

# Accountability and Communication

The Reserve Bank is an independent central bank, accountable to the Parliament of Australia. The Bank engages with the Australian Government at a range of levels and seeks to enhance the community's understanding of its responsibilities, policies and actions through a broad communication program.

## Relationship with Government

The Reserve Bank 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 and continued in existence with the name Reserve Bank of Australia under the *Reserve Bank Act 1959*. The Reserve Bank has two boards: the Reserve Bank Board and the Payments System Board. The Governor, Deputy Governor and other members of the Reserve Bank Board are appointed by the Treasurer. Six of the eight members of the Payments System Board, including the Governor, are appointed by the Treasurer, with one member each appointed by the Reserve Bank and the Australian Prudential Regulation Authority.

The Reserve Bank's two boards are afforded operational independence under the Reserve Bank Act to determine and implement the policies of the Bank, as will best contribute to the objectives set out in the Act. 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 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, as outlined in the chapter on 'Our Role'. The Payments System Board issues its own annual report, which outlines its role and activities.

## Accountability and 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 community. There are a number of steps the Bank takes to achieve this transparency, as discussed below.

The Reserve Bank Board has 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 other senior executives and the Treasurer, who is the Bank's responsible Minister (during 2017/18, the Hon Scott Morrison MP), usually by way of a monthly discussion following Board meetings. The Governor



Photo: CEDA

(Top, from left) Assistant Governor (Financial System) Michele Bullock, Deputy Governor Guy DeBelle, Governor Philip Lowe and Assistant Governor (Economic) Luci Ellis at a hearing of the House of Representatives Standing Committee on Economics, Sydney, February 2018; (above) Deputy Governor Guy DeBelle addresses the CEDA Mid-year Economic Update, Adelaide, July 2017



Photo: KangalNews

(Top) Assistant Governor (Economic) Luci Ellis speaking at an Infrastructure Partnerships Australia Leaders' Luncheon, Sydney, June 2018; (above left) Head of Domestic Markets Department Marion Kohler speaking at the Australian Securitisation Forum, Sydney, November 2017; (above right) Assistant Governor (Financial Markets) Christopher Kent speaking at the Debt Capital Markets Summit, Sydney, March 2018



Assistant Governor (Financial System) Michele Bullock answering questions from the House of Representatives Standing Committee on Economics, Sydney, February 2018

also meets regularly with the House of Representatives Economics Committee and the Senate Economics Committee. The Reserve Bank Act sets out a clear process for managing differences of opinion between the Reserve Bank Board and the government on policy matters.

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'. Under section 46 of the PGPA Act, the Governor is responsible for preparation of this annual report and for providing it to the Treasurer for presentation to the Parliament, following approval by the Reserve Bank Board of the Bank's annual financial statements. That approval was given by the Board at its meeting on 7 August 2018.

The House of Representatives Economics Committee has, in its Standing Orders, an obligation 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 2017/18, the Governor and senior Bank officers attended hearings of this committee for this purpose in Melbourne in August 2017 and in Sydney in February 2018. The committee issued its report on the August 2017 hearing – *Review of the Reserve Bank of Australia Annual Report 2016* (Second Report) – on 11 September 2017. The committee's report on the February 2018 hearing – *Review of the Reserve Bank of Australia Annual Report 2017* (First Report) – was issued on 8 May 2018.

No report on the Reserve Bank was issued in 2017/18 by the Commonwealth Ombudsman, the Office of the Australian Information Commissioner or the Auditor-General, apart from that dealing with the audit of the Bank's annual financial statements.

## Regional and industry liaison

The Reserve Bank has staff in four State Offices across Australia, who work with staff in the Sydney Head Office to conduct the Bank's business and community liaison program. These offices are located in Adelaide, Brisbane, Melbourne and Perth. Staff from the Bank meet regularly with businesses, associations and agencies across the country. The liaison program aims to cover all parts of the economy, although greater weight is given to more cyclical industry sectors, which tend to be more responsive to monetary policy. In 2017/18, staff involved in the liaison program conducted around 750 liaison meetings. Staff from the State Offices also regularly visit Tasmania and the Northern Territory, as well as various regional centres, to obtain information on economic conditions outside of Australia's largest cities. In 2017/18, liaison staff visited Ballarat, the Barossa Valley, Bunbury, Cairns, Geraldton, Newcastle, Townsville and Wollongong.

Information from the liaison program provides a valuable complement to available data in

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forming the Reserve Bank's assessment of developments in the Australian economy. It allows the Bank to develop a more nuanced view of the economy and better understand the factors that are affecting decision-makers and driving economic conditions. It can also be timelier than other sources of data, which is particularly useful when the Bank needs to quickly assess the impact of unusual events on the Australian economy, such as drought, floods and other natural disasters. Importantly, liaison provides an independent source of information that can be used to help the Bank distinguish between signal and noise in official data releases, and identify structural changes in the economy.

In addition to gathering economic intelligence, a key role of the Reserve Bank's State Offices is to represent the Bank in a range of capacities, contributing to a broader understanding of the Bank's work and hearing the views of the community. In 2017/18, staff members in the State Offices gave over 40 presentations to members of the community at schools, business roundtables and regional chambers of commerce. Employees of the Bank also presented overviews of the *Statement on Monetary Policy* to over 400 participants in the liaison program.

The Reserve Bank also continues to convene its Small Business Finance Advisory Panel, which was established in 1993. The panel meets annually to discuss issues relating to the provision of finance and the broader economic environment for small businesses. Membership of the panel is drawn from a range of industries across the country. The panel provides a valuable source of information on financial and economic conditions faced by small businesses. In addition, the Bank hosted two roundtable discussions in 2018 on small business finance, involving entrepreneurs, banks, innovative lenders and

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government representatives. The participants discussed the challenges faced by small businesses when borrowing, along with a range of ideas for addressing these challenges.

### Consultation and other engagement

In carrying out its various responsibilities, the Reserve Bank consults extensively with interested parties. In early 2017, the Bank, as part of the Council of Financial Regulators (CFR) and in collaboration with the Australian Competition and Consumer Commission (ACCC), conducted a consultation in relation to policy guidance regarding arrangements that would support safe and effective competition in cash equity settlement in Australia. After considering the responses received, in September 2017 the



Deputy Governor Guy Debelle speaking at the FINSIA Signature Event: The Regulators, Sydney, September 2017

CFR agencies and ACCC published a policy statement setting out the *Minimum Conditions for Safe and Effective Competition in Cash Equity Settlement in Australia*.

The Reserve Bank maintains ongoing engagement with a wide variety of groups to inform its policy and operational activities. Senior Bank staff meet regularly with representatives of various domestic and international official agencies, business groups and financial market participants to discuss economic and financial developments.



Head of Financial Stability Department Jonathan Kearns speaking at an Aus-China Property Developers, Investors & Financiers event, Sydney, November 2017

During the year in review, senior staff members from the Payments Policy Department participated in a number of industry conferences and public events discussing payments issues. Topics covered included the provision of least-cost routing for card payments, industry efforts to reduce card-not-present fraud, and cryptocurrencies and distributed ledger technology. Staff from Payments Settlements Department continued to conduct regular liaison meetings with Reserve Bank Information and Transfer System (RITS) members and industry groups, such as the Australian Payments Network (AusPayNet). Staff also participated in various industry forums, including AusPayNet's High Value Clearing System Management Committee. In 2017/18, Reserve Bank staff participated actively in the industry's New Payments Platform (NPP) project committees in the lead-up to the public launch of the NPP. Post launch, senior

staff from Payments Settlements and Banking departments represent the Bank on NPP operating committees. A senior staff member sits on the board of AusPayNet and another senior staff member sits on the board of NPP Australia Limited, the company established to build and operate the NPP. Participation in these groups and a number of other banking and payments industry forums ensures the Bank remains abreast of developments in these areas and can contribute to innovations in the banking and payments industry. Bank staff closely follow developments in new technologies, including distributed ledger technology, digital currencies and payments-related financial technology (or fintech) more broadly.

The Reserve Bank sponsors, and its International Department provides the secretariat to, the Australian Foreign Exchange Committee (AFXC). Among other things, in 2017/18 the AFXC worked



to promote the adoption of the FX Global Code in the Australian wholesale foreign exchange market. The code is maintained by the Global Foreign Exchange Committee, of which the AFXC is a member committee.

During the year in review, staff from the Note Issue Department also continued to engage extensively in relation to the new banknote series, as discussed in the chapter on 'Banknotes'.

### Research

The Reserve Bank publishes the results of longer-term research conducted by staff in the form of Research Discussion Papers (RDPs), which stimulate discussion on policy-relevant issues. The views expressed in RDPs are those of the authors and do not necessarily represent those of the Bank. During 2017/18, 10 RDPs were published on a range of topics in the Bank's areas



(Top) Head of Payments Policy Department Tony Richards speaking at the 2017 Australian Payment Summit, Sydney, December 2017; (above) Governor Philip Lowe addressing the Australian Payment Summit, Sydney, December 2017





Head of Economic Research John Simon (centre) and Reserve Bank Historian Selwyn Cornish (right) at the annual Reserve Bank conference, Sydney, April 2018

of interest, including: housing prices; monetary policy and uncertainty; the term structure of interest rates; and wages. Staff from the Bank also published their research in various external journals and working paper series, including the *Computational Statistics & Data Analysis Journal* and *Journal of International Economics*.

Research undertaken at the Reserve Bank is frequently presented at external conferences and seminars. In 2017/18, Bank staff presented at various conferences and institutions in Australia and overseas, including in Hong Kong SAR, China and Europe.

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 2018 titled 'Central Bank Frameworks: Evolution or Revolution?' was held in April 2018 and focused on the experience of inflation targeting by central banks over the

past 20 to 30 years. Four Bank staff contributed to papers presented at the conference as authors and co-authors. A volume containing the conference papers and discussions will be published in the second half of 2018. The next annual conference is scheduled for the first half of 2019.

The Reserve Bank also hosted visits in 2017/18 from a number of policymakers from overseas institutions, including the International Monetary Fund, US Federal Reserve banks, the European Central Bank, the Organisation for Economic Co-operation and Development, Sveriges Riksbank, the Bank of England and the Bank of Japan, as well as academics from a range of institutions, including the University of Adelaide, University Carlos III, University of Graz, Harvard University, Indiana University and Texas A&M University. During their visits, these visitors presented seminars, taught short courses and participated in research activities at the Bank.

## Public Communication

The Reserve Bank communicates its policy decisions, analysis and information about the Bank's operations through its website, publications, speeches and media releases throughout the year.

Announcements about monetary policy decisions are made shortly after each Reserve Bank Board meeting and minutes are released two weeks after each meeting. A media release is published following each Payments System Board meeting outlining issues discussed at the meeting and foreshadowing any forthcoming documents to be released by the Bank.

The quarterly *Statement on Monetary Policy* provides information about the Reserve Bank's assessment of current economic conditions, both domestic and international, along with the outlook for Australian inflation and output growth. 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 semiannually, provides a detailed assessment of the condition of Australia's financial system and potential risks to financial stability. In 2017/18, areas of focus included the risk profile of new



Photo: Supplied

Governor Philip Lowe addresses the Australia-China Relations Institute at the University of Technology Sydney, May 2018

housing lending and the resilience of household balance sheets, which improved somewhat over the year, as well as risks in the commercial property market. Developments in overseas markets and related risks are also covered in the *Review*. Key risks noted during the year in review included the risk of a disruptive correction in financial markets in an environment where compensation for risk is very low for many assets, and the risks in the Chinese financial system. The *Review* also reports on international and domestic regulatory developments and the Reserve Bank's involvement, including through the Bank's work with the CFR.

The Reserve Bank's quarterly *Bulletin* contains analysis of a broad range of economic and financial issues as well as aspects of the Bank's operations. During 2017/18, the *Bulletin* contained articles on Australia's neutral interest rate, the labour market (both in Australia and abroad), structural change in the Australian economy over the past 50 years, and the adjustment of the economy to the recent mining investment boom and its subsequent unwinding. Housing access for first-home buyers, the availability of business finance, and a range of aspects of Australia's financial institutions, markets and the Reserve Bank's role in the financial system were examined. There were also educational articles on the transmission of monetary policy and the inflation target in Australia, as well as an introduction to the Bank's new macroeconomic model. Other articles reported on economic and financial developments in China, India and other countries in Asia. The volume of high-denomination banknotes in circulation in Australia, Canada and the United Kingdom, the growing demand for cash in Australia, developments in Australia's ATM industry and trends in global foreign currency reserves were also explored. From March 2018, the *Bulletin*

became available in a digital-only format on the Bank's website, publishing insights into the economy and financial system from teams throughout the Bank, as discussed further below.

During 2017/18, the Governor, Deputy Governor and other senior officers gave 51 public speeches on various topics. Questions were taken after almost all speeches. Senior staff also participated in a number of public panel discussions. In addition to communicating the Reserve Bank's analysis of domestic and global economic and financial developments, and how they have influenced monetary policy decisions, speeches covered a review of Australia's inflation-targeting framework since its inception, a retrospective on central bank independence, structural change in the Australian economy and why the Bank does not currently see a case for issuing a digital form of the Australian dollar. Senior officers also addressed, among other things, the decline in economics enrolments in Australian high schools,

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Australia's deepening economic relationship with China, the FX Global Code and interest rate benchmark reform, as well as fast payments, merchant payment costs and least-cost payment routing in Australia. Audio files of these speeches, the associated question and answer sessions and panel discussions were published on the Bank's website to facilitate transparency and accountability.

To assist further with public understanding of the Reserve Bank's role, in June 2018 the second event in the new Teacher Immersion Series was held, providing secondary school economics teachers with the opportunity to hear directly from senior Bank staff. See the chapter on 'Community Engagement' for further details.

The Reserve Bank publishes information in both electronic and hard copy formats, though access to information is now mostly online. Followers of the Bank's Twitter account, @RBAInfo, have grown in number to over 37,000, while the number of subscribers to the conventional email alert service has continued to fall (to less than 10,000 at the end of June 2018). Visitors to the Bank's website also made use of the RSS feeds, which allowed them to receive alerts about updates to selected data, media releases, speeches, research papers and other publications (including those related to Freedom of Information requests).

The Reserve Bank's website has continued to evolve with new and refreshed content. In March 2018, the Bank relaunched the *Bulletin* as an online-only publication, making it easier to share and search articles. The new format is more accessible and will involve a greater use of visual communications to cater to a broad readership. A new education section of the website has been created in support of the Bank's public education program. It contains a suite of resources about economic concepts and the Australian economy

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that have been designed to support students and educators, as well as being relevant for a more general audience. This site has been popular with school students and teachers (with over 100,000 page views and downloads during 2017/18). The Bank's website, and the Banknotes microsite in particular, has continued to be used to communicate information about the new banknote series being issued by the Bank; in 2017/18, the new \$10 banknote entered general circulation and the design of the new \$50 banknote was revealed.

The Reserve Bank of Australia Museum website also continued to evolve with new content in 2017/18. The online exhibition *From Bank to Battlefield*, which was launched in 2014 to mark the centenary of the commencement of World War I, was expanded in 2017/18 to mark the



Head of Information Department Jacqui Dwyer speaking at a Teacher Immersion Event, Sydney, June 2018

centenaries of the defining Western Front battles of 1918.<sup>1</sup> This exhibition pays tribute to Bank staff who served in World War I and to those who helped establish central banking in Australia at that time. Another online exhibition, *Make Your Money Fight!*, was launched on the Museum website during 2017/18, exploring how the Australian Government addressed the economic challenges faced by Australia during World War II and the role of Australia's central bank.<sup>2</sup> See the chapter on 'Community Engagement' for further details.

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1 See <<https://museum.rba.gov.au/exhibitions/from-bank-to-battlefield>>.

2 See <<https://museum.rba.gov.au/exhibitions/make-your-money-fight>>.