

Accountability and Communication

The Reserve Bank is an independent central bank, accountable to the Australian Parliament for its actions. The Bank is required by legislation to consult with, and report to, the Australian Government. It seeks to enhance the community's understanding of its responsibilities and policies through a broad communications program.

Relationship with Government

The Reserve Bank is established under the *Reserve Bank Act 1959* as a body corporate distinct from the Commonwealth of Australia. The Governor, Deputy Governor and members of the Reserve Bank Board are appointed by the Treasurer. The Board is afforded substantial operational independence under the Reserve Bank Act to determine and implement the monetary and banking policy of the Bank, as will best contribute to the objectives set out in the Act. The *Statement on the Conduct of Monetary Policy*, as updated from time to time, has recorded the common understanding of the Governor, as Chair of the Reserve Bank Board, and the government on key aspects of Australia's monetary and central banking policy framework since 1996. The *Statement*, which seeks to foster a sound understanding of the nature of the relationship between the Reserve Bank and the government, records that the government recognises and continues to respect the Reserve Bank's operational independence.

The Reserve Bank's operational independence is accompanied by an obligation to inform the government of its monetary and banking policy 'from time to time'. This obligation is discharged mainly by regular contact between the Governor and the Treasurer (at the date of signing, The Hon Joe Hockey MP), including, in most months, a

telephone conversation following each Board meeting. The Reserve Bank Act sets out a clear process for managing differences of opinion on policy matters between the Board and the government.

Reporting Obligations

The Reserve Bank is a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), of which the Governor is the 'accountable authority'. The Governor is responsible for the preparation of this annual report and for giving it to the Treasurer for presentation to the Parliament, although the Reserve Bank Board must approve the Bank's annual financial statements. At its meeting on 4 August 2015, that approval was given by the Board.

The Standing Orders of the House of Representatives Standing Committee on Economics allow it to review the annual report of the Reserve Bank and the annual report of the Payments System Board. The Committee holds twice-yearly public hearings, at which the Bank presents its views on the economy and financial markets and other matters pertaining to the Bank's operations, and responds to questions from Committee members. In 2014/15, the Governor and senior Bank officers attended hearings of this Committee in Brisbane in August 2014 and in Sydney in February 2015. The



(Image above) Governor Glenn Stevens (centre), Deputy Governor Philip Lowe (left) and Assistant Governor (Economic), Christopher Kent (right), at a regular hearing of the House of Representatives Standing Committee on Economics; (image below) the Governor and a member of the House of Representatives Standing Committee on Economics, Dr Jim Chalmers MP (right), with students from St Francis College, Crestmead, Brisbane – from left, Rachael Bentley, Melonie Gabrielle and Dorrycie Prakash – who attended the hearing of the Committee with their teacher, Ms Christine Rolfe (centre), August 2014

Committee issued its reports on these hearings on 28 October 2014, *Review of the Reserve Bank Annual Report 2013 (Third Report)*, which covered the August 2014 hearing, and on 24 March 2015, *Review of the Reserve Bank Annual Report 2014 (First Report)*, which covered the February 2015 hearing.

The regular twice-yearly appearances before the House of Representatives Standing Committee on Economics and the quarterly *Statement on Monetary Policy* (see below) are important elements of the arrangements embodied in the understandings between the Governor and the Treasurer (outlined in the sixth *Statement on the Conduct of Monetary Policy*, which was issued in October 2013).

In addition to these appearances, the Reserve Bank made five public written submissions to parliamentary inquiries during the year:

- in July 2014, to the inquiry by the Parliamentary Joint Committee on Law Enforcement into Financial Related Crime
- in November 2014, to the inquiry by the Senate Economics References Committee into Digital Currency
- in March 2015, to the inquiry by the Senate Finance and Public Administration Legislation Committee into the Public Governance and Resources Legislation Amendment Bill (No. 1) 2015. Following completion of the inquiry, the report was tabled on 24 March 2015
- in May 2015, to the inquiry by the Joint Committee of Public Accounts and Audit into Development of the Commonwealth Performance Framework
- in June 2015, to the inquiry by the House of Representatives Standing Committee on Economics into Home Ownership.

The Reserve Bank made a supplementary submission to the Financial System Inquiry in August 2014, focusing on the issues raised in the Interim Report that directly relate to the responsibilities of the Bank for the efficiency and

stability of the payments system and the stability of the financial system more broadly.

Communication

The Reserve Bank seeks to ensure a high degree of transparency about its activities, goals, decision-making processes and the basis of its policy decisions. Transparency facilitates the Bank's accountability, to accompany its operational independence. Importantly, it also increases the effectiveness of policy decisions by promoting a better understanding of those decisions in the wider community.

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

Reserve Bank publications

The quarterly *Statement on Monetary Policy* provides information to the general public, financial markets and media about the Reserve Bank's views on monetary policy and developments in financial markets. It also provides a basis for questioning by the House of Representatives Standing Committee on Economics at its regular hearings with the Bank. The *Statement* contains a detailed analysis of conditions in the economy and financial markets and describes the outlook for inflation and the economy more generally.

The *Financial Stability Review*, published biannually, provides a detailed assessment of the condition of Australia's financial system, along with analysis of financial system issues of special interest. In the year in review, these included discussion of households' investment property exposures, responses to risks in the housing and mortgage markets, and the major banks' cost-to-income ratios. More generally, the *Review* reports on international regulatory reforms, the Reserve Bank's involvement in these reforms and their potential effects. The *Review* reports on domestic regulatory issues, including the Bank's work with the Council of Financial Regulators (CFR), which is the coordinating body for Australia's main financial regulatory agencies.

(The CFR is a non-statutory body whose role is to contribute to the efficiency and effectiveness of financial regulation and to promote stability of the Australian financial system. Its members share information, discuss regulatory issues and, if the need arises, coordinate responses to potential threats to financial stability. The CFR also advises the Australian Government on Australia's financial regulatory arrangements.)

Australia's financial stability policy framework includes mandates for financial stability for several of the CFR agencies. The Reserve Bank is responsible for promoting overall financial system stability, while the prudential elements of the framework reside with the Australian Prudential Regulation Authority (APRA). During the year in review, and together with other CFR agencies, the Bank announced a consultation on overseas clearing and settlement facilities in Australia, along with a review of competition in clearing of Australian cash equities.

The Reserve Bank's quarterly *Bulletin* contains analysis of a broad range of economic and financial issues as well as information on aspects of the Bank's operations. *Bulletin* articles during the year in review included regular articles on bank fees and margins as well as other topical issues. Many articles were related to aspects of the mining boom, the economic performance of the states and factors influencing investment decisions by firms. There were articles on developments in labour markets, wage growth and inflation. Additionally, other articles explored economic and financial developments in China and India, developments in payment settlements and banknote production. The quarterly *Statement on Monetary Policy* incorporated boxes that provided more detail about specific economic or financial developments.

Speeches

During 2014/15, the Governor, Deputy Governor and senior executives gave 46 speeches on various topics. Questions were taken after all speeches. Senior staff also participated in a number of public panel discussions. In addition to explaining

current economic and financial conditions, many speeches addressed the challenges associated with the transition from the mining boom and the need to encourage entrepreneurial behaviour and raise productivity. There were also speeches devoted to innovation and reform in the payments system, along with reflections on the implications of prevailing levels of global monetary stimulus. Presentations were provided on the transmission mechanism of monetary policy, banknote production and digital disruption. Audio files of these speeches, the associated Q&A sessions and panel discussions were published on the Reserve Bank's website to improve accountability and communication.



Deputy Governor Philip Lowe addressing the Goldman Sachs Annual Global Macro Economic Conference, March 2015

Photo: O'Neill Photographics/Goldman Sachs



Photo: KangaNews



Photo: Australian Securitisation Forum

(Left) Assistant Governor (Financial Markets), Guy DeBelle, addressing the KangaNews Debt Capital Markets Summit, March 2015; (right) Chris Aylmer, Head of Domestic Markets Department, addressing the Australian Securitisation Conference, November 2014

The Governor, Deputy Governor and senior executives gave 46 speeches

Research

The Reserve Bank disseminates the results of longer-term research conducted by staff in the form of Research Discussion Papers (RDPs). The aim of the RDP series is to encourage 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 Bank. During 2014/15, 16 RDPs were published on a range of topics covering most of the Bank's areas of interest, including financial reform in Australia and China, the exchange rate, payment systems, financial stability, house prices and housing markets, and modelling the Australian economy. Reserve Bank staff also published their research in various external journals, including the *International Journal of Central Banking*, the *Australian Economic Review* and the *Journal of Applied Probability*.

Research undertaken at the Reserve Bank is frequently presented at external conferences and seminars. In 2014/15, Bank staff made presentations at a number of domestic conferences, namely: the joint Australian Conference of Economists and the



Photo: Alex Ellinghausen

Head of Financial Stability Department, Luci Ellis (left), and Assistant Governor (Financial System), Malcolm Edey, at Parliament House, Canberra, addressing a hearing of the Senate Economics References Committee Inquiry into Affordable Housing, October 2014

Econometric Society Australasia Meeting at the University of Tasmania in July 2014; the annual PhD Conference in Economics and Business at Monash University in November 2014; and a conference on Recent Developments in Financial Econometrics and Applications at Deakin University in December 2014. Bank staff also presented the results of their research work at a number of domestic institutions, namely, Monash University, Melbourne University, the University of New South Wales and the University of Technology Sydney. Research papers were presented at a number of international conferences and workshops, namely: the Sixth India-Australia Economic Policy Dialogue at the Indian Ministry of Finance, New Delhi; Deutsche Bundesbank International Cash Conference, in Dresden; a conference on tax policy at Oxford University; 8th Annual BIS Workshop of the Asian Research Network, Bangkok; Chinese Economists Society Conference, in Chongqing; and Western Economic Association International Conference and RBNZ/IJCB Conference, both in Wellington, New Zealand.

16 research papers were published

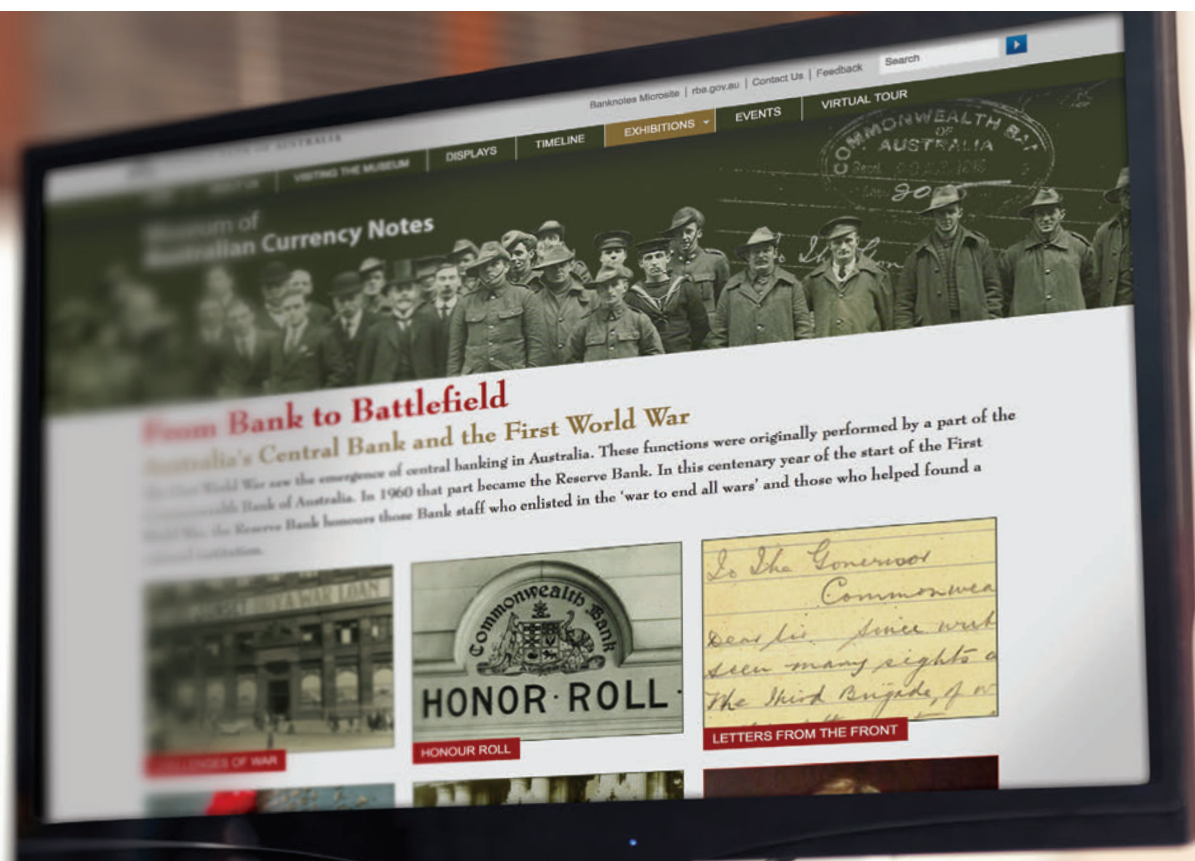
The Reserve Bank hosts regular conferences, which foster interaction between academics, central bankers and other economic practitioners on topical policy issues. The Bank's annual conference for 2015 was held in March in Sydney and focused on small business conditions and financing. A volume of the conference papers and discussions was published in August 2015. The next annual conference is scheduled for March 2016. In December 2014, the Reserve Bank hosted its annual Quantitative Macroeconomics Workshop, which featured 10 papers by international and Australian academics and central bankers. Another

macroeconomics workshop will be held in December 2015.

The Reserve Bank also hosted visits from a number of policymakers from domestic and overseas institutions, including the Federal Reserve Bank of Dallas, De Nederlandsche Bank, Central Bank of Chile and International Monetary Fund, as well as academics from a range of institutions, including the Chinese Academy of Social Sciences, Princeton University, University of Tokyo, Australian National University and University of New South Wales. During their visits, these visitors presented seminars, taught short courses and participated in research activities at the Bank.

Online communication

The Reserve Bank publishes information in both electronic and hardcopy formats, though most access to information is now online. The website is frequently visited, with over 82 million page views and downloads made during 2014/15 and large spikes at the time of release of market-related information. The number of followers on Twitter has grown to around 27 000, while the number of subscribers to the website's conventional email alert service has continued to fall (to less than 11 000 at the end of June 2015). Visitors to the website also made greater use of RSS feeds, which allowed them to receive alerts about updates to selected data, media releases, speeches, research papers and other documents (including those related to Freedom of Information requests).




As part of the commemoration of the centenary of World War I, the Reserve Bank launched the *From Bank to Battlefield* online exhibition in August 2014



(From left) Information Department's Jeff Connors, Virginia MacDonald and John Murphy at the *Before Sunset: The Bank and World War I* exhibition, Museum of Australian Currency Notes, November 2014

Efforts in 2014/15 to improve public understanding of the Reserve Bank's role included the publication of videos on the Bank's main website and its new YouTube channel. These videos address each of the Bank's roles and functions, along with activities related to the Next Generation Banknote program, the Bank's Museum and recruitment.

The Banknotes microsite (www.banknotes.rba.gov.au), which focuses on explaining the design, production and security features of Australia's banknotes, was further developed as an education resource during the year in review to prepare the public and key stakeholders for the Next Generation Banknote series (more detail is provided in the chapter on 'Banknotes'). And as part of the commemoration of the centenary of World War I, an online exhibition, *From Bank to Battlefield*, was published on the

The Bank's website had over 82 million page views and downloads 

Reserve Bank's website. It depicted the emergence of central banking in Australia to help finance the nation's involvement in the war, detailed the experiences of Bank staff and made the Bank's archival material about the war available to the public in digital form.