

The Reserve Bank Board and Governance

The Role of the Reserve Bank Board

In announcing its response to the Financial System Inquiry conducted in 1996/97, the Government confirmed that the role of the Reserve Bank will be “..... focused on the objectives of monetary policy, overall financial system stability and regulation of the payments system.” (Ministerial Statement by the responsible Minister, the Treasurer, 2 September 1997).

Legislation which was passed in June 1998 to introduce the changes in the regulatory framework of the Australian financial system flowing from this Inquiry did not change the existing charter of the Reserve Bank Board, but did amend its specific responsibilities. Under the amended *Reserve Bank Act 1959*, the Reserve Bank Board is responsible for the Bank’s monetary and banking policy, and the Bank’s policy on all other matters, other than its payments system policy. The Board “charter” is contained in section 10(2) of the *Reserve Bank Act*:

“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.”

The Payments System Board is responsible for the Bank’s payments system policy and will report separately in its own Annual Report.

Composition of the Reserve Bank Board

The Board comprises the Governor, who is Chairman, the Deputy Governor, the Secretary to the Treasury and six external members, appointed by the Governor-General – a total of nine. Five members form a quorum at a meeting of the Board.

Members of the Board may not be a director, officer or employee of a corporation (other than the Reserve Bank) the business of which is wholly or mainly that of banking.

Meetings of the Reserve Bank Board

The Board meets eleven times each year, on the first Tuesday of each month, except January.

The number of meetings attended by each member in 1998/99 was:

Board members	No of meetings attended
IJ Macfarlane	10
SA Grenville	8
EA Evans*	8
JR Broadbent	10
AR Jackson	10
FP Lowy	10
HM Morgan	10
AR Pagan	9
RFE Warburton	10

* GR Potts attended two meetings and KR Henry attended one meeting in place of EA Evans, in terms of the provisions of section 22 of the *Reserve Bank Act 1959*.

Audit Committee

The primary objectives of the Audit Committee are to:

- assist the Governor and the Board in fulfilling their obligations relating to financial reporting, internal control and compliance with laws, regulations, business ethics and employee conflicts of interest and fraud;
- enhance contact between management and the Audit Department;
- encourage high-quality auditing of the Bank's activities; and
- strengthen audit independence.

The Audit Committee is made up of Stephen Grenville, Deputy Governor (Chairman), a non-executive member of the Board, Jillian Broadbent, and an external appointed member, George Bennett, company director and former National Executive Chairman, KPMG Peat Marwick. During 1998/99, the Committee met on five occasions; all members attended each of these meetings.

Obligations under the *Commonwealth Authorities and Companies (CAC) Act 1997*

The CAC Act is one of three Acts which deal with the financial management, accountability and audit of Commonwealth agencies, authorities and companies. The CAC Act sets standards of conduct for directors and officers of Commonwealth authorities with many of these requirements being modelled on comparable areas of the Corporations Law. The Bank is a Commonwealth authority for the purposes of the CAC Act and, for these purposes, the members of the Reserve Bank Board are the directors of the Bank. As such, they are responsible for the preparation of the Bank's Annual Report and, at the meeting of the Reserve Bank Board on 3 August 1999 they resolved that the Chairman sign the Report, and the Financial Statements as at 30 June 1999, transmit them in accordance with the requirements of the CAC Act and arrange publication.

The House of Representatives Standing Committee on Economics, Finance and Public Administration has, in its Standing Orders, an obligation to review the Annual Report of the Bank. On 8 March 1999, the Committee tabled in the Parliament its interim report on the Annual Report for 1997/98, and on the December 1998 public hearing with the Bank and the associated November 1998 *Semi-Annual Statement on Monetary Policy*.

Indemnities

Under the provisions of section 26 of the CAC Act, and pursuant to a Board resolution on 7 April 1998, members of the Reserve Bank Board have been indemnified against costs they incur in successfully defending themselves in proceedings arising out of the proper discharge of their responsibilities, provided that any such liability does not arise from conduct involving a lack of good faith. This indemnity does not extend to claims by the Bank itself.

Reserve Bank Board



IJ Macfarlane, Chairman

Governor since 18 September 1996
Present term expires 17 September 2003

Chairman – Payments System Board
Board member – Australian Prudential Regulation Authority



SA Grenville

Deputy Governor since 1 December 1996
Present term expires 30 November 2001



EA Evans, AC

Secretary to the Treasury
Member since 10 May 1993



JR Broadbent

Member since 7 May 1998
Present term expires 6 May 2003

Director – Coca Cola Amatil Limited
Director – Woodside Petroleum Limited



AR Jackson, AO

Member since 29 January 1991

Present term expires 28 January 2001

Chairman and Chief Executive – Austrim Limited

Chairman – Australian Trade Commission (Austrade)

Director – Seven Network Limited

Director – Titan Petrochemicals and Polymers Berhad – Malaysia



FP Lowy, AO

Member since 27 June 1995

Present term expires 26 June 2000

Chairman – Westfield Holdings Limited

Director – Daily Mail and General Trust PLC (UK)



HM Morgan, AO

Member since 14 August 1996

Present term expires 28 July 2002

Managing Director and Chief Executive Officer – WMC Limited

Director – Alcoa Inc.



AR Pagan

Member since 29 November 1995

Present term expires 28 November 2000

Professor of Economics, Research School of Social Sciences,
Australian National University



RFE Warburton

Member since 22 December 1992

Present term expires 21 December 2002

Chairman – David Jones Limited

Chairman – Star City Holdings Limited

Chairman – Goldfields Limited

Director – Caltex Australia Limited

Director – Southcorp Limited

Director – Fernz Corporation Limited (NZ)