA recorded an accounting loss of \$4,153 million. Unrealised gains of \$3,015 million were transferred to the unrealised profits reserve, with the balance of the accounting loss transferred to accumulated losses, given the RBRF was fully depleted by prior year losses. No dividend was payable to the Commonwealth.

Distribution Payable to the Commonwealth

	2024 \$M	2023 \$M
Opening balance	–	–
Distribution to the Commonwealth	–	–
Transfer from Statement of Distribution	–	–
As at 30 June	–	–

Note 4 – Interest Income and Interest Expense

Analysis for the year ended 30 June 2024

	Average balance	Interest	Average annual interest rate
	\$M	\$M	Per cent
Interest income			
Foreign currency investments	75,940	1,899	2.5
Australian dollar investments	430,014	8,693	2.0
Overnight settlements	514	21	4.1
Cash collateral provided	95	4	4.1
Gold loans	34	0	0.1
Gold borrowed under gold swaps	613	33	5.3
Loans, advances and other	48	3	5.0
	507,258	10,653	2.1
Interest expense			
Exchange Settlement balances	351,869	14,651	4.2
Deposits from governments	78,355	3,364	4.3
Deposits from overseas institutions	1,539	41	2.7
Banknote holdings of banks	3,301	138	4.2
Foreign currency repurchase agreements	2,385	107	4.5
Australian dollar repurchase agreements	1,797	71	3.9
Gold loaned under gold swaps	321	(1)	(0.3)
Cash collateral received	1,250	54	4.3
	440,817	18,425	4.2
Net interest margin			(1.5)
Analysis for the year ended 30 June 2023			
Interest income	605,003	10,672	1.8
Interest expense	526,789	14,924	2.8
Net interest margin			(0.7)

Interest income for 2023/24 includes \$1,342 million calculated using the effective interest method for financial assets not at fair value through profit or loss (\$1,042 million in 2022/23). Interest expense for 2023/24 includes \$18,425 million calculated using the effective interest method for financial liabilities not at fair value through profit or loss (\$14,924 million in 2022/23).

Note 5 – Asset Revaluation Reserves

The composition of the RBA's asset revaluation reserves (Note 1(g)) is shown below.

Asset Revaluation Reserves

	Note	2024 \$M	2023 \$M
Gold	1(d)	8,907	7,278
Shares in international and other institutions	1(b), 7	542	518
Property	1(e), 8	199	249
As at 30 June		9,648	8,045

Note 6 – Cash and Cash Equivalents

Cash and Cash Equivalents

	2024 \$M	2023 \$M
Cash	32	54
Overnight settlements	407	610
As at 30 June	439	664

Cash and cash equivalents include net amounts of \$407 million owed to the RBA for overnight clearances of financial transactions through the payments system (\$610 million at 30 June 2023). Other cash and cash equivalents include NPA's bank deposits.

Cash and cash equivalents exclude Australian and foreign short-term investments held to implement monetary policy or as part of Australia's foreign reserve assets. These investments are disclosed as Australian dollar investments and foreign currency investments, respectively; further detail is disclosed in Note 15.

Reconciliation of Net Cash Used in Operating Activities to Net Profit

	Note	2024 \$M	2023 \$M
Net Profit		(4,153)	(5,952)
Net (gain)/loss on overseas investments	2	(128)	73
Net (gain)/loss on Australian dollar securities	2	(3,198)	4,360
Net (gain)/loss on foreign currency	2	(840)	(3,112)
Depreciation of property, plant and equipment	2	46	53
Amortisation of computer software	2	19	20
Net payments for investments		185,190	20,250
Net movement in interest receivable		770	(50)
Net movement in interest payable		(380)	1,349
Net movement in deposit liabilities		(179,562)	(15,967)
Net movement in banknotes on issue		(520)	(1,060)
Cash collateral received		2,636	309
Other		(61)	(8)
Net cash used in operating activities		(181)	265

Note 7 – Other Assets

Other Assets

	Note	2024 \$M	2023 \$M
Shareholding in Bank for International Settlements	1(b)	585	561
Superannuation asset	1(j), 14	496	592
Computer software	1(f)	63	73
Other		176	119
As at 30 June		1,320	1,345

At 30 June 2024, the gross book value of the RBA's computer software amounted to \$210.6 million and the accumulated amortisation on these assets was \$147.8 million (\$203.3 million and \$130.7 million, respectively, at 30 June 2023). During 2023/24, there were \$9.1 million in net additions to computer software (\$6.3 million in 2022/23) and \$18.9 million in amortisation expense (\$20.0 million in 2022/23).

The RBA had no material contractual commitments for the acquisition of computer software at 30 June 2024 or 30 June 2023.

Other assets include receivables of \$46.7 million at 30 June 2024 (\$34.6 million at 30 June 2023).

There were no contract assets at 30 June 2024 or 30 June 2023 (Note 1(m)).

Note 8 – Property, Plant and Equipment

Property, Plant and Equipment

	Land and buildings \$M	Plant and equipment \$M	Leased assets \$M	Total \$M
Gross Book Value as at 30 June 2023	488	375	32	895
Accumulated depreciation	(1)	(255)	(20)	(276)
Net Book Value	487	120	12	619
Additions	22	29	58	109
Disposals	–	(1)	(0)	(1)
Depreciation expense	(4)	(28)	(14)	(46)
Other transfers to Net Profit/(Loss)	(34)	–	–	(34)
Net gain/(loss) recognised in Net Profit/(Loss)	–	0	–	0
Net gain/(loss) recognised in Other Comprehensive Income	(50)	–	–	(50)
Net additions to net book value	(66)	0	44	(22)
Gross Book Value as at 30 June 2024	425	357	85	867
Accumulated depreciation	(4)	(237)	(29)	(270)
Net Book Value	421	120	56	597

The net book value of the RBA's property, plant and equipment includes \$86.7 million of work in progress (\$91.4 million at 30 June 2023). The net book value of leased assets at 30 June 2024 includes \$24.6 million in property and \$31.4 million in plant and equipment (\$9.9 million and \$2.3 million, respectively,

at 30 June 2023). Other transfers to net profit/(loss) relates to capital expenditure from prior periods that was transferred from work in progress to net profit/(loss) owing to a change in scope and approach for the RBA's Head Office renovation project.

As at 30 June 2024, the RBA had contractual commitments of \$15.1 million for acquisitions relating to its property, plant and equipment (\$167.4 million at 30 June 2023), of which \$14.5 million are due within one year (\$57.8 million at 30 June 2023). The decline since 30 June 2023 relates to a change in the scope and approach of the RBA's Head Office renovation

project following the identification of large amounts of hazardous material. As new contractual arrangements for the revised project were being procured as at 30 June 2024, the disclosed commitments relating to the renovation project amounted to a total of just \$1.3 million (\$156.9 million at 30 June 2023).

Note 9 – Deposits

Deposits

	2024 \$M	2023 \$M
Exchange Settlement balances	223,491	409,436
Australian Government	93,305	86,769
State governments	2	9
Foreign official institutions and international organisations	1,419	1,576
Other depositors	12	0
As at 30 June	318,229	497,790

Note 10 – Other Liabilities

Other Liabilities

	Note	2024 \$M	2023 \$M
Provisions			
Provision for annual and other leave	1(i)	31	32
Provision for long service leave	1(i)	60	57
Provision for post-employment benefits	1(i)	72	74
Other		4	3
		167	166
Other			
Securities sold under agreements to repurchase	1(b)	1,695	6,844
Payable for unsettled purchases of securities	1(b)	8,502	5,797
Gold loaned under gold swaps	1(b)	–	1,088
Foreign currency swap liabilities	1(b)	3,392	1,141
Interest accrued on deposits	1(b)	1,234	1,623
Other		149	96
		14,972	16,589
Total Other Liabilities as at 30 June		15,139	16,755

Other provisions include amounts for workers compensation, legal matters and redundancies.

Other liabilities include contract liabilities of \$52.3 million in lease liabilities (\$13.9 million at 30 June 2023). Interest on lease liabilities was \$1.0 million in 2023/24 (\$0.2 million in 2022/23). In addition, the RBA had \$3.3 million of leases that had been committed to but not yet commenced at 30 June 2024 (nil at 30 June 2023).

Note 11 – Contingent Assets and Liabilities

Bank for International Settlements

The RBA had a contingent liability for the uncalled portion of its shares held in the BIS amounting to \$71.4 million at 30 June 2024 (\$72.4 million at 30 June 2023).

Insurance

The RBA carries its own insurance risks except when external insurance cover is considered to be more cost effective or is required by legislation.

Performance guarantees

In the course of providing services to its customers, the RBA provides performance guarantees to third parties in relation to customer activities. Such exposure is not material and has not given rise to losses in the past.

The RBA has also provided a performance guarantee for pension payments to former defined benefit members of the Reserve Bank of Australia UK Pension Scheme in relation to a UK insurer. This scheme was wound up in September 2022. This exposure is not material.

Note 12 – Key Management Personnel

The key management personnel of the RBA are the Governor, Deputy Governor and Chief Operating Officer, non-executive members of the Reserve Bank Board, non-executive members of the Payments System Board and the Assistant Governors, who are the senior leaders responsible for planning, directing and controlling the activities of the RBA. There were 22 of these positions in 2023/24 (20 in 2022/23). A total of 25 individuals occupied these positions for all or part of the financial year (22 in 2022/23).

The positions of Governor and Deputy Governor are designated as Principal Executive Offices in terms of the *Remuneration Tribunal Act 1973*, which provides for the Remuneration Tribunal to determine the applicable remuneration for these positions. Within the parameters determined by the Remuneration Tribunal, the Reserve Bank Board Remuneration Committee, comprising three non-executive members, makes a recommendation on remuneration for these positions for the approval of the Board, which is the 'employing body' for the positions. In accordance with provisions of the Reserve Bank Act, neither the Governor nor the Deputy Governor takes part in decisions of the Reserve Bank Board relating to the determination or application of any terms or conditions on which either of them holds office. In August 2023, the Remuneration Tribunal determined that, effective 1 July 2023, an adjustment of 4 per cent would be made to the remuneration of offices in its jurisdiction, including those of the Governor and Deputy Governor. Consistent with this, the Board resolved on 5 September 2023 to set the remuneration rate for the position of Governor at \$1,134,020 and that for the Deputy Governor at \$850,520. No performance payments were made to any individual while occupying these positions in 2023/24.

Fees for non-executive members of the Reserve Bank Board and the Payments System Board are determined by the Remuneration Tribunal. The Governor determines the rates of remuneration of the Chief Operating Officer and Assistant Governors. Remuneration levels for employees are externally benchmarked, with remuneration aimed to be market competitive and designed to attract and retain appropriately skilled people.

The disclosure of key management personnel remuneration is based on AASB 124 – *Related Party Disclosures*, as shown below. The figures are disclosed on an accruals basis and show the full cost to the consolidated entity; they include all leave and fringe benefits tax charges.

Key Management Personnel Remuneration

	2024 \$	2023 \$
Short-term employee benefits	5,420,420	5,282,585
Post-employment benefits	608,540	785,893
Other long-term employee benefits	361,546	201,931
Termination benefits	–	–
Total compensation ^(a)	6,390,506	6,270,409

(a) Within the group of key management personnel, 22 individuals (20 in 2022/23) were remunerated and included in this table; the three key management personnel not remunerated are the individuals who held the position of Secretary to the Treasury, as a member of the Reserve Bank Board, and the Chair of APRA and the Chair of the Australian Competition and Consumer Commission, who are members of the Payments System Board.

Short-term benefits include salary and, for relevant executives, motor vehicle, car parking and health benefits (including any fringe benefits tax on these benefits).

Post-employment benefits include superannuation and, in the case of relevant executives, an estimate of the cost to provide health benefits in retirement. Other long-term employee benefits include long service leave and annual leave, as well as the effect of revaluing accrued leave entitlements in accordance with AASB 119 (see Note 10).

There were no loans to Board members or other key management personnel during 2023/24 and 2022/23. Transactions with entities related to or affiliated with key management personnel that occurred in the normal course of the RBA's operations were incidental and conducted on terms no more favourable than similar transactions with other employees or customers, and at arms-length; any vendor relationships with such entities complied with the RBA's procurement policy.

Note 13 – Auditor's Remuneration

Auditor's Remuneration

	2024 \$	2023 \$
Fees paid or payable to the statutory auditor (Australian National Audit Office) for audit services	586,000	540,000

KPMG has been contracted by the Australian National Audit Office (ANAO) to provide audit services for the external audit of the RBA and the RBA's subsidiary, NPA. During 2023/24, KPMG earned additional fees of \$110,012 for non-audit services that were separately contracted by the RBA (\$123,794 in 2022/23). These fees included professional services provided to the RBA.

Note 14 – Superannuation Funds

The RBA sponsors RB Super, which is a hybrid plan, with a mix of defined benefit members, defined contribution members and pensioners. Current and future benefits are funded by member and RBA contributions and the existing assets of the scheme. Defined benefit members receive a defined benefit in accordance with RB Super's plan rules. Most members have unitised accumulation balances, which comprise employer contributions and members' personal contributions plus earnings on these contributions. Defined benefit membership was closed to new RBA employees from 1 August 2014. The RBA does not have a role in directly operating or governing RB Super and has no involvement in the appointment of the RB Super Trustees.

Funding valuation

An independent actuarial valuation of the RB Super defined benefit plan is conducted every three years. The most recent review was completed for the financial position as at 30 June 2023 using the Attained Age Funding method. Accrued benefits were determined as the value of the future benefits payable to members (allowing for future salary increases), discounted by the expected rate of return on assets held to fund these benefits. At the time of this review, the surplus was \$659 million. On the same valuation basis, the RB Super defined benefit surplus as at 30 June 2024 amounted to \$731 million. Consistent with the actuary's recommendation, the RBA reduced its contribution rate to fund defined benefit obligations to nil in February 2024 (from 18.3 per cent of salaries).

Accounting valuation

Actuarial assumptions

Principal Actuarial Assumptions for the AASB 119 Valuation of RB Super

	2024 Per cent	2023 Per cent
Discount rate (gross of tax) ^(a)	5.7	5.8
Future salary growth	3.5	3.0
Future pension growth	3.5	3.0

(a) Based on highly rated Australian dollar-denominated corporate bond yields

Maturity analysis

The weighted average duration of the defined benefit obligation for RB Super is 18 years (16 years at 30 June 2023).

Expected Maturity Profile for Defined Benefit Obligations of RB Super

	2024 Per cent	2023 Per cent
Less than 5 years	17	20
Between 5 and 10 years	17	18
Between 10 and 20 years	29	29
Between 20 and 30 years	20	19
Over 30 years	17	14
Total	100	100

Risk exposures

Key risks from the RBA's sponsorship of the RB Super defined benefit plan include investment, interest rate, longevity, salary and pension risks.

Investment risk is the risk that the actual future return on plan assets will be lower than the assumed rate.

Interest rate risk is the exposure of the defined benefit obligations to adverse movements in interest rates. A decrease in interest rates will increase the present value of these obligations.

Longevity risk is the risk that RB Super members live longer, on average, than actuarial estimates of life expectancy.

Salary risk is the risk that higher-than-assumed salary growth will increase the cost of providing a salary-related pension.

Pension risk is the risk that pensions increase at a faster rate than assumed, thereby increasing the cost of providing them.

The table below shows the estimated change in the defined benefit obligation resulting from movements in key actuarial assumptions. These estimates change each assumption individually, holding other factors constant; they do not incorporate any correlations among these factors.

Change in Defined Benefit Obligation

	2024 \$M	2023 \$M
Change in defined benefit obligation from an increase of 0.25 percentage points in:		
– Discount rate (gross of tax)	(66)	(51)
– Future salary growth	14	10
– Future pension growth	53	43
Change in defined benefit obligation from a decrease of 0.25 percentage points in:		
– Discount rate (gross of tax)	71	55
– Future salary growth	(13)	(9)
– Future pension growth	(51)	(41)
Change in defined benefit obligation from an increase in life expectancy of one year	37	30

Asset Distribution

Distribution of RB Super's assets used to fund members' defined benefits at 30 June

	Per cent of fund assets	
	2024	2023
Cash and short-term securities	1	1
Fixed interest and indexed securities	11	10
Australian equities	28	28
International equities	26	26
Property	10	10
Private equity	10	10
Infrastructure	10	10
Alternative strategies	4	5
Total	100	100

AASB 119 Reconciliation

The table below contains a reconciliation of the AASB 119 valuation of the RB Super defined benefit component only, as the RBA faces no actuarial risk on defined contribution balances.

AASB 119 Reconciliation

	2024 \$M	2023 \$M
<i>Opening balances:</i>		
Net market value of assets	1,702	1,571
Accrued benefits	(1,110)	(1,138)
Opening superannuation asset/(liability)	592	433
Change in net market value of assets	127	131
Change in accrued benefits	(223)	28
Change in superannuation asset/(liability)	(97)	159
<i>Closing balances:</i>		
Net market value of assets	1,829	1,702
Accrued benefits	(1,333)	(1,110)
Closing superannuation asset/(liability)	496	592
Interest income	97	85
Benefit payments	(51)	(54)
Return on plan assets	71	82
Contributions from RBA to defined benefit schemes	9	17
Change in net market value of assets	127	131
Current service cost	(19)	(24)
Interest cost	(69)	(66)
Benefit payments	51	54
Gains/(losses) from change in demographic assumptions	(26)	–
Gains/(losses) from change in financial assumptions	(146)	66
Gains/(losses) from change in other assumptions	(14)	(2)
Change in accrued benefits	(223)	28
Current service cost	(19)	(24)
Net interest (expense)/income	28	20
Superannuation (expense)/income included in profit or loss	9	(4)
Actuarial remeasurement gain/(loss)	(115)	147
Superannuation (expense)/income included in Statement of Comprehensive Income	(106)	143

The components of this table may not add due to rounding.

Note 15 – Financial Instruments and Risk

As the central bank of Australia, the RBA is responsible for implementing monetary policy, facilitating the smooth functioning of the payments system and managing Australia's foreign reserve assets. Consequently, the RBA holds a range of financial assets, including government securities, repurchase agreements and foreign currency swaps. With regard to financial liabilities, the RBA issues Australia's banknotes and takes deposits from its customers, mainly the Australian Government and eligible financial institutions. The RBA also provides banking services and operates Australia's high-value payments and interbank settlement systems.

Financial risk

The RBA is exposed to a range of financial risks that reflect its policy and operational responsibilities. These risks include market risk, liquidity risk and credit risk. See Part 2.2: Operations in Financial Markets and Part 3.3: Risk Management for information on the RBA's management of these financial risks. The RBA's approach to managing financial risk is set out in the Risk Management Policy available on the RBA website.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. In the RBA's case, market risk comprises foreign exchange risk and interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or cash flows of the RBA's foreign currency assets and liabilities will fluctuate because of movements in exchange rates. The RBA's net foreign currency exposure as at 30 June 2024 was \$58.1 billion (\$55.8 billion as at 30 June 2023). An appreciation in the Australian dollar would result in valuation losses, while a depreciation would lead to valuation gains. The overall level of foreign currency exposure is determined by policy considerations. Foreign currency risk can be mitigated to a limited extent by holding assets across a diversified portfolio of currencies. The RBA holds foreign reserves in seven currencies – the US dollar, euro, Japanese yen, Canadian dollar, Chinese renminbi, UK pound sterling and South Korean won.

The RBA also undertakes foreign currency swaps in managing foreign reserve assets and Australia's foreign currency commitments as a member of the IMF. These instruments carry no foreign exchange risk.

Concentration of foreign exchange

The RBA's net holdings of foreign exchange (excluding SDRs and Asian Bond Fund 2) were distributed as follows as at 30 June.

Concentration of Foreign Exchange

	Per cent of foreign exchange	
	2024	2023
US dollar	55	55
Euro	20	20
Japanese yen	5	5
Canadian dollar	5	5
Chinese renminbi	5	5
UK pound sterling	5	5
South Korean won	5	5
Total foreign exchange	100	100

Sensitivity to foreign exchange risk

The sensitivity of the RBA's profit and equity to a movement of +/-10 per cent in the value of the Australian dollar exchange rate as at 30 June is shown below. These figures are generally reflective of the RBA's exposure over the financial year.

Sensitivity to Foreign Exchange Risk

	2024 \$M	2023 \$M
Change in profit/equity due to a 10 per cent:		
– appreciation in the reserves-weighted value of the A\$	(5,353)	(5,149)
– depreciation in the reserves-weighted value of the A\$	6,542	6,294

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate because of movements in market interest rates. The RBA faces interest rate risk because most of its assets are financial assets that have a fixed income stream, such as Australian dollar and foreign currency securities. The price of such securities falls when market interest rates rise, and it rises if market rates fall. Interest rate risk increases with the maturity of a security. Interest rate risk on foreign assets is controlled through limits on the duration of these portfolios.

Sensitivity to interest rate risk

The figures below show the effect on the RBA's profit and equity of a movement of +/-1 percentage point in interest rates, given the level, composition and modified duration of the RBA's foreign currency and Australian dollar securities as at 30 June. The decrease in interest rate risk on Australian dollar securities is primarily due to the decline in the duration of the RBA's holdings of bonds issued by the Australian Government and the state and territory borrowing authorities. These bonds were largely acquired in prior years under the bond purchase program and are now one year closer to their maturity.

Sensitivity to Interest Rate Risk

	2024 \$M	2023 \$M
Change in profit/equity due to movements of +/-1 percentage point across yield curves:		
– Foreign currency securities	-/+344	-/+319
– Australian dollar securities	-/+10,566	-/+13,218

Liquidity risk

Liquidity risk is the risk that the RBA will not have the resources required at a particular time to meet its obligations to settle its financial liabilities. As the ultimate source of liquidity in Australian dollars, the RBA can create liquidity in unlimited amounts in Australian dollars at any time. A small component of the RBA's liabilities is in foreign currencies, namely foreign repurchase agreements and, at times, obligations to repurchase gold sold under gold swap agreements.

Liquidity risk may also be associated with the RBA, in extraordinary circumstances, being forced to sell a financial asset at a price less than its fair value.

The RBA manages this risk by holding a diversified portfolio of highly liquid Australian dollar and foreign currency assets.

The analysis of portfolio maturity in the table that follows is based on the RBA's contracted portfolio as reported in the RBA's Statement of Financial Position. All financial instruments are shown at their remaining term to maturity, which is equivalent to the repricing period. Other liabilities include amounts outstanding under repurchase agreements and obligations to repurchase gold sold under gold swap agreements. Foreign currency swaps reflect the gross contracted amount of the RBA's outstanding foreign exchange swap.

Maturity Analysis – as at 30 June 2024

	Balance sheet total \$M	Contracted maturity \$M				No specified maturity \$M	Weighted average effective rate Per cent
		0–3 months	3–12 months	1–5 years	5+ years		
Assets							
Cash and cash equivalents	439	438	–	–	–	1	4.19
Australian dollar investments							
Securities held outright	292,201	2,542	34,789	155,850	99,020	–	4.25
Securities purchased under repurchase agreements	19,200	17,088	–	–	–	2,112	4.30
Accrued interest	1,412	499	913	–	–	–	n/a
	312,813						
Foreign currency investments							
Balance with central banks	8,778	8,778	–	–	–	–	0.50
Securities held outright	70,684	21,330	22,288	16,558	219	10,289	2.49
Securities purchased under repurchase agreements	6,904	6,904	–	–	–	–	4.82
Deposits and cash collateral provided	1,209	1,209	–	–	–	–	2.91
Gold borrowed under gold swaps	1,799	1,799	–	–	–	–	5.01
Accrued interest	162	123	39	–	–	–	n/a
	89,536						
Gold holdings on loan	–	–	–	–	–	–	n/a
Gold holdings	9,035	–	–	–	–	9,035	n/a
Property, plant and equipment	597	–	–	–	–	597	n/a
Other assets	1,320	52	26	12	1	1,229	n/a
Total assets	413,740	60,762	58,055	172,420	99,240	23,263	3.75

Maturity Analysis – as at 30 June 2024 *(continued)*

	Balance sheet total \$M	Contracted maturity \$M				No specified maturity \$M	Weighted average effective rate Per cent
		0–3 months	3–12 months	1–5 years	5+ years		
Liabilities							
Deposits	318,229	318,229	–	–	–	–	4.28
Australian banknotes on issue	100,765	–	–	–	–	100,765	0.13
Cash collateral received and other liabilities	15,139	14,924	13	36	1	165	1.38
Total liabilities	434,133	333,153	13	36	1	100,930	3.22
Equity	–20,393						
Total balance sheet	413,740						
Swaps							
Australian dollars							
– Contractual outflow	(85)	(85)	–	–	–	–	n/a
– Contractual inflow	21,572	2,706	8,871	9,995	–	–	n/a
	21,487	2,621	8,871	9,995	–	–	
Foreign currency							
– Contractual outflow	(38,639)	(19,139)	(9,505)	(9,995)	–	–	n/a
– Contractual inflow	17,152	16,518	634	–	–	–	n/a
	(21,487)	(2,621)	(8,871)	(9,995)	–	–	

Maturity Analysis – as at 30 June 2023

	Balance sheet total \$M	Contracted maturity \$M				No specified maturity \$M	Weighted average effective rate Per cent
		0–3 months	3–12 months	1–5 years	5+ years		
Assets							
Cash and cash equivalents	664	661	–	–	–	3	3.7
Australian dollar investments							
Securities held outright	311,897	229	22,191	151,968	137,509	–	4.1
Securities purchased under repurchase agreements	190,242	76,978	108,314	2,900	–	2,050	0.5
Accrued interest	2,224	944	1,274	6	–	–	n/a
	504,363						
Foreign currency investments							
Balance with central banks	12,288	12,288	–	–	–	–	0.3
Securities held outright	63,219	21,944	14,288	16,619	175	10,193	2.9

Maturity Analysis – as at 30 June 2023 *(continued)*

	Balance sheet total \$M	Contracted maturity \$M				No specified maturity \$M	Weighted average effective rate Per cent
		0–3 months	3–12 months	1–5 years	5+ years		
Securities purchased under repurchase agreements	7,143	7,143	–	–	–	–	4.7
Deposits and cash collateral provided	936	936	–	–	–	–	2.6
Accrued interest	119	96	23	–	–	–	n/a
	83,705						
Gold holdings on loan	279	279	–	–	–	–	0.1
Gold holdings	7,127	–	–	–	–	7,127	n/a
Property, plant & equipment	619	–	–	–	–	619	n/a
Other assets	1,345	41	11	8	–	1,285	n/a
Total assets	598,102	121,539	146,101	171,501	137,684	21,277	2.7
Liabilities							
Deposits	497,790	497,790	–	–	–	–	4.0
Australian banknotes on issue	101,285	–	–	–	–	101,285	0.1
Cash collateral received and other liabilities	16,755	16,499	85	6	1	164	1.7
Total liabilities	615,830	514,289	85	6	1	101,449	3.3
Equity	(17,728)						
Total balance sheet	598,102						
Swaps							
Australian dollars							
– Contractual outflow	(5)	(5)	–	–	–	–	n/a
– Contractual inflow	17,015	4,016	2,758	10,241	–	–	n/a
	17,010	4,011	2,758	10,241	–	–	
Foreign currency							
– Contractual outflow	(37,839)	(24,614)	(2,984)	(10,241)	–	–	n/a
– Contractual inflow	20,829	20,603	226	–	–	–	n/a
	(17,010)	(4,011)	(2,758)	(10,241)	–	–	

Credit risk

Credit risk is the potential for financial loss arising from an issuer or counterparty defaulting on its obligations to repay principal, make interest payments due on an asset, or settle a transaction. The RBA's credit exposure is managed under a framework designed to contain credit risk within its very low appetite for such risk. Credit risk is controlled by holding securities issued by a limited number of highly rated governments, government-guaranteed agencies and supranational organisations, and holding high-quality collateral under reverse repurchase agreements.

The RBA held no impaired assets at 30 June 2024 or 30 June 2023.

The RBA's maximum exposure to credit risk for each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

The RBA's maximum credit risk exposure to derivative financial instruments is:

1. *Foreign currency swaps* – As at 30 June 2024, the RBA was under contract to purchase \$17.2 billion of foreign currency (\$20.8 billion at 30 June 2023) and sell \$38.6 billion of foreign currency (\$37.8 billion at 30 June 2023). As of that date, there was a net unrealised gain of \$3.6 billion on these swap positions included in net profit (\$0.9 billion unrealised gain at 30 June 2023).

The RBA has a credit exposure from foreign currency swaps because of the risk that a counterparty might fail to deliver future interest flows or the second leg of a swap, a sum that would then have to be replaced in the market, potentially at a loss. To manage credit risk on both foreign currency and gold swaps (see 'Gold exchanged under gold swap agreements', below), the RBA exchanges collateral with counterparties under terms specified in credit support annexes (CSAs), which cover the potential cost of replacing the swap position in the market if a counterparty fails to deliver. The RBA's CSAs specify that only Australian dollar cash is eligible as collateral. Under CSAs, either party to the agreement may be obliged to deliver collateral with interest paid or received on a monthly basis. At 30 June 2024, the RBA held \$3.4 billion of collateral (\$0.9 billion of collateral was held at 30 June 2023) and provided nil collateral (\$0.2 billion provided at 30 June 2023).

2. *Bond futures* – As at 30 June 2024, credit risk on margin accounts associated with bond futures contracts held by the RBA was \$0.9 million (\$3.2 million at 30 June 2023) with unrealised losses of \$0.2 million on those contracts (unrealised losses of \$2.6 million at 30 June 2023).

Assessment of expected credit loss under AASB 9

The RBA assesses its financial assets carried at amortised cost, mainly its reverse repurchase agreements, gold swaps and foreign currency-denominated balances held with other central banks, for any deterioration in credit quality that could result in losses being recorded. The RBA's assessment is done on an individual exposure basis and takes account of: the counterparties with which balances are held; the collateral, if any, held against exposures and the terms upon which collateral is margined; and the remaining terms to maturity of such exposures. Based on the assessment at 30 June 2024, the provision for expected credit losses was immaterial (immaterial at 30 June 2023).

Collateral held under reverse repurchase agreements

Cash invested under reverse repurchase agreements in overseas markets is secured against government securities or securities issued by US agencies; the RBA takes and maintains collateral to the value of 102 per cent of the cash invested.

Cash invested under Australian dollar reverse repurchase agreements is secured by securities issued by Australian governments, supranational organisations, banks, and various corporate and asset-backed securities. The RBA holds collateral equivalent to the amount invested plus a margin according to the risk profile of the collateral held. If the current value of collateral falls by more than a predetermined amount, the counterparty is required to provide additional collateral to restore this margin; the thresholds are specified in the legal agreement that governs these transactions. The management of collateral and cash associated with tri-party repurchase agreements is conducted through a third party, in this case the Australian Securities Exchange. The terms and requirements of tri-party repurchase agreements are broadly consistent with bilateral agreements and the RBA manages the risk in a similar way. The RBA does not sell or re-pledge securities held as collateral under reverse repurchase agreements.

Collateral provided under repurchase agreements

At 30 June 2024, the carrying amount of securities sold and contracted for purchase under repurchase agreements was \$1.7 billion (\$6.8 billion at 30 June 2023). Terms and conditions of repurchase agreements are consistent with those for reverse repurchase agreements disclosed above.

Gold exchanged under gold swap agreements

Credit exposure from gold swaps is managed under CSAs the RBA has established with its swap counterparties, which cover both gold swaps and foreign currency swaps. Australian dollar cash collateral is exchanged to cover the potential cost of replacing

swap positions in the market if a counterparty fails to meet their obligations. The potential cost is assessed as the net costs of replacing all outstanding swap positions covered by the CSA.

As at 30 June 2024, there was no gold sold and contracted for purchase under gold swap agreements (\$1.1 billion at 30 June 2023).

Concentration of credit risk

As noted, the RBA operates to minimise its credit risk exposure through comprehensive risk management policy guidelines. The following table indicates the concentration of credit risk in the RBA's investment portfolio at 30 June.

Concentration of Credit Risk

	Risk rating of security/issuer ^(a)	Risk rating of counterparties ^(a)	Per cent of investments ^(b)	
			2024	2023
Australian dollar investments				
Holdings of Australian Government Securities	Aaa	n/a	56.3	41.5
Holdings of semi-government securities	Aaa	n/a	4.9	2.7
	Aa	n/a	9.7	7.7
Securities purchased under reverse repurchase agreements	Aaa	Aa	0.7	22.0
	Aaa	A	1.6	5.1
	Aaa	Baa	0.1	1.3
	Aaa	Other ^(c)	0.0	0.2
	Aa	Aaa	0.5	0.3
	Aa	Aa	0.3	0.5
	Aa	A	0.8	0.9
	Aa	Baa	0.1	0.2
	A	Aaa	0.0	0.1
	A	Aa	0.1	0.2
	A	A	0.4	0.8
	A	Baa	0.1	0.2
Securities sold under repurchase agreements	Baa	A	0.0	0.1
	Aaa	Aa	0.0	0.3
	Aaa	A	0.0	0.2

Concentration of Credit Risk *(continued)*

	Risk rating of security/issuer ^(a)	Risk rating of counterparties ^(a)	Per cent of investments ^(b)	
			2024	2023
Foreign investments				
Holdings of securities	Aaa	n/a	1.3	4.8
	Aa	n/a	6.7	1.0
	A	n/a	7.2	3.6
Securities purchased under reverse repurchase agreements	Aaa	Aa	0.1	0.6
	Aaa	A	0.1	0.6
	Aa	Aa	1.0	–
	Aa	A	0.4	–
Securities sold under repurchase agreements	Aaa	Aa	0.1	0.3
	Aaa	A	0.2	0.2
	Aaa	Baa	–	0.1
Deposits	n/a	Aaa	0.1	0.2
	n/a	Aa	0.2	–
	n/a	A	1.8	1.9
	n/a	Other ^(c)	0.3	0.1
Other	Aa	Aa	0.3	–
	Aa	A	0.5	–
	n/a	Aa	0.7	0.3
	n/a	A	0.1	0.2
	n/a	Baa	–	0.1
Other assets			3.3	1.7
			100.0	100.0

(a) Average of the credit ratings of the three major rating agencies, where available.

(b) Exposures below 0.1 per cent are not shown.

(c) This category includes counterparties that are not rated.

Note 16 – Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. This is the quoted market price if one is available. The RBA's financial assets measured at fair value include its holdings of Australian dollar securities, foreign government securities, bond futures, foreign currency swaps and its shareholding in the BIS. Non-financial assets carried on the balance sheet at fair value include the RBA's property and gold holdings. Other than derivatives, there are no financial liabilities measured at fair value.

AASB 13 requires financial and non-financial assets and liabilities measured at fair value to be disclosed according to their position in the fair value hierarchy: valuation for Level 1 is based on quoted prices in active markets for identical assets; for Level 2, valuation is based on quoted prices or other observable market data not included in Level 1; Level 3 includes inputs to valuation other than observable market data.

The table below presents the RBA's assets and liabilities measured and recognised at fair value and their classification within the fair value hierarchy at 30 June 2024.

Fair Value Hierarchy – as at 30 June 2024

	Fair value			Amortised cost \$M	Total \$M
	Level 1 \$M	Level 2 \$M	Level 3 \$M		
As at 30 June 2024					
Financial assets					
At fair value through profit or loss					
– Australian dollar securities	290,480	3,095	–	n/a	293,575
– Foreign government securities	56,180	8,013	–	n/a	64,193
– Foreign currency swaps	93	3,494	–	n/a	3,587
At fair value through other comprehensive income					
– Shares in international and other institutions	–	–	585	n/a	585
At amortised cost	n/a	n/a	n/a	41,479	41,479
	346,753	14,602	585	41,479	403,419
Non-financial assets					
– Land and buildings	–	–	421	24	445
– Gold holdings	9,035	–	–	n/a	9,035
– Other	–	–	–	841	841
	9,035	–	421	865	10,321
Total assets	355,788	14,602	1,006	42,344	413,740
Financial liabilities					
At fair value through profit or loss					
– Foreign currency swaps	0	1	–	n/a	1
Not at fair value through profit or loss	n/a	n/a	n/a	433,906	433,906
	0	1	–	433,906	433,907
Non-financial liabilities	n/a	n/a	n/a	226	226
Total liabilities	–	1	–	434,132	434,133

Fair Value Hierarchy – as at 30 June 2023

	Fair value			Amortised cost \$M	Total \$M
	Level 1 \$M	Level 2 \$M	Level 3 \$M		
As at 30 June 2023					
Financial assets					
At fair value through profit or loss					
– Australian dollar securities	310,440	2,875	–	n/a	313,315
– Foreign government securities	51,439	7,722	–	n/a	59,161
– Foreign currency swaps	459	625	–	n/a	1,084
At fair value through other comprehensive income					
– Shares in international and other institutions	–	–	561	n/a	561
At amortised cost	n/a	n/a	n/a	215,208	215,208
	362,338	11,222	561	215,208	589,329
Non-financial assets					
– Land and buildings	–	–	487	10	497
– Gold holdings	7,406	–	–	n/a	7,406
– Other	–	–	–	870	870
	7,406	–	487	880	8,773
Total assets	369,744	11,222	1,048	216,088	598,102
Financial liabilities					
At fair value through profit or loss					
– Foreign currency swaps	0	231	–	n/a	231
Not at fair value through profit or loss	n/a	n/a	n/a	615,412	615,412
	0	231	–	615,412	615,643
Non-financial liabilities	n/a	n/a	n/a	187	187
Total liabilities	–	231	–	615,599	615,830

The RBA's Level 2 financial instruments include foreign exchange swaps priced with reference to an active market yield or rate, but which have been interpolated to reflect maturity dates. Prices for some Australian dollar and foreign currency denominated securities are derived from markets that are not considered active.

Level 3 assets include the RBA's shareholding in the BIS and its property (excluding leased property, which is recorded at amortised cost). The shareholding in the BIS is valued using the net asset value, as published in annual financial statements of the BIS, less a discount of 30 per cent. The discount applied is based on a Hague Arbitral Tribunal decision on compensation paid to former private shareholders in 2002, which remains the

latest repurchase conducted by the BIS. Fair values of the RBA's property incorporate factors such as net market income and capitalisation rates, for property valued using an income capitalisation or a discounted cash flow approach, and depreciation rates for property valued using a depreciable replacement cost methodology.

There were no transfers between levels within the fair value hierarchy during the financial year. Movements in the fair value of the RBA's property during the financial year are detailed in Note 8. Fair value changes in the RBA's shareholdings in international and other institutions reflect valuation movements recognised in Other Comprehensive Income.

Note 17 – Subsequent Events

Unless otherwise disclosed in these financial statements, there are no events subsequent to 30 June 2024 to be disclosed.

Independent Auditor's Report



Auditor-General for Australia



INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Opinion

In my opinion, the financial statements of the Reserve Bank of Australia and its subsidiary (together the Consolidated Entity) for the year ended 30 June 2024:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Consolidated Entity as at 30 June 2024 and its financial performance and cash flows for the year then ended.

The financial statements of the Consolidated Entity, which I have audited, comprise the following as at 30 June 2024 and for the year then ended:

- Statement of Assurance;
- Statement of Financial Position;
- Statement of Comprehensive Income;
- Statement of Distribution;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the financial statements comprising material accounting policy information and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Consolidated Entity in accordance with the relevant ethical requirements for financial statement audits conducted by me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

GPO Box 707, Canberra ACT 2601
38 Sydney Avenue, Forrest ACT 2603
Phone : +61 2 6203 7300

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter

Valuation of Australian dollar and foreign currency investments

Refer to note 1 'Accounting Policies' and note 15 'Financial Instruments and Risk'

Valuation of Australian dollar and foreign currency investments is a key audit matter due to their significant size relative to the Reserve Bank of Australia's statement of financial position (\$402,349m as at 30 June 2024) and the complexity inherent in auditing a wide range of investments which use different valuation methodologies.

The portfolio of investments primarily comprises Australian dollar securities, foreign currency securities, repurchase agreements, deposits with other central banks, and foreign currency swap contracts. All investments are measured at fair value except for reverse repurchase agreements and deposits which are measured at amortised cost.

How the audit addressed the matter

To audit the valuation of Australian dollar and foreign currency investments, I performed the following audit procedures:

- tested the design, implementation and operating effectiveness of key controls over the accurate recording of the purchase and sale of investments, including Information Technology General Controls (ITGCs) on the Reserve Bank of Australia's investment trading system;
- tested the design, implementation and operating effectiveness of key controls over valuation of investments, including ITGCs on the Reserve Bank of Australia's securities valuation system;
- tested the design, implementation and operating effectiveness of key controls relevant to the ongoing monitoring of the collateralisation of repurchase agreements, including those established as part of the Term Funding Facility; and
- tested year end valuations of Australian dollar and foreign currency securities using the following procedures:
 - checked all year end valuations of Australian dollar and foreign government securities and foreign currency swaps against independent pricing sources;
 - tested the year-end valuations of all foreign currency swaps using independent publicly available information;
 - checked whether all reverse repurchase agreements were collateralised in line with the Reserve Bank of Australia's policy. As part of this, for a sample of securities held as collateral I agreed valuations to independent pricing sources; and
 - requested and obtained independent confirmation from other central banks regarding the value of deposits held with them

Other information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2024 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information, and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Consolidated Entity, the Governor is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under the Act. The Governor is also responsible for such internal control as the Governor determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governor is responsible for assessing the ability of the Consolidated Entity to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Governor is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion.

My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Consolidated Entity audit. I remain solely responsible for my audit opinion.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.


From the matters communicated with the Accountable Authority, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office



Rona Mellor PSM
Acting Auditor-General

Canberra
25 September 2024



Part 5:

Indexes

Malgana Country
Francois Peron National Park
Western Australia

5.1 Statutory Reporting Requirements Index

The Reserve Bank Annual Report 2023/24 complies with the reporting requirements of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), rules made under the PGPA Act and other applicable legislation.

To assist readers locate this information, the index of statutory reporting requirements identifies where relevant information can be found in this annual report.

PGPA Rule reference	Part of report, page number	Description	Requirement
17BB	Approval of annual report by accountable authority		Mandatory
17BB(b)	Governor's Foreword, 10	Signed by the accountable authority	Mandatory
17BB(c)	Governance and Accountability, 29	Include details of how and when approval of the annual report was given	Mandatory
17BB(d)	Governance and Accountability, 29	State that the accountable authority of the entity is responsible for preparing and giving the annual report to the entity's responsible Minister in accordance with section 46 of the Act	Mandatory
17BE	Contents of annual report		Mandatory
17BE(a)	Governance and Accountability, 17	Details of the legislation establishing the body	Mandatory
17BE(b)(i)	Our Role, 13–16	A summary of the objects and functions of the entity as set out in legislation	Mandatory
17BE(b)(ii)	Annual Performance Statement for 2023/24, 62–73	The purposes of the entity as included in the entity's corporate plan for the reporting period	Mandatory
17BE(c)	Governance and Accountability, 27	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers	Mandatory
17BE(d)	Governance and Accountability, 30	Directions given to the entity by the Minister under an Act or instrument during the reporting period	If applicable, mandatory
17BE(e)	Governance and Accountability, 30	Any government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(f)	Not applicable	Particulars of non-compliance with: (a) a direction given to the entity by the Minister under an Act or instrument during the reporting period; or (b) a government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(g)	Annual Performance Statement for 2023/24, 61–74	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the rule	Mandatory

PGPA Rule reference	Part of report, page number	Description	Requirement
17BE(h), 17BE(i)	Governance and Accountability, 30	A statement of significant issues reported to the Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with finance law and action taken to remedy non-compliance	If applicable, mandatory
17BE(j)	Governance and Accountability, 17	Information on the accountable authority, or each member of the accountable authority, of the entity during the reporting period	Mandatory
17BE(k)	Operational Structure, 53–58	Outline of the organisational structure of the entity (including any subsidiaries of the entity)	Mandatory
17BE(ka)	Our People, 134	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees (b) statistics on part-time employees (c) statistics on gender (d) statistics on staff location	Mandatory
17BE(l)	Our People 134	Outline of the location (whether or not in Australia) of major activities or facilities of the entity	Mandatory
17BE(m)	Governance and Accountability, 17–29	Information relating to the main corporate governance practices used by the entity during the reporting period	Mandatory
17BE(n), 17BE(o)	Governance and Accountability, 30	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than \$10,000 (inclusive of GST): (a) the decision-making process undertaken by the accountable authority to approve the entity paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company (b) the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions	If applicable, mandatory
17BE(p)	Governance and Accountability, 30–32	Any significant activities and changes that affected the operation or structure of the entity during the reporting period	If applicable, mandatory
17BE(q)	Governance and Accountability, 30	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the entity	If applicable, mandatory
17BE(r)	Governance and Accountability, 30	Particulars of any reports on the entity given by: (a) the Auditor-General (other than a report under section 43 of the Act); or (b) a Parliamentary Committee; or (c) the Commonwealth Ombudsman; or the Office of the Australian Information Commissioner	If applicable, mandatory

PGPA Rule reference	Part of report, page number	Description	Requirement
17BE(s)	Not applicable	An explanation of information not obtained from a subsidiary of the entity and the effect of not having the information on the annual report	If applicable, mandatory
17BE(t)	Governance and Accountability, 26–27	Details of any indemnity that applied during the reporting period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs)	If applicable, mandatory
17BE(taa)	Governance and Accountability, 20–26, Reserve Bank Board, 36–44 and Our People 140	The following information about the audit committee for the entity: (a) a direct electronic address of the charter determining the functions of the audit committee (b) the name of each member of the audit committee (c) the qualifications, knowledge, skills or experience of each member of the audit committee (d) information about each member's attendance at meetings of the audit committee (e) the remuneration of each member of the audit committee	Mandatory
17BE(ta)	Our People, 140–143	Information about executive remuneration	Mandatory
17BF	Disclosure requirements for government business enterprises		17BF
17BF(1)(a)(i)	Not applicable	An assessment of significant changes in the entity's overall financial structure and financial conditions	If applicable, mandatory
17BF(1)(a)(ii)	Not applicable	An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial conditions	If applicable, mandatory
17BF(1)(b)	Not applicable	Information on dividends paid or recommended	If applicable, mandatory
17BF(1)(c)	Not applicable	Details of any community service obligations the government business enterprise has including: (a) an outline of actions taken to fulfil those obligations (b) an assessment of the cost of fulfilling those obligations	If applicable, mandatory
17BF(2)	Not applicable	A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise	If applicable, mandatory

Legislative Reference	Part of Report, page number	Description	Requirement
Public Governance, Performance and Accountability Act 2013			
43(4)	Financial Statements, 155–196	Annual Financial Statements and Auditor-General's report	Mandatory
Work Health and Safety Act 2011 Schedule 2 Part 4			
4(2)(a)	Our People, 137–138	Health, safety and welfare initiatives	Mandatory
4(2)(b)	Our People, 137–138	Health and safety outcomes	Mandatory
4(2)(c)	Our People, 138	Statistics of notifiable incidents	Mandatory
4(2)(d)	Our People, 138	Investigations conducted	Mandatory
Environment Protection and Biodiversity Conservation Act 1999			
516A(6)(a)	Management of the RBA, 130–132	Report on implementation of ecologically sustainable development principles	Mandatory
516A(6)(b)	Not applicable	Identify how any outcomes specified for the Reserve Bank in an Appropriations Act contribute to ecologically sustainable development	Mandatory
516A(6)(c)	Management of the RBA, 129–130	Effect of the Reserve Bank's activities on the environment	Mandatory
516A(6)(d)	Management of the RBA, 130–132	Measures to minimise the impact of the Reserve Bank's activities	Mandatory
516A(6)(e)	Management of the RBA, 130–132	Mechanisms for reviewing/increasing effectiveness of measures	Mandatory
Equal Employment Opportunity (Commonwealth Authorities) Act 1987			
9	Our People, 136–137	Report on development and implementation of the Bank's equal employment opportunity program	Mandatory

5.2 List of Tables

Table title	Part of report	
Table 1.2.1: Reserve Bank Board Meetings – 2023/24	Part 1.2: Governance and Accountability	19
Table 1.2.2: Audit Committee Meetings – 2023/24	Part 1.2: Governance and Accountability	20
Table 1.2.3: Remuneration Committee Meetings – 2023/24	Part 1.2: Governance and Accountability	21
Table 1.2.4: Payments System Board Meetings – 2023/24	Part 1.2: Governance and Accountability	22
Table 1.2.5: Parliamentary Appearances by RBA staff in 2023/24	Part 1.2: Governance and Accountability	27
Table 1.2.6: Freedom of Information Requests	Part 1.2: Governance and Accountability	29
Table 1.2.7: Freedom of Information Requests (Staff Time and Processing Costs)	Part 1.2: Governance and Accountability	29
Table 2.1.1: Performance Summary – Price stability and full employment	Part 2.1: Annual Performance Statement	62
Table 2.1.2: Performance Summary – The stability of the financial system	Part 2.1: Annual Performance Statement	65
Table 2.1.3: Performance Summary – A secure, stable and efficient payments system	Part 2.1: Annual Performance Statement	67
Table 2.1.4: Performance Summary – The delivery of efficient and effective banking services to the Australian Government	Part 2.1: Annual Performance Statement	71
Table 2.1.5: Performance Summary – The provision of secure and reliable banknotes	Part 2.1: Annual Performance Statement	73
Table 2.2.1: RBA Balance Sheet	Part 2.2: Operations in Financial Markets	78
Table 2.2.2: Australian Dollar Securities Held under Repurchase Agreements	Part 2.2: Operations in Financial Markets	79
Table 2.2.3: Foreign Assets	Part 2.2: Operations in Financial Markets	82
Table 2.2.4: Benchmark Foreign Currency Portfolio	Part 2.2: Operations in Financial Markets	82
Table 2.2.5: Foreign Currency Assets	Part 2.2: Operations in Financial Markets	83
Table 2.2.6: RBA Bilateral Local Currency Swap Agreements	Part 2.2: Operations in Financial Markets	84

Table title	Part of report	
Table 2.3.1: Transactional Banking Accounts	Part 2.3: Banking and Payment Services	87
Table 2.4.1: Banknotes in Circulation	Part 2.4: Banknotes	92
Table 2.4.2: Counterfeit Banknotes in Australia 2023/24	Part 2.4: Banknotes	95
Table 3.1.1: General Operating Costs	Part 3.1: Management of the Reserve Bank	126
Table 3.1.2: Capital Expenditure	Part 3.1: Management of the Reserve Bank	127
Table 3.1.3: Spending on Consultancies	Part 3.1: Management of the Reserve Bank	127
Table 3.1.4: Greenhouse Gas Emissions Inventory – Location-based Method	Part 3.1: Management of the Reserve Bank	129
Table 3.1.5: Electricity Greenhouse Gas Emissions	Part 3.1: Management of the Reserve Bank	130
Table 3.2.1: RBA Staff Profile	Part 3.2: Our People	134
Table 3.2.2: Summary of Notifiable Incidents, Investigations and Notices under the WHS Act	Part 3.2: Our People	138
Table 3.2.3: Remuneration of Key Management Personnel	Part 3.2: Our People	140
Table 3.2.4: Remuneration of Senior Executives	Part 3.2: Our People	143
Table 3.2.5: Remuneration of Other Highly Paid Staff	Part 3.2: Our People	144
Table 3.3.1: Key Risks	Part 3.3: Risk Management	151

5.3 List of Graphs

Graph title	Part of report	
Graph 2.2.1 Interbank Overnight Cash Market	Part 2.2: Operations in Financial Markets	75
Graph 2.2.2 OMO Repo Outstanding	Part 2.2: Operations in Financial Markets	76
Graph 2.2.3 RBA and AOFM Securities Lending	Part 2.2: Operations in Financial Markets	77
Graph 2.2.4 RBA Assets	Part 2.2: Operations in Financial Markets	77
Graph 2.2.5 RBA Assets – Bonds and Term Funding	Part 2.2: Operations in Financial Markets	77
Graph 2.2.6 RBA Liabilities	Part 2.2: Operations in Financial Markets	78
Graph 2.2.7 Cash Market Activity	Part 2.2: Operations in Financial Markets	80
Graph 2.2.8 Australian Dollar	Part 2.2: Operations in Financial Markets	81
Graph 2.2.9 Foreign Currency Liquidity (FX)	Part 2.2: Operations in Financial Markets	81
Graph 2.2.10 Benchmark Portfolio Running Yield	Part 2.2: Operations in Financial Markets	83
Graph 2.3.1 Payments and Collections	Part 2.3: Banking and Payment Services	86
Graph 2.3.2 Interbank Settlement Activity	Part 2.3: Banking and Payment Services	88
Graph 2.3.3 HVCS ISO 20022 Migration	Part 2.3: Banking and Payment Services	89
Graph 2.4.1 Net Banknote Issuance	Part 2.4: Banknotes	92
Graph 2.4.2 Banknotes in Circulation	Part 2.4: Banknotes	92
Graph 2.4.3 Saturation Rates of NGB Series	Part 2.4: Banknotes	93
Graph 2.4.4 Counterfeits Detected	Part 2.4: Banknotes	95
Graph 3.2.1 RBA Employee Numbers	Part 3.2: Our People	133
Graph 3.2.2 Women at the RBA	Part 3.2: Our People	135
Graph 3.2.3 Promotions by Gender	Part 3.2: Our People	135
Graph 3.3.1 Composition of RBA Settled Portfolio	Part 3.3: Risk Management	147
Graph 3.3.2 Foreign Portfolio	Part 3.3: Risk Management	148
Graph 3.3.3 Domestic Bonds, TFF and Long-term Swaps	Part 3.3: Risk Management	148
Graph 3.3.4 Collateral Held Under Repo	Part 3.3: Risk Management	149

Graph title	Part of report	
Graph 3.3.5 Portfolio Composition by Issuer	Part 3.3: Risk Management	149
Graph 3.4.1 Underlying Earnings	Part 3.4: Earnings, Distribution and Capital	153
Graph 3.4.2 Total Valuation Gains and Losses	Part 3.4: Earnings, Distribution and Capital	153
Graph 3.4.3 Equity	Part 3.4: Earnings, Distribution and Capital	154

5.4 List of Figures

Figure title	Part of report	
Figure 1.1.1: RBA Corporate Plan	Part 1.1: Our Role	14
Figure 1.2.1: RBA Governance Structure	Part 1.2: Governance and Accountability	18
Figure 1.5.1: Operational Structure	Part 1.5: Operational Structure	58
Figure 2.5.1: RBA Involvement in the G20	Part 2.5: International Financial Cooperation	98
Figure 2.5.2: Australian Involvement in Key FSB Committees	Part 2.5: International Financial Cooperation	99
Figure 2.5.3: RBA Involvement in EMEAP	Part 2.5: International Financial Cooperation	104

5.5 Abbreviations

A full glossary of relevant terms is available on the RBA website: see RBA, 'Glossary'.

24/7	24 hours per day, 7 days per week
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ABF	Asian Bond Fund
ABF2	Asian Bond Fund 2
ABN	Australian Business Number
ABS	asset-backed securities
ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
ADI	authorised deposit-taking institution
AFXC	Australian Foreign Exchange Committee
AGS	Australian Government Securities
AI	artificial intelligence
AIF	Automated Information Facility
AM	Member of the Order of Australia
ANAO	Australian National Audit Office
ANU	Australian National University
AO	Officer of the Order of Australia
AOFM	Australian Office of Financial Management
AONIA	AUD Overnight Index Average
APC	Australian Payments Council
APEC	Asia-Pacific Economic Cooperation
API	Application Programming Interface
APRA	Australian Prudential Regulation Authority
APS	Australian Public Service
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATM	automated teller machine
ATO	Australian Taxation Office
AusPayNet	Australian Payments Network
AUSTRAC	Australian Transaction Reports and Analysis Centre
BA	Bachelor of Arts
BBSW	bank bill swap rate
BCBS	BIS Basel Committee on Banking Supervision
BDF	Banknote Distribution Framework
BDTCs	Banknote Distribution Terms and Conditions
BECS	Bulk Electronic Clearing System
BIS	Bank for International Settlements

BPAY	A payments clearing organisation owned by a group of retail banks
CAC Act	<i>Commonwealth Authorities and Companies Act 1997 (repealed)</i>
CALD	culturally and linguistically diverse
CBDC	central bank digital currency
CCPs	central counterparties
CEDA	Committee for Economic Development of Australia
CEPAR	Australian Research Council Centre of Excellence in Population Ageing Research
CFR	Council of Financial Regulators
CGFS	Committee on the Global Financial System
CHESS	Clearing House Electronic Sub-register System
CIT	cash-in-transit
CLF	Committed Liquidity Facility
CME	Chicago Mercantile Exchange Inc.
COVID-19	coronavirus disease
CPI	Consumer Price Index
CPMI	BIS Committee on Payments and Market Infrastructures
CPR	Commonwealth Procurement Rule
CPS	Consumer Payments Survey
CRC	Cooperative Research Centre
CRE	commercial real estate
CS	clearing and settlement
CSA	credit support annex
CSCF	Customer Security Controls Framework
CSIRO	Commonwealth Scientific and Industrial Research Organisation
EAF	Executive Accountability Framework
eftpos	electronic funds transfer at point of sale
eKYC	electronic know-your-customer
EMEAP	Executives' Meeting of East Asia-Pacific Central Banks
ERG	Employee Resource Group
ES	Exchange Settlement
ESA	Exchange Settlement Account
ESD	ecologically sustainable development
ESG	environmental, social and governance (corporate reporting)
FINMA	Swiss Financial Market Supervisory Authority
FIRN	Financial Research Network
FMI	financial market infrastructure
FNAP	First Nations Advisory Panel
FOI	Freedom of Information
FOI Act	<i>Freedom of Information Act 1982</i>
FSB	Financial Stability Board
FSS	RITS Fast Settlement Service
FTE	full-time equivalent

FX	foreign exchange
G20	Group of Twenty
GDP	gross domestic product
GFC	global financial crisis
GFXC	Global Foreign Exchange Committee
GST	Goods and Services Tax
HQLA	high-quality liquid assets
HVAC	heating, ventilation and air conditioning
HVCS	High Value Clearing System
ID&B	inclusion, diversity and belonging
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
IPS	Information Publication Scheme
ISDA	International Swaps and Derivatives Association
ISO	International Organization for Standardisation
IT	information technology
KRW	Korean won
LBMA	London Bullion Market Association
LCR	least-cost routing
LCR	Liquidity Coverage Ratio
LED	light emitting diode
LIBOR	London Interbank Offered Rate
LLB	Bachelor of Laws
LVCS	Low Value Clearing System
LVSS	Low Value Settlement Service
MBA	Master of Business Administration
MC	BIS Markets Committee
MIT	Massachusetts Institute of Technology
MP	Member of Parliament
NAB	National Australia Bank
NACC	National Anti-Corruption Commission
NBB	National Bank of Belgium
NBFI	non-bank financial institution
NBS	National Banknote Site
NGB	Next Generation Banknote
NGFS	Network for Greening the Financial System
NPA	Note Printing Australia Limited
NPP	New Payments Platform
NPPA	NPP Australia Limited
NSW	New South Wales
OAIC	Office of the Australian Information Commissioner
OECD	Organisation for Economic Co-operation and Development

OMO	open market operations
OPA	Official Public Account
PEXA	Property Exchange Australia Limited
PFMI	<i>Principles for Financial Market Infrastructures</i>
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	<i>Public Governance, Performance and Accountability Rule 2014</i>
PhD	Doctor of Philosophy
POP	Payments Operations Program
Prospera	Australia Indonesia Partnership for Economic Development
PSM	Public Service Medal
R&D	research and development
RAP	Reconciliation Action Plan
RBA	Reserve Bank of Australia
RBRF	Reserve Bank Reserve Fund
RDP	Research Discussion Paper
repo	repurchase agreement
RFR	risk-free reference rate
RITS	Reserve Bank Information and Transfer System
RMBS	Residential Mortgage-backed Securities
RMC	Risk Management Committee
RST	Resilience and Sustainability Trust
RTGS	real-time gross settlement
SAR	Special Administrative Region (of China)
SCAV	FSB Standing Committee on Assessment of Vulnerabilities
SDR	Special Drawing Right
semis	semi-government securities (Australian state and territory government securities)
SME	small and medium-sized enterprises
SVF	stored-value facility
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TFF	Term Funding Facility
TTBC	Trans-Tasman Council on Banking Supervision
UK	United Kingdom
UNSW	University of New South Wales
UPR	unrealised profits reserve
US	United States
WHS	work health and safety
WHS Act	<i>Work Health and Safety Act 2011</i>
WPI	Wage Price Index

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Endnotes

1 Freecall – Calls from mobile phones may be charged at the applicable rate.

