

Our Role

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

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

The Reserve Bank's mission is to promote the economic welfare of the Australian people through our monetary and financial policies and operations. Our vision is to be a world-leading central bank that is trusted for our analysis, service delivery and policies. As part of our strategic plan, the Bank has six focus areas, which are outlined further in the Bank's Corporate Plan for 2022/23 to 2025/26.^[1] The most important focus area is returning inflation to the 2 to 3 per cent target over time while fostering sustainable economic growth. Supporting the evolution of payments is also an important focus area, while the remaining strategic focus areas of people, technology resilience, data management and communication effectiveness are intended to strengthen our capability to deliver successfully on our mission and key objectives. The Bank will reconsider the strategic focus areas in light of the findings of the independent Review of the Reserve Bank, which will produce a final report by March 2023 (see chapter on 'Governance and Accountability').

Price stability and full employment

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

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

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

In support of this, the *Statement on the Conduct of Monetary Policy* confirms the Bank's continuing commitment to achieving consumer price inflation between 2 and 3 per cent, on average, over time,

[1] See RBA (2022), 'Corporate Plan 2022/23'.

Reserve Bank of Australia Strategic Plan

September 2022

Mission

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

Key Objectives



Price stability and full employment



The stability of the financial system



A secure, stable and efficient payments system



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



The provision of secure and reliable banknotes

Vision

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

Strategic Focus Areas



Return inflation to the target over time



Support the evolution of payments



Attract and maintain a high-quality and innovative workforce



Strengthen the resilience of technology services



Harness the power of data



Ensure we communicate effectively in a changing world

Values

Promoting the public interest, integrity, excellence, intelligent inquiry and respect

consistent with its duties under the Reserve Bank Act. The flexible medium-term inflation target underpins the monetary policy framework in Australia. Since the early 1990s, it has provided the foundation for the Bank to achieve its monetary policy objectives, including by providing an anchor for inflation expectations. Achieving the inflation target preserves the value of money and facilitates strong and sustainable growth in the economy over the longer term. This helps businesses and households make sound investment decisions, underpins the creation of jobs and protects the savings of Australians. Sustaining high employ-

ment means not only do more people have jobs, but they also have better opportunities in life. High rates of unemployment are costly for the economy and hurt our society.

Monetary policy decisions are implemented through the Bank's operations in domestic financial markets. Operations in financial markets are also undertaken to ensure the stable functioning of the financial system, including by ensuring there is sufficient liquidity in the domestic money market.

The Bank's monetary policy framework, including the *Statement on the Conduct of Monetary Policy*, is being considered by the independent Review of the Reserve Bank. The Treasurer has confirmed that all existing arrangements will remain in place until the review is completed.

The stability of the financial system

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

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

A secure, stable and efficient payments system

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

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

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

In addition, it is the Payments System Board's duty to ensure that the powers and functions of the Reserve Bank under Part 7.3 of the *Corporations Act 2001* are exercised in a way that, in the Board's opinion, will best

contribute to the overall stability of the financial system. These powers and functions relate to the supervision of central counterparties and securities settlement facilities, which are key components of the infrastructure that supports financial markets. The Bank's payments policy area also acts as overseer of Australia's high-value payment system – the Reserve Bank Information and Transfer System (RITS).

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

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

Insofar as the Commonwealth of Australia requires it to do so, the Reserve Bank must act as banker for the Commonwealth. Our government banking services broadly comprise two activities: management of the Government's core accounts: and the transactional banking services we provide to Australian government agencies. In common with many 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

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