



RESERVE BANK OF AUSTRALIA

Corporate Plan

2023/24



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Introduction

There were many challenges for the Reserve Bank of Australia in 2022/23. Inflation hit a 30-year high, leading the Reserve Bank Board to raise interest rates quickly and to their highest level in over a decade. The global banking industry experienced the most severe stress event since the global financial crisis – though, notably, the Australian financial system remained strong throughout. The payments sector saw rapid change as consumers continued to shift towards digital payments, innovative technologies emerged and new providers entered the market. Finally, a major outage of the Reserve Bank Information and Transfer System (RITS) in October 2022 compromised our ability to meet our payments system availability targets. Throughout all these challenges, the Bank’s highly capable staff adapted and responded with professionalism.

In April 2023, the report of the independent Review of the Reserve Bank of Australia was released. The Review made 51 recommendations that aim to build on the Bank’s existing strengths and enable it to deliver on its objectives in a changing world. I thank the Review Panel for its work.

Our strategic priorities for the next four years are largely founded on the recommendations of this Review, as well as a separate independent review into the RITS outage commissioned by the Payments System Board. In the coming four years, our focus will be on strengthening our monetary policy decision-making, improving the resilience of our nationally critical services and shaping the future of money in Australia. These external-facing strategic priorities will be facilitated by an internal focus on creating more agile processes and promoting high-quality leadership and an open and dynamic culture.

The Reserve Bank of Australia’s 2023/24 Corporate Plan covers the period from 2023/24 to 2026/27. It has been prepared in accordance with section 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*. The accountable authority of the Reserve Bank of Australia is the Governor, Philip Lowe, who has authorised the publication of this Plan.

Michele Bullock

Governor-designate

Reserve Bank of Australia

31 August 2023



MISSION



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

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 Australian government agencies



The provision of secure and reliable banknotes

VISION



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

FACILITATED BY OUR STRATEGIC PRIORITIES



Serving Australia through:

Monetary policy decision-making that is fit for the future



Highly resilient payment and banking services



Shaping the future of money in Australia



Enabled by:

High-quality leadership and an open and dynamic culture



Smarter, simpler and faster ways of working

Successful delivery against our objectives and our strategic priorities will be underpinned by our core values – promoting the public interest, integrity, excellence, intelligent inquiry and respect

About the Reserve Bank of Australia

Our purpose



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

Our objectives

To deliver on our purpose, the Reserve Bank has five key objectives:

Price stability and full employment

Maintaining inflation between 2 and 3 per cent on average, over time, is central to the Bank's mandate to promote the economic welfare of the Australian people. 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, and it protects the savings of Australians. Price stability also underpins the creation of jobs and sustained full employment – meaning more people have access to work and the opportunities that come with it. The Bank achieves this objective through its monetary policy.



The stability of the Australian 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, growth and the taking of opportunities. The Bank 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.



A secure, stable and efficient payments system

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



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

The Reserve Bank 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.



The provision of secure and reliable banknotes

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.



Our operating environment

The operating environment we will face over the coming four years will be shaped by an array of issues – both external and internal. The factors we expect to be most material over the coming four years are discussed below.

External

- To address high inflation, monetary policy has been tightened quickly and substantially across the world, initially to withdraw the stimulatory settings introduced in response to the COVID-19 pandemic and then to move policy into a restrictive stance.
- Consumer price inflation is declining but still too high, and core inflation has been persistent both globally and domestically. Long-term inflation expectations are currently stable; however, if they were to rise it would be costly to bring inflation back to target.
- The labour market is very tight. The unemployment rate is around a 50-year low and the share of the population with a job is at record levels. That said, tighter monetary policy to bring about a better balance of demand and supply in the economy is expected to see a modest rise in the unemployment rate.
- Climate change, and the actions taken in response (both in Australia and abroad), introduce both challenges and opportunities for Australia's economy and financial system. Climate change is also likely to increase the variability of inflation and output.
- Productivity growth has been weak for some time. Persistently weak productivity would constrain future real wages and complicate monetary policy.
- Many households have high levels of debt. For some, the pace of increase in interest rates has created material financial pressure. Households' and firms' loan arrears are likely to rise, but from a very low level.
- There continues to be unusually high liquidity in the financial system, but this will decline as funds borrowed under the Bank's Term Funding Facility (TFF) fall due and the Bank's holdings of government bonds mature.
- Authorities globally are reviewing bank regulation, supervision and crisis-management arrangements, in response to stresses in parts of the international banking system.
- Cyber-attacks have become more regular, widespread and sophisticated.
- There is rapid innovation in the payments system. The nature of competition is also changing as large technology companies and fintechs offer new products and services.
- The Australian Government is modernising the regulatory framework for payments, including the Bank's powers to regulate the system and its participants.
- Australians are shifting away from using cash for payments, putting pressure on distribution infrastructure. The government supports Australians having continued access to cash.
- The Payments System Board requested an external review of RITS, following a major outage in 2022. This resulted in a number of recommendations the Bank is committed to implementing.
- Payment system technology and standards are changing. RITS is adopting ISO 20022 to improve standardisation of messaging, and will update the technology used by members to access RITS.
- Australian government agencies will likely need to adapt their banking and payments processes and systems, in response to the evolution in payments technology and a broader transition away from cheques and direct entry payments using the Bulk Electronic Clearing System.

Internal

- The independent Review of the Reserve Bank contained 51 recommendations on how to strengthen the Bank and its policy-making processes. Many of these will require changes to the internal processes and structures of the Bank.
- The *Reserve Bank Act 1959* is being revised in response to the recommendations of the Review. The revised legislation will provide for a third Reserve Bank board that will oversee the governance of the Bank. Putting this into effect will require significant change to our internal governance arrangements. (The Governance Board will be the accountable authority under the *Public Governance, Performance and Accountability Act 2013*, replacing the Governor.)
- The Bank is undertaking a major refurbishment of its Head Office. This will upgrade base building infrastructure that is at end-of-life and create a safe, contemporary and flexible workplace for the future. The Bank will temporarily relocate its Head Office for the duration of this project.
- The tight labour market has increased the challenge of attracting and retaining staff, especially skilled technology workers. The mix of skills we require is also evolving, as is the nature of the qualifications and training available to recruit.
- The Bank intends that its workforce reflects the diversity of the community in which it operates. We have more work to do to achieve cultural and linguistic diversity.
- Our growing expenditure on technology reflects its role as a key enabler of Bank operations and the resilience risks we face. We are increasing our use of cloud services, automating technology management practices, continuing to mature our cybersecurity defences, and embarking on a four-year program to modernise our core network infrastructure to improve overall technology resilience and stability.



Our strategic priorities

Monetary policy decision-making that is fit for the future

Good decisions are founded on processes that provide quality information, enable deliberation and debate and promote accountability. We will enhance the processes supporting monetary policy decision-making, invest in our capacity for analysis and facilitate greater debate. We will also improve our capability to explain decisions to different audiences.

To achieve this, we will:

Provide more opportunity for deep and informed deliberation

- Redesign the processes, meetings and materials supporting the Board's decision-making, to emphasise analysis and options and to support debate and strategic thinking.
- Provide opportunities for Board members and staff to engage more deeply on policy.



Invest in key analysis and capabilities to use a wide range of data

- Refine our analysis to be tightly focused on key issues that are relevant for good decision-making.
- Equip staff with the tools and skills necessary to analyse a range of information relevant to the policy decision.

Enhance our communication capabilities

- Embed communication considerations throughout the policy-making process.
- Provide a clearer explanation of monetary policy decisions to our various audiences.



Highly resilient payment and banking services

It is critical to the Australian economy and financial system that the payment settlement system and banking services we provide are highly available. To reach this level of resilience we will enhance the operating model, cybersecurity defences and technology infrastructure that support them.

To achieve this, we will:

Uplift the operating model

- Optimise the capability and capacity of resources supporting our critical services, including improving onboarding processes and training for IT staff, and knowledge management systems to support them.
- Standardise system development processes and further automate change and technology management.
- Streamline IT controls, embed them in business processes, and uplift related assurance activities.



Enhance cybersecurity controls

- Implement the Australian Centre for Cyber Security's 'essential eight' cyber strategies to the highest level of maturity.
- Accelerate the patching of technology vulnerabilities.
- Enhance data recovery processes and testing for disruption scenarios.

Modernise core technology infrastructure

- Consolidate and replace core infrastructure components across our data centres.
- Transition to cloud services where appropriate.
- Standardise technology monitoring tools.



Shaping the future of money in Australia

Australians need safe, efficient and cost-effective payment options, both now and in the future. As the payments landscape changes, we will help shape the future of money by exploring the case for new digital forms of currency, and by ensuring cash remains a viable means of payment for those who need or want it.

To achieve this, we will:

Determine whether a policy case exists for a central bank digital currency (CBDC)

- Assess the potential benefits, risks and implications of issuing a CBDC in Australia.

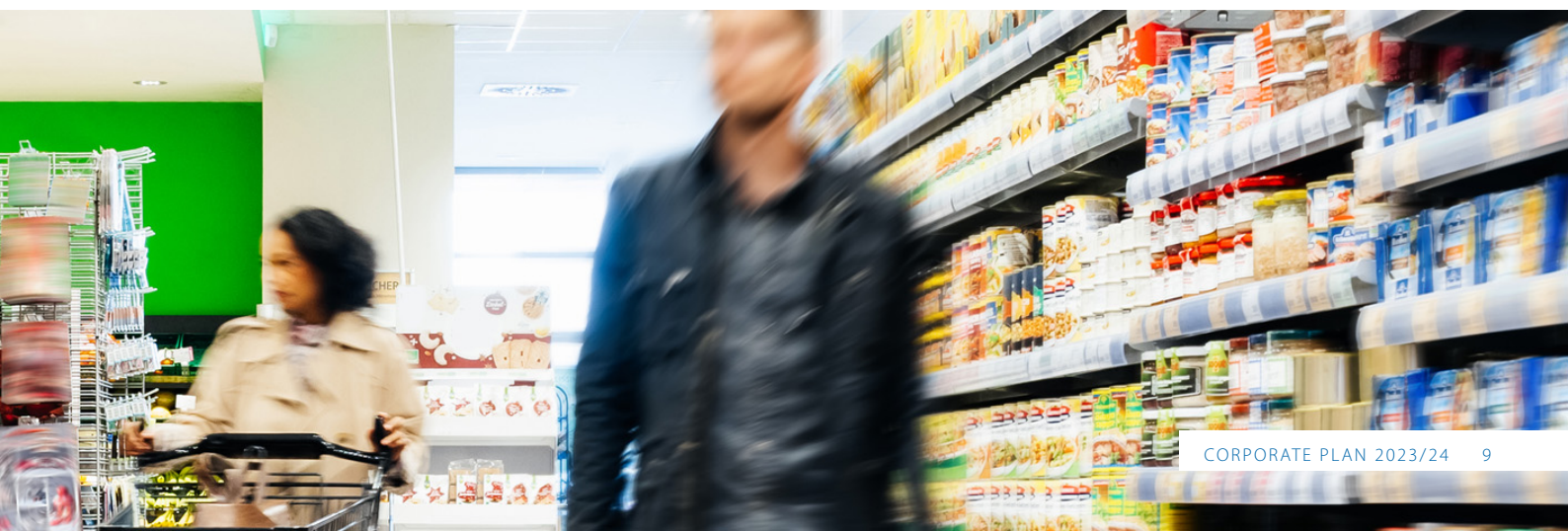


Support innovation and resilience in wholesale digital payments

- Examine how digital money – either publicly or privately issued – and supporting infrastructure could enhance wholesale payments or settlements, support the development of tokenised asset markets or enhance cross-border payments functionality.

Support access to physical cash

- Assist the Australian Government in developing policy options and contingency plans to ensure those who need or want cash can obtain it.



High-quality leadership and an open and dynamic culture

Delivering on our mandate requires a culture where people are encouraged to collaborate, innovate and constructively challenge. Such an environment requires leadership that promotes diversity of opinion, active debate and continuous learning. It also requires our people to be clear about their roles and responsibilities, and to feel confident to execute on them.

To achieve this, we will:

Define and establish our target organisational culture

- Identify the cultural attributes we need to achieve our vision.
- Develop and implement a comprehensive plan to drive the desired cultural change.
- Build a set of measures to track progress, provide insights and enable correction where needed.



Invest in leadership capability and development

- Refresh our leadership framework to align with the cultural attributes we are seeking.
- Establish the expectations required of leaders, and hold them accountable to these.
- Implement development programs for all people leaders to equip them to meet these expectations.

Create an environment that promotes the development and fulfilment of our people

- Strengthen talent management so that our people are supported to develop and achieve their career aspirations.
- Provide a fulfilling work experience, including with appropriate opportunities and flexibility.



Smarter, simpler and faster ways of working

In a world that is complex, fast-paced and data rich, our internal ways of working need to be agile to respond quickly to emerging opportunities and risks. We will simplify our processes and governance models to enable more timely decision-making, supported by appropriate access to relevant data and technology.

To achieve this, we will:

Improve the effectiveness and efficiency of organisational decision-making

- Recruit a Chief Operating Officer to drive cross-functional collaboration, improve organisational agility and coordinate the delivery of support services to the Bank.
- Streamline internal governance arrangements and align these to the new Governance Board.
- Improve strategic planning and prioritisation capabilities, including being quicker to stop work when appropriate.
- Embed risk management into organisational processes and thinking.

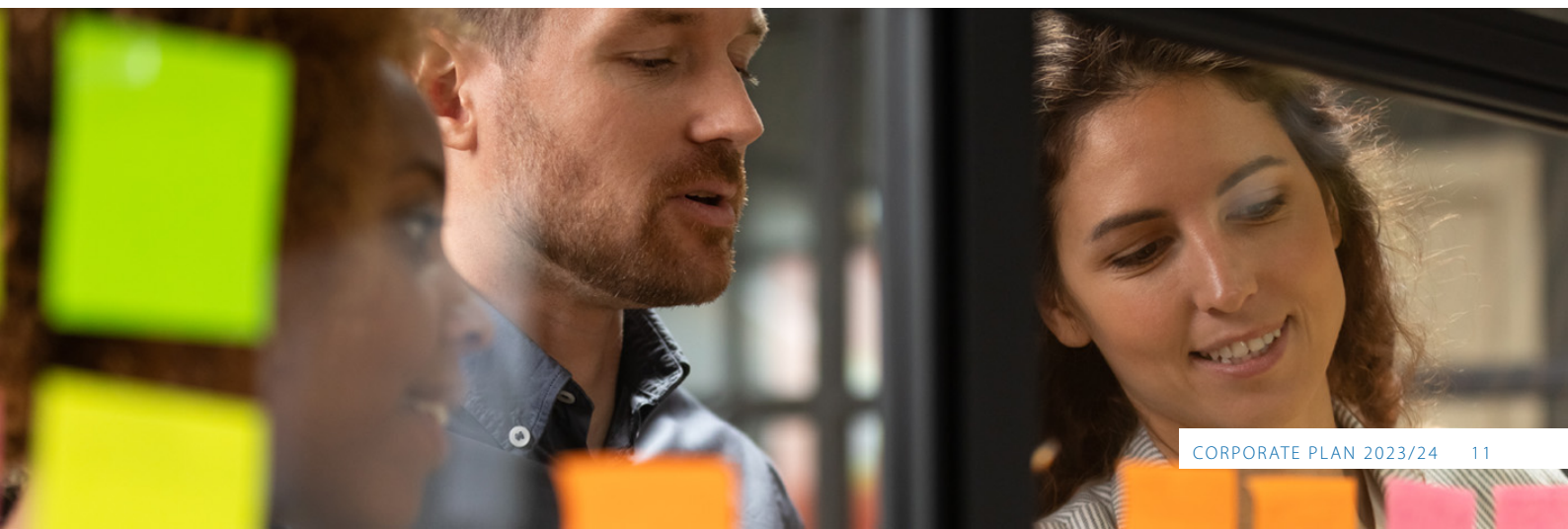


Facilitate richer data and analytics

- Make more data available through better data sharing, discoverability and access.
- Enhance analysis through the use of innovation and best-practice analytical tools and techniques.

Enable new ways of working through technology

- Utilise the power of digital solutions, technology platforms and automation to remove unnecessary manual intervention in processes.
- Increase adoption of emerging technologies including cloud computing services and generative AI.



Measuring our performance

This section outlines the key activities we will undertake to deliver on our objectives, and how we will measure and assess our performance.

Reserve Bank of Australia – Summary Measures of Performance – 2023/24–2026/27

Key objectives	Key activities	Performance measures and targets 2023/24	Performance measures and targets 2024/25–2026/27
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 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.	As for 2023/24, subject to any changes from a new <i>Statement on the Conduct of Monetary Policy</i> .
		Foster sustainable growth in the economy.	As for 2023/24, subject to any changes from a new <i>Statement on the Conduct of Monetary Policy</i> .
	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.	As for 2023/24, subject to changes reflecting decisions by the Reserve Bank Board.
	Provide adequate liquidity to the financial system.	Funding costs and access to liquidity are appropriate to achieve our goals.	As for 2023/24.
	Manage reserves to portfolio benchmarks.	Reserves portfolio managed within permitted deviations around benchmarks for interest rate and currency risks.	As for 2023/24, with benchmarks subject to periodic review.
	Intervene in foreign exchange market as appropriate.	Publish data and explanations of any intervention.	As for 2023/24.
The stability of the financial system	Support overall financial system stability.	<p>A stable financial system that is able to support the economy.</p> <p>Work with CFR agencies and international bodies to identify and appropriately address evolving systemic risks.</p> <p>Assess and communicate risks to financial system stability, including through the half-yearly <i>Financial Stability Review</i>.</p>	As for 2023/24.
A secure, stable and efficient payments system	Strengthen the safety and resilience of payments and market infrastructures.	<p>Market infrastructures prioritise the management of aging infrastructure and adopt replacements and upgrades in a safe manner.</p> <p>A risk-based framework exists for the oversight of key retail payment systems.</p>	<p>Established a policy position and guidance around outsourcing and vendor management for payments and market infrastructures.</p> <p>Payments and market infrastructures further uplift their cyber resilience with clearly defined strategies and rigorous testing programs.</p>

Key objectives	Key activities	Performance measures and targets 2023/24	Performance measures and targets 2024/25–2026/27
	Advance and implement reforms for payments and market infrastructures.	Assist the Australian Government to prepare draft legislation for regulating payments and market infrastructures.	Frameworks exist for using new supervisory and resolution powers for market infrastructures. Retail payments regulation comprehensively reviewed under a modernised <i>Payment Systems (Regulation) Act 1998</i> .
	Promote competitive, cost-effective and accessible electronic payments.	Reduced payment costs for small business through industry delivering merchant choice of debit card network. Industry delivers and promotes additional fast payment capabilities to end users.	Retail payments statistics collection modernised and published by the Bank to reflect new technologies and business models.
	Enhance cross-border payments.	Explore interlinking the New Payments Platform (NPP) to fast payment systems in other jurisdictions.	Contribute to implementing the G20 Roadmap to enhance cross-border payments.
	Align the Bank'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. Regulatory requirements are streamlined, proportionate to risks and coordinated with other regulators. Build capability in data analysis to efficiently monitor compliance. Communicate with regulated entities in a timely, clear and consistent way, including on regulatory priorities.	As for 2023/24.
	Preserve the operational reliability and cybersecurity of RITS.	RITS availability at 99.95 per cent during core hours.	As for 2023/24.
		RITS Fast Settlement Service availability at 99.995 per cent on a 24/7 basis, with most transactions processed in less than one second. Continue to enhance the Bank's back-office systems to support the industry's full migration to ISO 20022-based messaging by the end of 2024.	As for 2023/24.
		Ongoing investment and regular reviews and testing to support cyber resilience. In 2023/24, this will include an industry cyber exercise.	As for 2023/24.
		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.	Implement plans to strengthen the RITS operating environment and address gaps.
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.	As for 2023/24.
	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.	As for 2023/24.
	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:	As for 2023/24.

Key objectives	Key activities	Performance measures and targets 2023/24	Performance measures and targets 2024/25–2026/27
		– 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	Ongoing development of banking services and systems, including NPP capabilities and ISO 20022-based messaging standards.
		– supporting agency customers to migrate payments from legacy payment systems to new systems	As for 2023/24.
		– IT systems and infrastructure supporting our banking services and products are secure, resilient, efficient and fit for purpose	As for 2023/24.
		– implementing new supplier arrangements for card acquiring and payments gateway.	Renewal of third-party supplier arrangements to enable innovation and align with key service objectives.
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 Reserve Bank Online Banknotes Survey.	As for 2023/24.
	– meet banknote demand	More than 95 per cent of banknote orders from commercial banks fulfilled by the Bank within three days of request.	As for 2023/24.
	– 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.	As for 2023/24.
	– maintain high-quality banknotes.	Banknote production orders by the Bank to be supplied by Note Printing Australia Limited within agreed quality parameters.	As for 2023/24.
		Maintain quality of banknotes in circulation above the minimum quality standard agreed with industry.	As for 2023/24.

Risk oversight and management

The Reserve Bank cannot achieve its objectives without clear and effective management of risk.

Risk and Compliance Management Framework

The Bank’s Risk and Compliance Management Framework (RCMF) is the primary way we ensure risk and compliance activities are appropriately managed to support our objectives. Key elements of the framework include:



Governance

The Risk Management Committee:

- Has oversight of risk management, meets at least six times per year and provides reports to the Executive Committee and the Reserve Bank Board Audit Committee.
- Reviews actions, controls and mitigation strategies for risks reported that are outside target.
- Accepts risks where appropriate.

The Risk and Compliance Department:

- Supports the application of the RCMF.
- Monitors and reports on risks related to our operations in financial markets (market, exchange rate, credit and liquidity) and our overall risk profile.

Management (risk owners):

- Evaluate risk, put in place appropriate controls, assign ownership of risks and controls, and monitor the effectiveness of those controls.
- Report incidents when something goes wrong and the impact is outside our risk tolerance.
- Escalate risks outside of target to the Risk Management Committee.

Key risks

A summary of the key risks we are required to manage, and the approach we take to mitigate them, is shown below. These risks are often ones where more work is required to ensure these are managed within risk appetite.

Key strategic risks and opportunities	Approach to managing
A focus on external review and other initiatives (including major renovations to the Head Office and core IT infrastructure renewal) could lead to deprioritisation of other strategically important issues.	Align our workplans, both in response to recent reviews and more generally, to our strategic priorities and suitably resource them.
Risk to the physical security of our people and assets.	Provide appropriate security at various sites.
High inflation, rapid interest rate rises and high household indebtedness creates a challenging environment for monetary policy . There is a risk of tightening policy either too much (causing unemployment to rise excessively) or too little (causing inflation to stay persistently high).	Enhance monetary policy decision-making processes.
An increasingly complex and fast-changing external context, including the heightened risk of cyber-attack, opens the possibility of unplanned outages in the payments system .	Strengthen the operational resilience of critical national infrastructure services and improve our ability to respond to adverse events.
Rapid changes in the payments landscape, including the successful adoption of CBDCs in other jurisdictions, could see Australia's payments system falling short of expectations and failing to meet the evolving needs of end users.	Invest in understanding the case for CBDCs to equip us to implement any solution that best meets Australia's needs.
We face emerging opportunities and risks presented by the rapidly evolving external landscape , and must address these while operating within resource constraints. In other areas, we need to avoid missing opportunities by being too risk averse.	Simplify our decision-making while ensuring it is consistent with our risk appetite and supported by strong strategic oversight; harness data and technology to support this.
To achieve our objectives, we need to be able to attract and retain quality staff , and support them to deliver their best.	Enhance organisational culture and leadership.

We also need to manage the following routine risks (these are managed within the RCMF described above):

- The value of our assets can be affected by changes in interest rates, exchange rates, credit quality and liquidity conditions.
- Our staff and other workers are exposed to potential work health and safety issues in the course of their duties.
- We manage a range of confidential, personal and sensitive information. Loss or inadvertent disclosure of this information would impair our ability to function effectively and possibly constitute a breach of our legal responsibilities.

