Reserve Bank of Australia
Annual Report 2023

RESERVE BANK OF AUSTRALIA

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https://www.rba.gov.au/publications/annual-reports/rba/2023

The Reserve Bank welcomes comments on this report. Feedback and enquiries about any aspect of this report may be directed to:

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Letter of Transmittal

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14 September 2023

The Hon Dr Jim Chalmers MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

RESERVE BANK OF AUSTRALIA ANNUAL REPORT 2023

In accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*, I am pleased to submit the Reserve Bank's Annual Report for 2023 for presentation to the Parliament.

Yours sincerely

Philip Lowe

Governor's Foreword

Governor Philip Lowe spoke about inflation and recent economic data at the Financial Review Business Summit 2023 in March. Photo: Natalie Boog, *Australian Financial Review*.

The past year saw the highest inflation rate in more than 30 years. The Reserve Bank Board's priority has been to return inflation to the 2–3 per cent target range within a reasonable timeframe. It has sought to do this while also preserving as many of the gains in the labour market as possible, with the unemployment rate at a near 50-year low during 2022/23.

Interest rates increased significantly over the course of the year. Monetary policy is now in restrictive territory and is working to establish a better balance between supply and demand in the Australian economy. The Board acknowledges that higher interest rates are having an uneven effect across the community and are contributing to a painful financial squeeze for some households. That said, allowing high inflation to persist would lead to more financial stress in future and damage the longer term functioning of the economy. The Board is resolute in its determination to return inflation to target.

Another of the Reserve Bank's priorities over the past year has been the promotion of an efficient and competitive payments system. We have continued our work exploring the future of money, including through a modest issue of a central bank digital currency on a trial basis, in conjunction with the Digital Finance Cooperative Research Centre. We are also investing heavily in the resilience of the Bank's high-value settlement system, RITS, after a major technology outage in October 2022. And, as banker to the Australian Government, we processed over $1.5 trillion of government payments and collections over the year. We transitioned to the ISO 20022 global messaging standard and will soon enable the final leg of cross-border payments to be processed via the New Payments Platform. At the same time, we continued to produce high-quality, secure banknotes and to support their availability for people who need or want to use them.

Another major focus area for the Bank over the past year has been the government-commissioned Review of the Reserve Bank of Australia. The Board and the Bank's staff welcomed the Review and participated constructively in the process. The Review was released in April 2023, with 51 recommendations for how the Bank can build on its strengths.

In response, the Bank has announced extensive changes to its monetary policy process and approach to communication. From 2024, there will be eight Reserve Bank Board meetings a year, rather than the current 11, and the Governor will give a media conference after each meeting to explain the policy decision. Within the Bank, increased investments are being made in leadership to help us be the open and dynamic organisation that we aspire to be. We are also working constructively with the Australian Treasury on the most extensive changes to the Bank's enabling legislation since it was passed in 1959. This legislation is important for the future prosperity of all Australians and it is important to get the details right.

The increase in interest rates over the past year saw the Bank record a loss of $6 billion during 2022/23, including valuation losses from higher bond yields. The Bank continues to operate with negative equity, with the negative equity position increasing over the past year to $17.7 billion. This does not affect the Bank's operations or its ability to perform its policy functions. Nonetheless, the Board will seek to restore the Bank's capital over time through the retention of future profits, rather than paying these as dividends to the government. The Treasurer has indicated his continued support for this approach, noting that a decision about retention of earnings is made each year.

My seven-year term as Governor, and 43-year career at the Bank, finishes in mid-September. I will leave the Bank proud of our contribution to the functioning and stability of the Australian economy and financial system. The staff of the Bank do a wonderful job and are committed to advancing the public interest. It has been both an honour and a privilege to lead them in that work. I was very pleased to see Michele Bullock appointed as my successor to lead the Bank through a period of significant change.

Finally, the Board joins me in thanking the Bank's staff for their service to Australia. They carry out their work with great dedication and professionalism. Thank you.

Philip Lowe
Governor

6 September 2023

PART 1

About the Reserve Bank

1.1 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.

To best equip us to achieve our objectives, now and into the future, the Bank has five strategic priorities, as outlined in the Bank's Corporate Plan for 2023/24 to 2026/27.[1] These strategic priorities have been shaped by the recommendations of the recent reviews into the Reserve Bank of Australia and the operating environment supporting the Reserve Bank Information and Transfer System (RITS). Two externally focused strategic priorities come directly from those reviews: strengthening the monetary policy decision-making process so it is fit for the future; and buttressing the resilience of the nationally critical banking and payments services we provide to the Australian people. We will also continue our focus on shaping the future of money in Australia, amid rapid change in the payments landscape. These three external-facing strategic priorities are supported by two internally focused priorities: fostering high-quality leadership and a culture that encourages enquiry and debate; and reframing organisational governance to facilitate simpler processes that enable decisions to be made by the right people in a timely manner.

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.

[1] See RBA (2023), 'Corporate Plan 2023/24'.

Reserve Bank of Australia Strategic Plan

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

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, 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 employment 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 can also intervene in the foreign exchange markets to address dysfunction and/or a significant misalignment in the value of the Australian dollar; it also transacts in the market to manage the size, and associated currency risk, of its portfolio of foreign currency assets.

The Bank's monetary policy framework, including the *Statement on the Conduct of Monetary Policy*, is currently being revised in response to recommendations of the independent Review of the Reserve Bank. The core features of the framework will not change materially. However, the way the Bank's objectives are described in the Reserve Bank Act will be modernised and clarified, and the medium-term inflation target will be adjusted slightly to maximise the chance that the 2–3 per cent target is met.

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 proposed revisions to the Reserve Bank Act will formalise this role in contributing to financial stability by enshrining it in legislation. The Bank also has specific responsibility to oversee financial market infrastructures that could have implications for financial stability (see below).

The Bank works 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. It 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 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 its policymaking role, it is the duty of the Payments System Board to ensure the Reserve Bank's payments system policy is directed to the greatest advantage of the people of Australia, and to ensure 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, the Payments System Board is required to ensure 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 – RITS.

Our operational role in the payments system is effected through the Bank's ownership and management of RITS (including the Fast Settlement Service), which is used by banks and other approved institutions to settle their payment obligations efficiently on a real-time, gross settlement basis. This ensures there is no build-up of settlement obligations associated with high-value transactions, thereby promoting 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: managing the Australian Government's core accounts; and providing transactional banking services to Australian government agencies. Like 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

The Reserve Bank is 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. The Bank distributes banknotes to financial institutions, monitors and maintains banknote quality in circulation and withdraws unfit banknotes from circulation.

1.2 Governance and Accountability

The Reserve Bank is an independent central bank, accountable to the Parliament of Australia. The Bank has two boards: the Reserve Bank Board, which has responsibility for monetary and banking policy and the Bank's policy on other matters excluding payments system policy; and the Payments System Board, which has responsibility for payments system policy.

Some aspects of the Bank's governance and accountability arrangements (including the Reserve Bank Board structure) were examined as part of an independent review of Australia's monetary policy arrangements. Work to consider and implement recommendations of the Review of the Reserve Bank commenced following its public release in April 2023.

Governance

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 Bank is a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

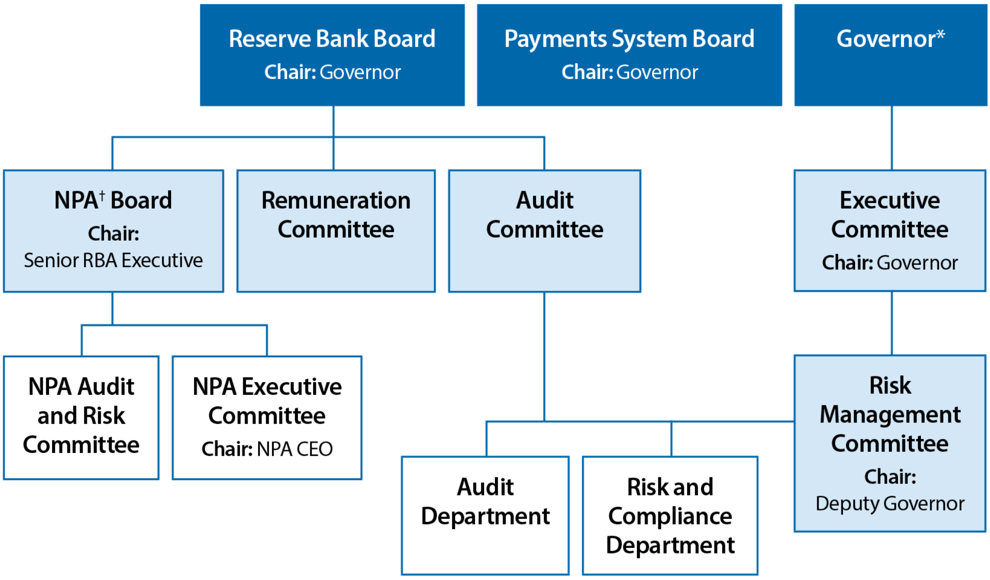
The Bank's two boards have operational independence under the Reserve Bank Act to determine the policies of the Bank that best achieve the objectives set out in the Act. In terms of monetary policy, the *Statement on the Conduct of Monetary Policy*, as updated from time to time, has recorded the common understanding of the Governor, as Chair of the Reserve Bank Board, and the Australian Government on key aspects of Australia's monetary and central banking policy framework since 1996.

Under the Reserve Bank Act, the Bank is managed by the Governor, who is also the Chair of the Reserve Bank Board and the Payments System Board. The Governor is the 'accountable authority' under the PGPA Act. The Governor is assisted in fulfilling their responsibilities to manage the Bank by the Executive Committee and the Risk Management Committee (see Chapter 3.1 Management of the Reserve Bank).

Note Printing Australia Limited (NPA) is a wholly owned subsidiary of the Bank. NPA operates under a charter reviewed and approved annually by the Reserve Bank Board.

Reserve Bank of Australia Governance Structure

September 2023



† Note Printing Australia Limited

* Under section 12 of the *Reserve Bank Act 1959*, the Governor is responsible for managing the Bank and under section 7A of the Reserve Bank Act, the Governor is the accountable authority of the Bank for the purposes of the *Public Governance, Performance and Accountability Act 2013*.

Reserve Bank Board

The responsibilities of the Reserve Bank Board are set out in the Reserve Bank Act, which states that the Board has power to determine the policy of the Bank in relation to any matter, other than its payments system policy. It is the duty of the Board to ensure that the monetary and banking policy of the Bank is directed to the greatest advantage of the people of Australia.

The Reserve Bank Board comprises nine members: the Governor (Chair); the Deputy Governor (Deputy Chair); the Secretary to the Australian Treasury; and six other non-executive members appointed by the Treasurer. New appointments to the Board are made by the Treasurer from a register of candidates maintained by the Secretary to the Treasury and the Governor. During the past year, Wendy Craik AM and Mark Barnaba AM retired from the Board, and Iain Ross AO and Elana Rubin AM were appointed as non-executive members with effect from 7 May 2023 and 31 August 2023, respectively. Attendance by members at meetings of the Board during 2022/23 is shown in the table below, and members' qualifications and experience are provided in Chapter 1.3 Reserve Bank Board.

The Reserve Bank Board usually meets 11 times a year, on the first Tuesday of each month except in January. This will change to eight times per year from 2024, in line with recommendations of the Review of the Reserve Bank. Five members form a quorum for a meeting of the Board. Consistent with the Reserve Bank Act, the Board makes decisions by a majority of the members present, with the Chair having a casting vote, if necessary.

Reserve Bank Board Meetings – 2022/23

Attendance by members

	No. of meetings attended	No. of meetings eligible to attend
Philip Lowe (Governor)	11	11
Michele Bullock (Deputy Governor)	10	11
Steven Kennedy (Secretary to the Australian Treasury)	11	11
Mark Barnaba(a)	11	11
Wendy Craik(b)	10	10
Ian Harper	11	11
Carolyn Hewson	11	11
Iain Ross(c)	1	1
Carol Schwartz	10	11
Alison Watkins	9	11

(a) Mark Barnaba's term on the Board ended on 30 August 2023.

(b) Wendy Craik's term on the Board ended on 6 May 2023.

(c) Iain Ross's term on the Board commenced on 7 May 2023.

Reserve Bank Board meetings are usually held at the Reserve Bank's Head Office in Sydney. In 2022/23, four meetings were held via hybrid arrangements with some members participating remotely, and two meetings were held interstate (the Board met in Hobart in November 2022 and in Perth in May 2023).

The Reserve Bank Board has an Audit Committee and a Remuneration Committee, whose activities are described below.

Audit Committee

The Audit Committee is constituted as a subcommittee of the Reserve Bank Board. The Committee fulfils certain obligations under the Reserve Bank Act and the PGPA Act, namely:

- it assists the Governor (as the Reserve Bank's accountable authority) and the Reserve Bank Board by reviewing the appropriateness of the Reserve Bank's financial reporting, including the financial statements in the Annual Report
- it assists the Governor by reviewing the appropriateness of the Bank's:
  - performance reporting, including the Annual Performance Statement in the Annual Report
  - systems of risk oversight and management
  - systems of internal control.

The charter of the Audit Committee is published on the Bank's website.[1]

[1] See RBA (2022), 'Reserve Bank Board Audit Committee Charter', October.

The Reserve Bank Board with members of staff at its meeting in August 2023. Clockwise from centre of table: Governor Philip Lowe, Christopher Kent (Assistant Governor, Financial Markets), Deputy Governor Michele Bullock, Mark Barnaba AM, Steven Kennedy PSM, Carolyn Hewson AO, Anthony Dickman (Reserve Bank Secretary), Ian Harper AO, Iain Ross AO, Alison Watkins AM (Carol Schwartz AO participated remotely via Zoom), Tom Rosewall (Acting Head, Economic Analysis Department) and Marion Kohler (Acting Assistant Governor, Economic). Back row, from left: David Norman (Deputy Secretary), Penelope Smith (Head, International Department), Carl Schwartz (Acting Head, Domestic Markets Department), David Jacobs (Head, RBA Future Hub).

Membership of the Audit Committee comprises two non-executive members of the Reserve Bank Board, one of whom chairs the Committee, and two external members, typically former senior audit partners of major accounting firms with extensive experience in auditing in the finance sector. During the past year, Mark Barnaba AM retired as a member and Chair of the Committee and was succeeded as Chair by Alison Watkins AM, with effect from 31 August 2023. Carolyn Hewson AO became a member of the Committee, with effect from 31 August 2023. Attendance by members at meetings of the Committee during 2022/23 is shown in the table below, and members' qualifications and experience are provided in Chapter 1.3 Reserve Bank Board.

Audit Committee Meetings – 2022/23

Attendance by members

	No. of meetings attended	No. of meetings eligible to attend
Mark Barnaba[(a)(b)]	4	4
Sandra Birkensleigh	4	4
Rahoul Chowdry	4	4
Alison Watkins[(a)]	4	4

(a) Member of the Reserve Bank Board.

(b) Mark Barnaba's term on the Audit Committee ended on 30 August 2023.

Consistent with contemporary governance standards, none of the members of the Audit Committee is an employee or executive of the Reserve Bank. Representatives of the Bank's internal and external auditors participate in meetings as appropriate at the invitation of the Chair. The Deputy Governor attends meetings of the Committee on a regular basis as the chief representative of the Bank's management.

Other regular attendees from the Bank's senior executive team include the Chief Financial Officer, Chief Risk Officer and the Head of Audit Department; other Bank executives attend meetings of the Committee as required.

During 2022/23, the Audit Committee met on four occasions. At its August 2023 meeting, the Committee considered the draft consolidated financial statements for the Reserve Bank for the year ended 30 June 2023 and agreed that the statements be presented to the Governor and the Reserve Bank Board with its endorsement. The Committee meets at least annually with the external auditors without management present; over the past year, this occurred immediately prior to the August 2023 meeting.

Remuneration Committee

The Remuneration Committee of the Reserve Bank Board is established in terms of section 24A of the Reserve Bank Act, to recommend to the Board 'terms and conditions relating to the remuneration and allowances' for the Governor and Deputy Governor. Membership of the Committee is drawn from the non-executive members of the Board and currently comprises Carol Schwartz AO (Chair), Ian Harper AO and Iain Ross AO; Wendy Craik AM retired as a member of the Committee on 6 May 2023 and was succeeded by Iain Ross AO. During 2022/23, the Committee met on three occasions. Attendance by members at meetings of the Remuneration Committee during 2022/23 is shown in the table below.

Remuneration Committee Meetings – 2022/23

Attendance by members

	No. of meetings attended	No. of meetings eligible to attend
Carol Schwartz	3	3
Wendy Craik[(a)]	2	2
Ian Harper	3	3

(a) Wendy Craik's term on the Remuneration Committee ended on 6 May 2023.

The offices of Governor and Deputy Governor are Principal Executive Offices in terms of the *Remuneration Tribunal Act 1973*, which provides for the Remuneration Tribunal to determine the applicable remuneration reference rate for these offices. The Remuneration Committee reviews annually the terms and conditions (including remuneration) applying to the Governor and Deputy Governor and recommends any adjustments to the Reserve Bank Board for approval, providing that such terms and conditions are consistent with the framework for Principal Executive Offices determined by the Remuneration Tribunal. In accordance with section 21A of the Reserve Bank Act, neither the Governor nor the Deputy Governor takes part in decisions of the Reserve Bank Board relating to the determination or application of any terms or conditions on which either of them holds office.

The Remuneration Committee is also kept informed of the general remuneration arrangements for Reserve Bank staff. The Committee communicates with the Remuneration Tribunal and the Treasurer as required.

Payments System Board

The responsibilities of the Payments System Board are set out in the Reserve Bank Act. In particular, the Act requires the Payments System Board to ensure, within the limits of its powers, that the Reserve Bank's payments system policy is directed to the greatest advantage of the people of Australia and that its related powers are exercised in such a way that, in the Board's opinion, will best contribute to:

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

The Payments System Board also has responsibility to ensure that the powers and functions of the Bank under Part 7.3 of the *Corporations Act 2001* (dealing with licensing of clearing and settlement facilities) are exercised in a way that will best contribute to the overall stability of the financial system.

The Payments System Board issues a separate Annual Report, which, as required under the Reserve Bank Act:

- informs the Australian Government of the Bank's role and activities in relation to payments system policy
- covers certain matters relating to the standards that the Bank determines under section 827D of the Corporations Act and developments in the clearing and settlement industry that are relevant to Australia's financial stability.

The Payments System Board comprises: the Governor, who is the Chair; one representative of the Bank appointed by the Governor, currently the Deputy Governor, who is the Deputy Chair; one representative of the Australian Prudential Regulation Authority (APRA) appointed by APRA; and up to five other members appointed by the Treasurer for terms of up to five years. During the past year, Catherine Walter AM and Greg Storey retired from the Board and were replaced by Ross Buckley and Michelle Beaker, with effect from 1 August 2023. Gina Cass-Gottlieb was reappointed to the Board for a further five-year term, with effect from 1 August 2023. Wayne Byres retired from his position at APRA's representative, with effect from 30 October 2022, and was succeeded by John Lonsdale. Attendance by members at meetings of the Payments System Board during 2022/23 are shown in the table below and details of members' qualifications and experience are provided in Chapter 1.4 Payments System Board.

Since its inception, the Payments System Board's practice has been to meet at least four times a year, with the option of meeting more often if needed. Four meetings were held in 2022/23, all at the Bank's Head Office in Sydney. Five members form a quorum at a meeting of the Board; five members are also required to pass a resolution without a meeting.

Payments System Board Meetings – 2022/23
Attendance by members

	No. of meetings attended	No. of meetings eligible to attend
Philip Lowe (Governor)	4	4
Michele Bullock (RBA)	4	4
Wayne Byres (APRA)[(a)]	1	1
Gina Cass-Gottlieb	3	4
Scott Farrell	4	4
John Lonsdale (APRA)[(b)]	3	3
Deborah Ralston	4	4
Greg Storey[(c)]	4	4
Catherine Walter[(d)]	1	1

(a) Wayne Byres' term on the Board ended on 30 October 2022.
(b) John Lonsdale's term on the Board commenced on 1 November 2022.
(c) Greg Storey's term on the Board ended on 31 July 2023.
(d) Catherine Walter's term on the Board ended on 2 September 2022.

Conduct of Board members

On appointment to the Reserve Bank Board or the Payments System Board, each member is required under the Reserve Bank Act to sign a declaration to maintain confidentiality in relation to the affairs of the Board and the Reserve Bank.

Members must comply with the statutory obligations for officials of the Reserve Bank, including the general duties for officials set out in the PGPA Act. Members' obligations under the PGPA Act include, but are not limited to, obligations to exercise their powers and discharge their duties with care and diligence, honestly, in good faith and for a proper purpose. Members must not use their position, or any information obtained by virtue of their position, to benefit themselves or any other person, or to cause detriment to the Reserve Bank or any other person.

In order for members of the Reserve Bank Board to discuss and decide monetary and financial stability policies, notwithstanding any material personal interest in the outcome, the Reserve Bank Act requires members to furnish a confidential disclosure of material personal interests to the Treasurer annually and, during the year, to notify any substantial change since their most recent annual disclosure.

Members of the Reserve Bank Board must declare to the other members of the Board any material personal interests they have in matters relating to the affairs of the Board other than monetary policy and financial stability. Members may give standing notice to other members outlining the nature and extent of a material personal interest in such matters.

Members of the Payments System Board must declare to the other members of the Board any material personal interest they have in a matter relating to the affairs of the Board. Members may give standing notice to other members outlining the nature and extent of a material personal interest.

Codes of conduct for members of the Reserve Bank Board and the Payments System Board supplement these statutory requirements and impose obligations on members that are designed to ensure the highest possible standards of ethical conduct. The codes of conduct, which are available on the Reserve Bank's website, provide general principles to guide the conduct of members in fulfilling their duties and responsibilities as Board members and address a range of matters, including conflicts of interest. In the

The Payments System Board with members of staff at its meeting in August 2023. (Clockwise from centre) Board members: Governor Philip Lowe, Deputy Governor Michele Bullock, Anthony Dickman (Reserve Bank Secretary), Ross Buckley, John Lonsdale, Deborah Ralston, Scott Farrell, Michelle Deaker. Staff members: Bradley Jones (Assistant Governor, Financial System), Ellis Connolly (Head, Payments Policy Department).

case of the Reserve Bank Board, the Code of Conduct covers restrictions on undertaking, or being involved in, financial transactions of certain types at certain times.[2]

Following a review of arrangements to manage conflicts of interest, in July 2023 the Reserve Bank Board decided to strengthen the Code of Conduct to clarify that members must not trade in foreign exchange or interest rates derivatives, that they should not engage in active trading in any financial instrument and that the provisions of the Code of Conduct also apply to entities the members control or persons whose affairs members control or influence. In August 2023, the Payments System Board agreed to reconsider the provisions of the Code of Conduct dealing with managing potential conflicts of interest; a review will occur later in 2023.

Policy risk management framework and Board reviews

Risks associated with the formulation of monetary policy and payments system policy are the direct responsibility of the Reserve Bank Board and the Payments System Board, respectively. The boards review these risks periodically as part of their decision-making processes. Operational risks are managed by executives via the Reserve Bank's risk management framework, as discussed in Chapter 3.3 Risk Management.

Towards the end of 2022, the Reserve Bank Board conducted its annual review of the key risks inherent in the formulation of monetary policy, and the monetary policy risk register and control framework. The Board endorsed updates to the risk register:

[2] See RBA (2023), 'Code of Conduct for Reserve Bank Board Members', August; RBA (2021), 'Code of Conduct for Payments System Board Members', August.

- to reflect risks associated with ensuring an appropriate framework for monetary policy, the potential for errors when setting monetary policy in a highly uncertain environment, and the ongoing risks related to the transition away from unconventional monetary policies
- to strengthen the control framework for monetary policy risks following a series of internal policy reviews conducted by Bank staff.

At the same time, the Reserve Bank Board conducted its annual review of its own operation and processes, based on a survey of Board members. It concluded that essential processes were functioning effectively, notably in areas such as the quality of discussion, the contribution of members and the deliberative structure of meetings. Members discussed the importance of hearing different views within the Bank on policy and other issues.

The performance of the Reserve Bank Board's Audit and Remuneration committees is assessed as part of the annual review of the effectiveness of the Board itself. The 2022 review concluded that the committees and their processes were functioning effectively. The review by the Audit Committee of its own processes concluded it was operating effectively. Members discussed the importance of the Committee's role in challenging management and eliciting strategic conversations on matters such as risk management, and they supported moves to present regular risk reports more effectively.

Towards the end of 2022, the Payments System Board conducted its annual review of the key risks inherent in the consideration of payments policy and the payments policy risk register and control framework. Following a staff review, the Board endorsed simplification of the risk register and assessed that the risk control framework remained appropriate to manage payments policy risks adequately.

At the same time, the Payments System Board conducted its annual review of its own operation and processes, based on a survey of Board members. It concluded that Board processes were functioning effectively. Members discussed opportunities for earlier engagement with government on important payments policy matters, as well as further engagement with industry participants, reflecting the complexity and policy challenges arising from new digital technologies.

Review of the Reserve Bank

On 20 April 2023, the Treasurer released the Final Report of the Review of the Reserve Bank. The Review analysed the Bank's performance over the past three decades and made recommendations on the monetary policy framework, governance, leadership and culture of the Bank.

Legislative change is required to implement many of the recommendations on the Bank's objectives, responsibilities and governance. In the months following release of the Final Report, Bank staff have been working constructively with the Australian Treasury to prepare draft legislation. The Bank has also been working with the Treasury to prepare a new *Statement on the Conduct of Monetary Policy*, which will incorporate some of the recommendations of the Review. At the same time, the Reserve Bank Board has considered changes to its own processes that would best give effect to the recommendations of the Review. These covered the meeting schedule, members' role in policy formulation, and transparency around Board decisions and processes.

Other recommendations of the Review relate to the Bank's internal structures, leadership and culture. In the months following its release, work has been undertaken to continue strengthening the Bank's culture in areas of leadership capabilities, risk appetite and encouraging debate from a diverse range of perspectives. In addition, the Bank has begun the process of establishing a Chief Operating Officer position and elevating the role of communications within the Bank. These changes are being progressed in tandem with the work required to address the recommendations of Deloitte's review of the RITS ecosystem, given the overlap between the two reviews on issues relating to risk management and culture. The work is being led and coordinated by the 'RBA Future Hub', a team led by David Jacobs (formerly Head of Domestic Markets Department) and assisted by two Deputy Heads, Meredith Beechey Osterholm and

Alex Dawson. Matters arising from Deloitte's review that are specific to payments are being addressed by a program of work led by Greg Johnston (Head of Payments Settlements Department) and assisted by a Deputy Head, Michael Davies.

Other policy matters

The Governor reports annually to the Reserve Bank Board on the process of review and implementation of key policies that are determined and managed by the Governor, including information on compliance arrangements. An annual report on work health and safety is also presented to the Board. These reports for 2022/23 were provided to the Board at its September 2023 meeting.

Conflicts of interest and payments policy matters

The Reserve Bank has several distinct areas of responsibility in the Australian payments system: it owns, operates and participates in Australia's real-time gross settlement system, RITS; it is a provider of transactional banking services to the Australian Government and its agencies; and it is the principal regulator of the payments system through the Payments System Board.

While the various functions are distinct, their existence in the one institution may give rise to concerns about actual or perceived conflicts of interest. The Payments System Board and senior management of the Bank take seriously the possibility of any perception that the Bank's policy and operational roles may be conflicted, especially as this could undermine public confidence in regulatory and policy process.

Accordingly, the Bank has policies in place for avoiding conflicts and dealing with them when they do occur. The Payments System Board has adopted such a policy, which is published on the Bank's website[3] and was last reviewed in May 2022. The policy focuses on interactions between the Bank's Payments Policy and Banking departments. Details of the steps taken to achieve compliance with the policy, including the minutes of informal meetings between departments, are audited regularly, with the results presented to the Payments System Board. In May 2022, the Board approved a change from biennial to triennial audits. The most recent audit was conducted in March 2022 and was reviewed by the Board in May 2022.

In the case of the Reserve Bank's oversight of RITS, the Payments System Board has a governance role in managing conflicts of interest. In particular, while the internal Financial Market Infrastructure Review Committee has formal responsibility to review and approve assessments of other financial market infrastructures, the Board retains primary responsibility for approving the staff's periodic assessments of RITS. One way in which the Payments System Board exercised its authority over RITS in 2022/23 was to commission Deloitte to undertake a review of the RITS outage in October 2022. Deloitte's report was presented to the Board at its May meeting.

Induction of Board members

An induction program assists newly appointed members of the Reserve Bank Board and the Payments System Board in understanding their role and responsibilities. It provides them with an overview of the Bank's role in the conduct of monetary policy or the payments system (as applicable), as well as details of relevant developments in preceding years. Separate briefing sessions are tailored to meet members' needs and interests.

[3] See RBA (2022), 'Managing Potential Conflicts of Interest Arising from the Bank's Commercial Activities', May.

Remuneration and allowances

Remuneration and travel allowances for the non-executive members of the Reserve Bank Board and the Payments System Board are set by the Remuneration Tribunal. Remuneration of Reserve Bank Board members for their membership of the Audit Committee is determined by the Remuneration Tribunal. The Bank's longstanding practice has been to provide the same level of remuneration to members of the Audit Committee who are not also members of the Reserve Bank Board. Membership of the Remuneration Committee is not remunerated. The remuneration of each member of the Reserve Bank Board, the Payments System Board and the Audit Committee is provided in Chapter 3.2 Our People.

Note Printing Australia Limited

Note Printing Australia Limited (NPA) is a wholly owned subsidiary of the Reserve Bank operating under a charter reviewed and approved annually by the Reserve Bank Board. NPA's prime function is the efficient and cost-effective production of high-quality and secure Australian banknotes, in accordance with specifications and requirements set by the Reserve Bank. NPA also produces banknotes for other issuing authorities, Australian passport booklets and other security products.

NPA is governed by a board of directors appointed by the Reserve Bank. As at the date of this report, the NPA Board comprises four Reserve Bank executives and an external director: Susan Woods (Assistant Governor, Corporate Services) as Chair; Greg Johnston (Head of Payments Settlements Department) as alternate Chair; Emma Costello (Chief Financial Officer); Keith Drayton (Chief Risk Officer); and Ross Pilling, who has held multiple senior management roles and directorships in the manufacturing sector. The NPA Board has an Audit and Risk Committee, whose membership comprises Keith Drayton (Chair), Emma Costello and an external member, Megan Haas, a former PricewaterhouseCoopers partner with a strong background in cybersecurity and risk assurance across a broad range of industries, including manufacturing.

More detail on the NPA is provided in Chapter 1.5 Operational Structure and Chapter 2.4 Banknotes.

Indemnities for Board members and staff

Members of the Reserve Bank Board and the Payments System Board are indemnified to the extent permitted by law against liabilities incurred by reason of their appointment to the relevant Board or by virtue of holding and discharging such office. Members of the Audit Committee who are not members of the Reserve Bank Board are indemnified on substantially the same terms as the indemnities given to Reserve Bank Board members.

Certain other indemnities, all given prior to 1 July 2014, continue. These are:

- an indemnity to senior staff of the Bank in relation to liabilities they may have incurred in the conduct of their duties at the Bank (this indemnity covers liability in relation to events over a period ending on 31 March 2017)
- indemnities to current and former senior staff and former Reserve Bank Board members who, at the request of the Bank, formerly served on the Board of NPA or the Board of CCL Secure Pty Limited (formerly Innovia Security Pty Ltd and, prior to that, Securency International Pty Ltd).

Indemnities given prior to 1 July 2014 were in accordance with section 27M of the *Commonwealth Authorities and Companies Act 1997* (CAC Act), which specified when indemnity for liability and legal costs was not allowed. Indemnities given after 1 July 2014, when the CAC Act was repealed, contain contractual restrictions reflecting the substance of the previous CAC Act restrictions. Section 22B in the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) imposes limits on the granting of indemnities by corporate Commonwealth entities in relation to liabilities incurred from 28 February 2020.

Indemnities issued by the Bank to new members of the Reserve Bank Board or the Payments System Board since that date have been consistent with the indemnity template approved by the Reserve Bank Board in March 2017, as amended by the Governor under the authority of the Board to ensure that the template reflects the terms of section 22B of the PGPA Rule. The changes to the indemnity template do not materially change the approach to the Bank's indemnification of members of the Reserve Bank Board, the Payments System Board and the Audit Committee.

The Bank's policy on Assistance to Staff for Legal Proceedings applies in relation to events on or after 1 April 2017. This policy applies to all staff, not only senior staff, and is closely based on the rules that apply to the provision of assistance to staff for legal proceedings in non-corporate Commonwealth entities set out in Appendix E to the *Legal Services Directions 2017*. This policy states that assistance will not be provided when section 22B of the PGPA Rule forbids it. No assistance has been provided under this policy since its introduction in 2017.

As the Bank does not take out directors' and officers' insurance in relation to members of its Boards or other officers, no premiums were paid for any such insurance in 2022/23.

Accountability

The Reserve Bank Board has an obligation to inform the Australian Government of its monetary policy 'from time to time'. This obligation is discharged mainly by contact between the Governor and other senior executives and the Treasurer, who is the Bank's responsible Minister (in the reporting period, the Hon Dr Jim Chalmers MP), usually by way of regular discussions. The Governor also meets regularly with the House of Representatives Standing Committee on Economics.

The House of Representatives Standing Committee on Economics 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 typically 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. For this purpose, the Governor and senior Bank officers attended hearings of the Committee on 16 September 2022, 17 February 2023 and 11 August 2023. The Committee's report on the 2021 Annual Report following the hearing in September 2022 was issued on 22 December 2022.

In 2022/23, the Reserve Bank was requested to attend hearings of the Senate Economics Legislation Committee (Senate Estimates) to answer questions about monetary policy and other aspects of its central banking activities. For this purpose, the Deputy Governor and Assistant Governor (Financial Markets) attended Budget Estimates hearings on 10 November 2022, the Governor attended Budget Estimates hearings on 28 November, the Governor and Deputy Governor attended Supplementary Estimates hearings on 15 February, and the Governor and Assistant Governor (Financial System) attended Budget Estimates hearings on 31 May 2023. Following each of these hearings, the Bank responded to a series of questions on notice and questions in writing from Senators.

During the past year, senior Reserve Bank officers gave evidence to inquiries held by the Senate Select Committee on the Cost of Living and the Joint Committee on Corporations and Financial Services, both in February 2023.

In addition, submissions by the Reserve Bank were made to the Inquiry into Bank Closures in Regional Australia of the Senate Standing Committee on Rural and Regional Affairs and Transport (in March 2023), and to the Inquiry into the Digital Assets (Market Regulation) Bill 2023 of the Senate Economics Legislation Committee (in June 2023). The Bank also made submissions to: a consultation by the Australian Treasury on A Strategic Plan for the Payments System (in June 2023); a consultation by the Australian Competition and Consumer Commission on the proposed merger between Armaguard and Prosegur in relation to the banknote distribution system (in November 2022, April 2023 and May 2023); and a consultation by APRA on its 'points of presence' data, namely the data collected and published on physical banking service channels in Australia (in June 2023). These last two submissions are discussed further in Chapter 2.4 Banknotes.

The Bank seeks to ensure a high degree of transparency about its goals, activities and the basis of its policy decisions. Transparency facilitates the Bank's accountability and increases the effectiveness of policy decisions by promoting a better understanding of those decisions in the community. The Bank communicates regularly through publications and speeches, and engages with the community through its regional and industry liaison program. For more details, see Chapter 2.6 Communication and Community Engagement.

Under section 46 of the PGPA Act, the Governor is responsible for preparing this Annual Report and 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 5 September 2023.

No report on the Reserve Bank was issued in 2022/23 by the Commonwealth Ombudsman, the Office of the Australian Information Commissioner or the Auditor-General, apart from those dealing with the audit of the Bank's annual financial statements or which covered the Bank alongside a range of other entities. The Australian National Audit Office (ANAO) published two audits dealing with the Bank's annual financial statements: its 'Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2022' was published on 14 December 2022 and its 'Interim Report on Key Financial Controls of Major Entities' was published on 25 May 2023. The ANAO also published a performance report on procurement complaints handling, which covered the Reserve Bank and three other government agencies. This report, 'Procurement Complaints Handling', was published on 6 April 2023 and found that the Bank's processes in this area were suitable.

Freedom of Information

The Reserve Bank is an Australian Government agency subject to the *Freedom of Information Act 1982* (FOI Act). As required by Part II of the FOI Act, the Bank publishes information as part of the Information Publication Scheme (IPS). Details of the Bank's obligations under the FOI Act and the IPS can be found on the Bank's website.[4]

The Bank received 66 requests for access to documents under the FOI Act in 2022/23. Access was granted in full in relation to nine requests, in part in relation to 25 requests, and was denied in relation to eight requests. No relevant documents were found in response to 12 requests. Nine requests were withdrawn. Three requests were outstanding at the end of the financial year and were answered in July 2023. Information released in response to FOI access requests was published on the Bank's website, as required by the FOI Act; RSS feeds to these releases were also made available.

Four applications were received for the internal review of an FOI decision made by the Bank in 2022/23. The original decision made in each instance was affirmed on review. No applications for Information Commissioner Review of a decision were made over the course of the year.

The estimated amount of time staff spent dealing with all aspects of FOI requests in 2022/23 was around 1,018 hours, compared with around 355 hours in 2021/22. The total cost to the Bank of administering the FOI Act in 2022/23 is estimated to have been around $150,000, compared with $52,274 in 2021/22. Processing charges of $390 were received in 2022/23.

[4] See RBA, 'Freedom of Information (FOI)'.

External audit

The *Auditor-General Act 1997* establishes the mandate for the Auditor-General to undertake financial statement audits of all Australian Government entities, including the Reserve Bank, which falls under the category of corporate Commonwealth entities. The PGPA Act requires the Governor, as the Bank's accountable authority, to give the consolidated annual financial statements of the Bank and NPA to the Auditor-General as soon as practicable after they are prepared at the end of each financial year.

The ANAO contracts private sector audit firms to perform some of its audit work where additional or specialist resources or skills are required. KPMG has been contracted by the ANAO to provide audit services for the external audit of the Reserve Bank and NPA. The contract with KPMG as co-sourced audit partner commenced in late 2013 and runs until completion of the Bank's 2023/24 financial statements. The Bank is not a decision-maker in the ANAO's selection of audit partner.

Information on fees paid in relation to the external audit of the Reserve Bank, along with any non-audit services provided by KPMG, are disclosed in Note 13 of the Financial Statements in this Annual Report (see Chapter 4.1 Financial Statements).

Other reporting requirements under the PGPA Act

The statutory reporting obligations applying to the Reserve Bank, including those that are covered elsewhere in this report, are identified in Chapter 5.1 Statutory Reporting Requirements Index.

Ministerial directions

The Reserve Bank received no directions from its responsible Minister (the Treasurer) or from any other Minister during 2022/23.

Government policy orders

No government policy orders under section 22 of the PGPA Act applied in relation to the Reserve Bank during 2022/23.

Compliance with finance law

No issues relating to non-compliance by the Reserve Bank with finance law were reported to the Bank's responsible Minister (the Treasurer) under paragraph 19(1)(e) of the PGPA Act during 2022/23.

Transactions with related entities

In accordance with the PGPA Act, the Reserve Bank is required to disclose certain transactions with related entities. During 2022/23, the Reserve Bank donated $50,000 to the Financial Markets Foundation for Children, which is managed by a Board of Directors chaired by the Governor. The Bank has made an annual donation of $50,000 to the Foundation since 2002/03; the decision to continue making this donation is subject to annual review by the Bank.

Significant activities or changes affecting the Reserve Bank

There were no significant activities or changes that affected the operations or structure of the Reserve Bank in 2022/23. However, the Review of the Reserve Bank is likely to result in some material changes to the structure of the Bank in 2023/24.

Judicial decisions or decisions of administrative tribunals

There were no judicial decisions or decisions of administrative tribunals made during 2022/23 that have had, or may have, a significant effect on the operations of the Reserve Bank.

1.3 Reserve Bank Board

The Reserve Bank Board comprises nine members: the Governor; Deputy Governor; Secretary to the Australian Treasury (ex officio member); and six other non-executive members appointed by the Treasurer. Further to the legislative requirements, and in recognition of their responsibility to uphold the integrity of the Board and the Reserve Bank, members adopt a Code of Conduct, which is published on the Bank's website.[1] Information about members of the Reserve Bank Board Audit Committee is provided at the end of this chapter.

End-August 2023

Philip Lowe

BCom (Hons) (UNSW), PhD (MIT)

Governor and Chair

Governor since 18 September 2016
Term ends 17 September 2023

Philip Lowe's appointment as Governor took effect in September 2016. Prior to that, he held various senior positions at the Reserve Bank – including Assistant Governor (Financial System), Assistant Governor (Economic) and, from February 2012, Deputy Governor – where he was responsible for overseeing economic and policy advice to the Governor and Reserve Bank Board. He spent two years at the Bank for International Settlements working on financial stability issues. Mr Lowe has authored numerous papers, including on the linkages between monetary policy and financial stability. He is a signatory to the Banking and Finance Oath.

Other roles

Chair – Payments System Board
Chair – Council of Financial Regulators
Chair – Bank for International Settlements Committee on the Global Financial System
Chair – Financial Markets Foundation for Children
Member – Financial Stability Board
Member – Trans-Tasman Council on Banking Supervision
Director – The Anika Foundation

[1] RBA (2023), 'Code of Conduct for Reserve Bank Board Members', August.

Michele Bullock

BEc (Hons) (University of New England), MSc (LSE)

Deputy Governor and Deputy Chair
Appointed Governor-designate on 14 July 2023

Deputy Governor since 2 April 2022
Term as Deputy Governor ends 17 September 2023

Michele Bullock was appointed as Deputy Governor on 2 April 2022. She is Deputy Chair of the Reserve Bank Board and Deputy Chair of the Payments System Board. Prior to this role, Ms Bullock was Assistant Governor (Financial System), responsible for the Bank's work on financial stability and oversight of the payments system. Ms Bullock has also held a variety of senior management positions in the Bank, including Assistant Governor (Business Services), Assistant Governor (Currency), Adviser for the Currency Group and Head of Payments Policy Department. Ms Bullock is a signatory to the Banking and Finance Oath.

Other roles

Deputy Chair – Payments System Board
Member – Bank for International Settlements Committee on Payments and Market Infrastructures
Member – Chief Executive Women
Director – The Anika Foundation

Ian Harper AO

BEc (Hons) (Queensland), MEc,
PhD (ANU)

Non-executive Member

Member since 31 July 2016
Present term ends 30 July 2026

Ian Harper has extensive experience in public policy development, academia and economic consulting. Professor Harper chaired the Competition Policy Review (Harper Review), served as a member of the Financial System Inquiry (Wallis Inquiry) and was the inaugural Chairman of the Australian Fair Pay Commission. He spent two decades as a Professor at the University of Melbourne – first as the NAB Professor of Monetary and Financial Economics (1988–1992), then as the Ian Potter Professor of International Finance (1992–2002) and the Sidney Myer Professor of Commerce and Business Administration (2002–2008) at the Melbourne Business School. Professor Harper spent eight years as an economic consultant – first as a director of Access Economics Pty Ltd (2008–2011) and then as a partner of Deloitte Touche Tohmatsu (2011–2016). In the 2020 Queen's Birthday Honours, Professor Harper was awarded an Officer of the Order of Australia for his distinguished service to education in the field of economics, and to public and monetary policy.

Other roles

Dean and Director – Melbourne Business School Limited
Chair – Australian Statistics Advisory Council
Chair – Clergy Remuneration and Working Conditions Committee, Anglican Diocese of Melbourne
Director – Harper Associates Australia
Director – Robert Menzies Institute

Reserve Bank Board committee membership

Member – Remuneration Committee

Carolyn Hewson AO

BEc (Hons) (Adelaide),
MA (Econ) (Cantab)

Non-executive Member

Member since 30 March 2021
Present term ends 29 March 2026

Carolyn Hewson is a former investment banker with over 35 years' experience in the finance sector. She was previously an executive director of Schroders Australia Limited and has extensive financial markets, risk management and investment management expertise. She served as a panel member on the Australian Government's Financial System Inquiry in 2013. Ms Hewson is also a former director of BHP Group, Stockland Group, BT Investment Management Limited, Westpac Banking Corporation, AGL Energy Limited, the Australian Gas Light Company, CSR Limited, AMP Limited, South Australian Water and the Economic Development Board of South Australia. Ms Hewson was awarded a Centenary Medal in 2001 for her service to Australian society in business leadership. In the 2009 Queen's Birthday Honours, she was awarded an Officer of the Order of Australia for her service to the community through support for charitable organisations, particularly YWCA, and to business. Ms Hewson is a Life Fellow of the Australian Institute of Company Directors.

Other roles

Non-executive Director – CSL Limited
Non-executive Director – Infrastructure SA
Ambassador – Impact 100 South Australia
Member – The Council, Opportunity International Australia

Reserve Bank Board committee membership

Member – Audit Committee

Steven Kennedy PSM

BEc (Hons) (Sydney), MEc, PhD (ANU)

Ex Officio Member

Secretary to the Australian Treasury
Member since 2 September 2019

Steven Kennedy was appointed Secretary to the Australian Treasury with effect from 2 September 2019. Prior to this role, he was Secretary of the Department of Infrastructure, Transport, Cities and Regional Development from September 2017 to August 2019. During his nearly 30 years in the public service, Dr Kennedy has held other senior positions, including: Deputy Secretary at the Department of the Prime Minister and Cabinet; Deputy Secretary at the Department of Industry, Innovation and Science; Deputy Secretary at the Department of the Environment; Deputy Secretary at the Department of Climate Change and Energy Efficiency; and the Head of Secretariat of the Garnaut Climate Change Review – Update 2011. Dr Kennedy was awarded a Public Service Medal in 2016 for his outstanding public service in the area of climate change policy.

Other roles

Ex Officio Member – Board of Taxation
Ex Officio Member – Council of Financial Regulators
Member – Centre for Market Design Advisory Board
Member – Melbourne Institute Advisory Board
Member – Sir Roland Wilson Foundation
Member – Trans-Tasman Council on Banking Supervision

Iain Ross AO

BEc (Sydney), LLB (Sydney), LLM (Sydney), MBA (Monash), PhD (Law) (Sydney)

Non-executive Member

Member since 7 May 2023
Present term ends 6 May 2028

Iain Ross AO has served as a former President of the Fair Work Commission, and Judge of the Federal Court and the Supreme Court of Victoria. His career experience includes Vice President of the Australian Industrial Relations Commission, partner in the workplace relations practice group at Corrs Chambers Westgarth and Assistant Secretary of the ACTU. He was admitted as a Barrister of the New South Wales Supreme Court in May 1985 and as a Barrister and Solicitor of the Victorian Supreme Court in December 1988. In the 2005 Queen's Birthday Honours, Dr Ross was made an Officer in the Order of Australia for his services to industrial relations through contributions to institutional reform, particularly the development of a universal superannuation system and enterprise bargaining, and as a teacher and researcher in the field. In May 2014, Dr Ross was awarded a Doctor of Laws, *honoris causa* (LLD) by the University of Sydney. Dr Ross is a Fellow of the Academy of the Social Sciences in Australia.

Other roles

Adjunct Professor – University of Sydney Business School

Reserve Bank Board committee membership

Member – Remuneration Committee

Elana Rubin AM

BA (Hons) (Melb), MA (Melb)

Non-executive Member

Member since 31 August 2023
Present term ends 30 August 2028

Elana Rubin has been a non-executive director for over 20 years and has extensive experience across technology, financial services, property, infrastructure and government sectors. Her non-executive directorships have spanned listed, unlisted, private and government companies. Previous roles include Chair of Afterpay, Chair of AustralianSuper and Chair of WorkSafe Victoria, and a Director of Mirvac and ME Bank. Ms Rubin was formerly a member of the Australian Government's Infrastructure Australia Council and Climate Change Authority, and of the AICD Victorian Council. In the 2021 Queen's Birthday Honours, Ms Rubin was awarded a Member of the Order of Australia for significant service to corporate governance and to the community. Ms Rubin is a Life Fellow of the Australian Institute of Company Directors, a Senior Fellow of the Financial Services Institute of Australasia and a Member of Chief Executive Women.

Other roles

Chair – Australian Business Growth Fund
Chair – Victorian Managed Insurance Authority
Non-executive Director – Dexus Funds Management Limited
Non-executive Director – Telstra Corporation Limited

Carol Schwartz AO

BA, LLB, MBA (Monash)

Non-executive Member

Member since 14 February 2017
Present term ends 13 February 2027

Carol Schwartz has extensive experience in business, property, the arts and community organisations. Past high-level leadership roles, including a portfolio of diverse board appointments, have spanned the business, government, arts, health and community sectors. Ms Schwartz was awarded a Centenary Medal in 2001 for her outstanding service as a leading business executive and committee participant. In the 2019 Queen's Birthday Honours, she was awarded an Officer of the Order of Australia for her distinguished service to the community as a supporter of women in leadership roles, to social justice advocacy and to business. In 2019, she was awarded the Leading Philanthropist Award by Philanthropy Australia. Ms Schwartz is a Fellow of the Australian Institute of Company Directors.

Other roles

Founding Chair – Women's Leadership Institute Australia
Chair – Climate Council
Chair – Equity Trustees
Chair – Our Community
Director – Trawalla Group

Reserve Bank Board committee membership

Chair – Remuneration Committee

Alison Watkins AM

BCom (Tasmania)

Non-executive Member

Member since 17 December 2020
Present term ends 16 December 2025

Alison Watkins is an experienced chief executive officer and non-executive director. She has led two ASX-listed companies – Coca-Cola Amatil Limited and GrainCorp Limited. Previously, Ms Watkins led Berri Limited and the Regional Banking business at Australia and New Zealand Banking Group Limited. Ms Watkins spent 10 years at McKinsey & Company, where she became a partner before moving to ANZ as Group General Manager Strategy. Ms Watkins has been a non-executive director of ANZ, Woolworths Limited and Just Group Limited. In the 2022 Australia Day Honours, Ms Watkins was awarded a Member of the Order of Australia for her significant service to business through leadership roles with a range of organisations. Ms Watkins is a Fellow of Chartered Accountants Australia and New Zealand, the Financial Services Institute of Australasia and the Australian Institute of Company Directors.

Other roles

Chancellor – University of Tasmania
Non-executive Director – CSL Limited
Non-executive Director – The Centre for Independent Studies
Non-executive Director – Wesfarmers Limited

Reserve Bank Board committee membership

Chair – Audit Committee

Retirements from the Board

Wendy Craik retired from the Reserve Bank Board on 6 May 2023.

Mark Barnaba retired from the Reserve Bank Board on 30 August 2023.

Wendy Craik AM

BSc (Hons) (ANU), PhD (Zoology)
(British Columbia)

Non-executive Member

Member from 7 May 2018 to 6 May 2023

Wendy Craik is an independent public policy advisor, including on issues related to natural resource management, and has over 25 years' experience in public policy. Senior positions she has held include Commissioner at the Productivity Commission, Chief Executive of the Murray-Darling Basin Commission, President of the National Competition Council, Chair of the Australian Fisheries Management Authority, Executive Director of the National Farmers Federation and Executive Officer of the Great Barrier Reef Marine Park Authority. Dr Craik has also been a director on a number of boards, mainly in the Australian public sector. Dr Craik was awarded a Centenary Medal in 2001 for her contribution to industry development and social issues impacting on rural industries. In the 2007 Australia Day Honours, she was awarded a Member of the Order of Australia for her service to the natural resource sector of the economy, particularly in the areas of fisheries, marine ecology and management of water reform, and for contributions to policies affecting rural and regional Australia. Dr Craik is a Fellow of the Australian Institute of Company Directors, the Australian Rural Leadership Foundation and the Academy of Technology, Science and Engineering.

Other roles

Chair – CSIRO Oceans and Atmosphere Advisory Board
Chair – ONE Basin CRC
Chair – Steering Committee, National Red Imported Fire Ant Eradication Program – South East Queensland
Member – Advisory Board, The Centre for Strategy and Governance
Member – Advisory Board, Public Leadership Research Group, Howard Library of the University of New South Wales
Member – Consultative Committee, Future Drought Fund

Reserve Bank Board committee membership

Member – Remuneration Committee

Resolution passed by the Reserve Bank Board – 2 May 2023

On the occasion of her final meeting, members paid tribute to Wendy Craik's five years of public service on the Board. On behalf of all members, the Governor expressed appreciation for Dr Craik's contribution to the Board's deliberations, drawing on insights from her extensive experience in public policy over more than two decades. He thanked Dr Craik for her constructive and collegial approach in contributing to the conduct of monetary policy during her term. The Governor also thanked Dr Craik for her contribution to the work of the Remuneration Committee. Members thanked Dr Craik for her service to the Bank and the nation and wished her well in the future.

Mark Barnaba AM

BCom (Hons) (Western Australia),
MBA (Harvard)

Non-executive Member

Member from 31 August 2017 to 30 August 2023

Mark Barnaba has extensive experience in finance and commerce, having spent most of his career with McKinsey & Company (both in Australia and overseas). He has also founded companies and held several senior executive roles at Macquarie Group. At the time of his retirement from Macquarie Group in August 2017, Mr Barnaba served as Chair and Global Head of Natural Resources for Macquarie Capital. He was co-founder (and previously Co-Executive Chair) of Azure Capital and previously served as the Chair of Western Power, the Black Swan State Theatre Company of WA, the West Coast Eagles Football Club and Alinta Infrastructure Holdings. In 2009, Mr Barnaba was the recipient of the Western Australian Citizen of the Year award in industry and commerce. In 2012, he was awarded an honorary Doctor of Commerce from the University of Western Australia. In the 2015 Australia Day Honours, Mr Barnaba was awarded a Member of the Order of Australia for his significant service to the investment banking and financial sectors, to business education, and to sporting and cultural organisations.

Other roles

Deputy Chair and Lead Independent Director – Fortescue Metals Group Ltd
Chair – Audit and Risk Management Committee, Fortescue Metals Group Ltd
Chair – Greatland Gold PLC
Chair – Investment Committee, HBF Health Limited
Emeritus Board Member – The University of Western Australia Business School Board
Non-executive Director – The Centre for Independent Studies
Adjunct Professor – Investment Banking and Finance, University of Western Australia
Senior Fellow – EY Oceania

Reserve Bank Board committee membership

Chair – Audit Committee

Resolution passed by the Reserve Bank Board – 1 August 2023

On the occasion of his final meeting, members paid tribute to Mark Barnaba's period of public service on the Board over the preceding six years, which included a global pandemic and a surge in inflation. On behalf of all members, the Governor expressed appreciation for Mr Barnaba's contribution to the Board's deliberations, drawing on his extensive business experience in the resources and finance sectors and his insights from a Western Australian perspective. The Governor thanked Mr Barnaba for his constructive and insightful contribution to the formulation of monetary policy. He also thanked Mr Barnaba for chairing the Audit Committee for the preceding five years and for his strong support for the internal audit and risk functions of the Bank. Members thanked Mr Barnaba for his service to the Bank and the nation and wished him well in the future.

In memoriam

Vale Robert (Bob) Alan Johnston AC

The Bank records, with deep regret, that Robert (Bob) Alan Johnston AC, Governor of the Reserve Bank from 14 August 1982 to 18 July 1989, died on 20 March 2023.

Reserve Bank Board Audit Committee

Membership of the Audit Committee comprises: two non-executive members of the Reserve Bank Board, one of whom chairs the committee; and two external members, typically former senior audit partners of major accounting firms with extensive experience in auditing in the finance sector.

Alison Watkins AM

Chair

Member since 3 February 2021
Present term ends 16 December 2025

See above for Ms Watkins' professional details.

Sandra Birkensleigh

BCom (UNSW)

Member

Member since 9 September 2015
Present term ends 8 September 2023

Sandra Birkensleigh has extensive experience in financial services, with a particular focus on risk management, compliance and corporate governance. Ms Birkensleigh's career includes 24 years at PricewaterhouseCoopers, where she was formerly a Global Lead for Governance Risk and Compliance, a National Lead Partner for Risk and Controls Solutions, and a Service Team Leader for Performance Improvement. Ms Birkensleigh holds several directorships and is chair of the audit committees for most of the organisations listed below. She is a qualified chartered accountant, a member of Chartered Accountants Australia and New Zealand, and a member of the Australian Institute of Company Directors. In February 2020, Ms Birkensleigh was reappointed to the Audit Committee for a further three years.

Other roles

Chair and Non-executive Director, Audit Committee Member and Remuneration Committee Member – Auswide Bank Limited
Non-executive Director, Audit and Risk Committee Chair and Remuneration and Nominations Committee Member – Adore Beauty Limited
Non-executive Director, Audit Committee Chair and Risk and Remuneration Committee Member – Horizon Oil Limited
Non-executive Director, Risk Committee Chair and Strategy Committee Member – 7-11 Holdings Limited and its subsidiaries
Non-executive Director, Audit Committee Chair – The Tasmanian Public Finance Corporation

Rahoul Chowdry

BCom (Hons) (Calcutta)

Member

Member since 14 February 2018
Present term ends 13 February 2026

Rahoul Chowdry has extensive experience in the professional services industry, which has enabled him to build a reputation as a leading adviser on governance, regulation and risk to major banks and other large financial institutions in Australia and Canada. Until the end of 2017, Mr Chowdry was the Global Banking and Capital Markets Assurance Leader at PricewaterhouseCoopers and a partner for almost 30 years in the firm's financial services practice. He is a qualified chartered accountant and a fellow of the Chartered Accountants in Australia and New Zealand.

Other roles

Senior Advisor – MinterEllison
Member – Audit and Risk Committee, MinterEllison Board of Partners
Non-executive Director, Audit Committee Chair, Nominations Committee Member and Risk Committee Member – AMP Limited
Non-executive Director, Audit Committee Chair and Risk Committee Member – AMP Bank Limited

Carolyn Hewson AO

Member

Member since 31 August 2023
Present term ends 29 March 2026

See above for Ms Hewson's professional details.

1.4 Payments System Board

The Payments System Board comprises up to eight members: the Governor; a representative of the Reserve Bank (currently, the Deputy Governor); a representative of the Australian Prudential Regulation Authority (currently, the Chair); and up to five other non-executive members appointed by the Treasurer. Further to the legislative requirements, and in recognition of their responsibility to uphold the integrity of the Payments System Board and the Reserve Bank, members adopt a Code of Conduct, which is published on the Bank's website.[1]

August 2023

Philip Lowe

BCom (Hons) (UNSW), PhD (MIT)

Governor and Chair

Governor since 18 September 2016
Term ends 17 September 2023

Philip Lowe's appointment as Governor took effect in September 2016. Prior to that, he held various senior positions at the Reserve Bank – including Assistant Governor (Financial System), Assistant Governor (Economic) and, from February 2012, Deputy Governor – where he was responsible for overseeing economic and policy advice to the Governor and Reserve Bank Board. He spent two years at the Bank for International Settlements working on financial stability issues. Mr Lowe has authored numerous papers, including on the linkages between monetary policy and financial stability. He is a signatory to the Banking and Finance Oath.

Other roles

Chair – Payments System Board
Chair – Council of Financial Regulators
Chair – Bank for International Settlements Committee on the Global Financial System
Chair – Financial Markets Foundation for Children
Member – Financial Stability Board
Member – Trans-Tasman Council on Banking Supervision
Director – The Anika Foundation

[1] See RBA (2021), 'Code of Conduct for Payments System Board Members', August.

Michele Bullock

BEc (Hons) (UNE), MSc (LSE)

Deputy Governor and Deputy Chair
Appointed Governor-designate on 14 July 2023

Deputy Chair since 29 October 2016
Term as Deputy Governor ends 17 September 2023

Michele Bullock was appointed as Deputy Governor on 2 April 2022. She is Deputy Chair of the Reserve Bank Board and Deputy Chair of the Payments System Board. Prior to this role, Ms Bullock was Assistant Governor (Financial System), responsible for the Bank's work on financial stability and oversight of the payments system. Ms Bullock has also held a variety of senior management positions in the Bank, including Assistant Governor (Business Services), Assistant Governor (Currency), Adviser for the Currency Group and Head of Payments Policy Department. Ms Bullock is a signatory to the Banking and Finance Oath.

Other roles

Deputy Chair – Payments System Board
Member – Bank for International Settlements
Committee on Payments and Market Infrastructures
Member – Chief Executive Women
Director – The Anika Foundation

Ross Buckley

B.Econ, LLB (Hons) (UQ), PhD (UNSW), LLD (Melbourne)

Non-executive member

Member since 1 August 2023
Present term ends 31 July 2028

Ross Buckley's key research areas include fintech, regtech, central bank digital currencies and cryptoassets more generally. He has consulted to government departments in over a dozen countries and to three multilateral institutions. Dr Buckley has written six books and over 175 journal articles and book chapters. He has twice been a Fulbright Scholar, at Yale and Duke universities.

Other roles

Australian Research Council Laureate Fellow and Scientia Professor of Law – University of New South Wales
Chair – Digital Finance Advisory Panel, Australian Securities and Investments Commission
Member – Consultative Panel, Australian Securities and Investments Commission
Fellow and Academic Member – European Banking Institute, Frankfurt

Gina Cass-Gottlieb

BEc (Hons), LLB (Hons) (Sydney), LLM (Berkeley)

Non-executive member

Member from 15 July 2013 to 14 July 2018
Reappointed from 1 August 2018
Present term ends 31 July 2028

Gina Cass-Gottlieb has extensive expertise in competition law and economic regulatory advice and in the regulation of payments in Australia. She was appointed Chair, Australian Competition and Consumer Commission on 21 March 2022. Prior to this, Ms Cass-Gottlieb was a senior partner in Gilbert + Tobin's competition and regulation practice, advising and representing corporations, industry associations, government and non-government agencies. She has over 25 years' experience, including advising in relation to access arrangements in a range of sectors across the economy. Ms Cass-Gottlieb attended the University of California, Berkeley, as a Fulbright Scholar.

Other roles

Chair – Australian Competition and Consumer Commission

Michelle Deaker

BSc (Hons 1) (Sydney), MSc (Sydney), PhD (UC)

Non-executive member

Member since 1 August 2023
Present term ends 31 July 2028

Michelle Deaker is a Founding Partner and the Managing Director of OneVentures, a venture capital firm that focuses on technology and healthcare sectors. Dr Deaker has over 20 years' experience in the development of high-growth technology companies in Australia and the United States. She has served on the boards of large and small listed and unlisted companies and has a strong background in Australian research and development as well as expertise in global business expansion. Prior to establishing OneVentures in late 2006, Dr Deaker established IT enterprise business Networks Beyond 2000 and later E Com Industries, a leading prepaid card and electronic voucher provider in several countries. Dr Deaker is a member of the Australian Institute of Company Directors and Chief Executive Women.

Other roles

Founding Partner and Managing Director – OneVentures
Director – Employment Hero
Director – Phocas Group Director – Buildkite

Scott Farrell

BEc (Sydney), LLB(Hons) (Sydney), PhD (UNSW)

Non-executive member

Member since 23 March 2022
Present term ends 22 March 2027

Scott Farrell has more than 25 years' experience in financial markets and financial systems law. In 2016, he was appointed to the Australian Government's FinTech Advisory Group at its formation and in 2018 was appointed its co-Chair. Dr Farrell has led a number of reviews for the Australian Government, including the Review into Open Banking in Australia in 2017, the Inquiry into Future Directions for the Consumer Data Right in 2020 and the Review of the Australian Payments System in 2021.

Other roles

Strategic Counsel – King & Wood Mallesons
Adjunct Professor – School of Private and Commercial Law, University of New South Wales
Chair-elect – International Standards Organisation TC 307 Blockchain and Distributed Ledger Technologies

John Lonsdale

APRA-appointed member

Chair – Australian Prudential Regulation Authority
Member since 1 November 2022

John Lonsdale was appointed as Chair of the Australian Prudential Regulation Authority (APRA) on 31 October 2022 after joining APRA as Deputy Chair on 8 October 2018. In his Deputy Chair role, Mr Lonsdale was responsible for oversight of Australia's banking sector, as well as oversight of APRA's work on culture and remuneration, building APRA's crisis-resolution capability and strengthening APRA's collaboration with peer regulators. Mr Lonsdale worked for the Australian Treasury for over 30 years prior to joining APRA. He was a member of the Treasury's Executive and, in his role as Deputy Secretary for the Markets Group, he had responsibility for financial system, consumer and foreign investment policy. In 2014 he led the Secretariat for the Financial System Inquiry.

Other roles

Member – Council of Financial Regulators
Member – Financial Stability Board Standing Committee on Supervisory and Regulatory Cooperation
Member – Trans-Tasman Council on Banking Supervision

Deborah Ralston

BEc, Dip Fin Mgt, MEc (UNE),
PhD (Bond)

Non-executive member

Member since 15 December 2016
Present term ends 14 December 2026

Deborah Ralston has more than 25 years of board-level experience in education, banking, superannuation and fintech sectors. Dr Ralston has held senior leadership and research roles in Australian universities, most recently as the Executive Director of the Centre for Financial Studies. Her expertise in public policy is reflected in appointments to the federal government's Retirement Income Review Panel, the Comprehensive Income Products for Retirement Framework Advisory Committee and as inaugural Chair of the Australian Securities and Investments Commission's Digital Finance Advisory Board. Dr Ralston is currently a Professorial Fellow at Monash University Business School, with research interests in financial regulation and superannuation, and is a Fellow of CPA Australia and the Australian Institute of Company Directors.

Other roles

Professorial Fellow – Monash University
Chair – Advisory Board, Household Capital
Director – SuperEd Pty Ltd
Director – SMSF Association
Member – Advisory Board, Connexus Institute
Member – Future Fund Board of Guardians

Retirements from the Payments System Board

Catherine Walter retired from the Payments System Board on 2 September 2022.

Wayne Byres retired from the Payments System Board on 30 October 2022.

Greg Storey retired from the Payments System Board on 31 July 2023.

Catherine Walter AM

LLB (Hons), LLM, MBA (Melbourne)

Non-executive member

Member from 3 September 2007 to 2 September 2022

Catherine Walter has substantial experience and expertise in financial services and corporate governance across many industry sectors, including banking, insurance, funds management, health services, medical research, education, telecommunications and resources. Mrs Walter is a solicitor and company director, who practised banking and corporate law in major city law firms, culminating in a term as Managing Partner of Clayton Utz, Melbourne. She was a Commissioner of the City of Melbourne and for more than 20 years has been a non-executive director of a range of listed companies, government entities and not-for-profit organisations. Mrs Walter was awarded a Centenary Medal in 2001 for her service to Australian society in business leadership. In the 2003 Australia Day Honours, she was awarded a Member of the Order of Australia for her service to business, particularly as a director of a range of public companies, to the arts, to the law, and to the community through the Melbourne City Council. Mrs Walter is a Fellow of the Australian Institute of Company Directors.

Other roles

Chair – Helen Macpherson Smith Trust
Chair – Melbourne Genomics Health Alliance
Director – Australian Foundation Investment Company Director – Barristers' Chambers Limited
Non-executive Member – Export Finance Australia

Resolution passed by the Payments System Board – 25 August 2022

On the occasion of Catherine Walter's final meeting on the Board, having served three terms covering 15 years, members paid tribute to her outstanding contribution to the Board's work. Mrs Walter's active questioning and probing role as a Board member, based on her wide experience in the legal and financial sectors, greatly contributed to the development of payments policy in Australia. On behalf of all members, the Governor expressed appreciation of Mrs Walter's clear insights on policy and governance matters, her strong interest in innovation, her ability to distil the essence of complex issues and her strong support for the work of the Bank's staff. Members wished her well in the future.

Wayne Byres

BEc (Hons), MAppFin (Macquarie)

APRA-appointed member

Chair, Australian Prudential Regulation Authority

Member from 9 July 2014 to 30 October 2022, upon resignation as Chair of APRA

Wayne Byres has a wealth of experience and knowledge of prudential supervision and banking practices. He was appointed as a Member and Chair of APRA from 1 July 2014 for a five-year term, and was subsequently reappointed on 1 July 2019 for a further five-year term. His early career was at the Reserve Bank, which he joined in 1984. He transferred to APRA on its establishment in 1998 and held a number of senior executive positions in the policy and supervisory divisions. In 2004, Mr Byres was appointed Executive General Manager, Diversified Institutions Division, with responsibility for the supervision of Australia's largest and most complex financial groups. He held this role until the end of 2011, when he was appointed as Secretary General of the Basel Committee on Banking Supervision, based at the Bank for International Settlements in Basel. Mr Byres is a Senior Fellow of the Financial Services Institute of Australia and is a signatory to the Banking and Finance Oath.

Other roles

Member – Basel Committee on Banking Supervision
Member – Bank for International Settlements Group of Governors and Heads of Supervision
Member – Council of Financial Regulators
Member – Trans-Tasman Council on Banking Supervision

Resolution passed by the Payments System Board – 25 August 2022

On the occasion of Wayne Byres' final meeting on the Board, having served eight years, members recorded their appreciation of his valuable contribution to payments policy in Australia. On behalf of all members, the Governor paid tribute to Mr Byres' professionalism and dedication, his constructive and collegiate style and his strong support for the work of the Bank in the payments area. Members recorded their appreciation of Mr Byres' dedication to public policy in Australia in a career spanning more than three decades, thanked him for his service to the nation and wished him well in the future.

Greg Storey

Non-executive member

Member from 1 August 2018 to 31 July 2023

Greg Storey is an experienced cards and payments industry professional, with specialist knowledge in the evolution and operation of debit cards, credit cards and payments systems. He was Vice-President and Head of Visa Checkout, Asia Pacific from 2012 to 2016. Mr Storey had over 20 years' experience with Visa, spanning the rollout of numerous VisaNet-related solutions and services, product and strategy, micropayments solution (Payclick) and Visa Checkout (and V.me) products across the Asia Pacific region. Prior to his roles at Visa, Mr Storey worked at St. George Bank in various cards and payments roles, as CIO of an independent payment solution provider, and established and oversaw merchant point of sale and ATM switching operations.

Resolution passed by the Payments System Board – 25 May 2023

On the occasion of Greg Storey's final meeting, members paid tribute to his professionalism and dedication during his term as a member of the Board. On behalf of all members, the Governor expressed appreciation for Mr Storey's contribution to the formulation of payments policy, drawing on his extensive experience in the payments industry. He thanked Mr Storey for his constructive approach and strong support for the work of the Bank in the payments area during his term. Members thanked Mr Storey for his service to the Bank and the nation and wished him well in the future.

1.5 Operational Structure

The Reserve Bank is managed by the Governor and the Deputy Governor. It has five operational groups – Business Services Group, Corporate Services Group, Economic Group, Financial Markets Group and Financial System Group – and six supporting departments.

Business Services Group

Assistant Governor: Michelle McPhee

Business Services Group provides transactions-based services to the Reserve Bank's customers and other important stakeholders. In particular, it provides banking services and payments-related advice and assistance to the Australian Government and its agencies as well as to other central banks. It is responsible for the distribution of Australia's banknotes and provides payment settlement services to financial institutions. The group comprises three departments: Banking; Note Issue; and Payments Settlements.

Banking Department

Head: Michael Plumb
Deputy Heads: David Brown, Emma Sacre

Banking Department provides a range of banking services to Australian Government departments and agencies as well as a number of overseas central banks and official institutions. The government services broadly comprise two activities – managing the government's core accounts and transactional banking. Sydney-based staff are responsible for the direction, administration and development of the department's work, while the day-to-day interaction with customers is largely managed by staff in the Canberra Branch.

Note Issue Department

Head: Melissa Hope
Deputy Head: Merylin Coombs

The Bank is responsible for the issue, reissue and cancellation of Australian banknotes. Its 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. It works with its wholly owned subsidiary, Note Printing Australia Limited, to design and produce banknotes. The Bank distributes banknotes to financial institutions, monitors and maintains banknote quality in circulation and withdraws unfit banknotes from circulation. It also monitors and analyses counterfeiting trends and conducts research into banknote security technology.

Payments Settlements Department

Head: Greg Johnston
Deputy Heads: Peter Gallagher, Sarah Harris

Payments Settlements Department is responsible for the settlement of high-value payments and interbank obligations arising from the conduct of Exchange Settlement Accounts and the Bank's own trading activities, as well as operation of RITS, Australia's real-time gross settlement system (RTGS). RITS includes the Fast Settlements Service, which Payments Settlements Department operates on an RTGS basis 24 hours a day, seven days a week for settlement of New Payments Platform transactions. Services are also provided for the clearing and settlement of low-value payments, such as those arising from cheque and direct entry transactions.

Corporate Services Group

Assistant Governor: Susan Woods

Corporate Services Group is responsible for the delivery of technology services, facilities management services and data governance to support the day-to-day operations of the Reserve Bank. The group comprises: Information Technology Department; Workplace Department; and the Enterprise Data Office.

Information Technology Department

Chief Information Officer: Stephen Smith
Deputy Heads: Bipan Arora, Janet Mengel, Fuad Suljkanovic

Information Technology Department is responsible for developing and maintaining reliable, resilient and secure information technology to support the Bank's policy, operational and corporate functions. In fulfilling these responsibilities, the department delivers and maintains the Bank's technology systems and infrastructure, provides ongoing system quality assurance, and maintains the Bank's information security, including its cybersecurity defensive controls. The department supports technology planning for the Bank, which includes catering for emerging and future technology requirements. It also operates an Innovation Lab for experimentation with emerging technologies to assess their potential to support delivery of the Bank's charter and operational objectives.

Workplace Department

Head: Bruce Harries
Deputy Head: Ed Jacka

Workplace Department is responsible for management of the Bank's physical assets, the maintenance of its properties and building infrastructure, the delivery of workplace services, and the management and oversight of procurement activity, including strategic vendor management. Key activities include oversight of the provision of building services, asset infrastructure maintenance and upgrades, physical and protective security, and sustainability management and environmental risk management. These operations are undertaken for the effective operation of the Bank and the safety, security, amenity and wellbeing of staff.

Enterprise Data Office

Chief Data Officer: Roman Kovalenko

The Enterprise Data Office is responsible for the management of the Bank's data as an asset, to enhance analytical capabilities and inform policy and operational decisions. This includes establishing modern tools and processes for using data, migrating data from legacy systems to strategic platforms, and training staff on tools and best practices for working with data.

Economic Group

Assistant Governor: Marion Kohler (Acting)

Economic Group is responsible for analysis of economic trends, both domestic and overseas, forecasting and research relevant to the framing of policy in a number of areas of the Reserve Bank's responsibility. The Group comprises: Economic Analysis Department; and Economic Research Department.

Economic Analysis Department

Head: Tom Rosewall (Acting)
Deputy Heads: Sue Black (Acting), Lynne Cockerell, James Holloway

Economic Analysis Department monitors and forecasts trends in the domestic and international economies, and provides regular advice on these developments and monetary policy to the Governors and the Reserve Bank Board. The department also contributes to the work of various external bodies, maintains contacts with relevant external analysts, undertakes applied research and prepares reports for publication.

The Bank's four state offices (in Adelaide, Brisbane, Melbourne and Perth) also come under Economic Analysis Department. Staff in these offices conduct economic liaison across Australia via regular discussions with individual firms and organisations in both the private and public sectors; they also assist with communication to the wider community.

The Bank has an office in Beijing, which is responsible for monitoring Chinese economic and financial developments, as well as maintaining relationships with government and private sector entities in China.

Economic Research Department

Head: John Simon
Deputy Head: Vacant

Economic Research Department undertakes longer term research into issues relevant to the Bank's responsibilities, including research on the Australian economy, monetary policy, financial stability, the payments system and the operation of financial markets. Results of this research are published in the Research Discussion Paper series. The department also organises a major annual conference and an annual research workshop. In addition, it organises a program of internal seminars, hosts a number of invited visitors each year and is responsible for administering a comprehensive library service for the Bank.

Financial Markets Group

Assistant Governor: Christopher Kent

Financial Markets Group is responsible for implementing the Reserve Bank's operations in domestic and foreign exchange markets, monitoring developments in financial markets and coordinating the Bank's relationships with international institutions. The group comprises: Domestic Markets Department; and International Department.

Domestic Markets Department

Head: Carl Schwartz (Acting)
Deputy Heads: Jon Cheshire (Acting), Richard Finlay

Domestic Markets Department is responsible for the Bank's operations in the domestic money and bond markets. The department analyses developments in domestic financial markets, including the cost and availability of finance through financial intermediaries and capital markets, and provides regular advice to the Governors and the Reserve Bank Board on these issues.

International Department

Head: Penelope Smith
Deputy Heads: Matthew Boge, Jeremy Lawson

International Department is responsible for the Bank's foreign exchange operations, the investment of international reserve holdings of gold and foreign exchange, and the provision of regular advice on developments in international financial markets to the Governors and the Reserve Bank Board. The department is also responsible for maintaining the Bank's relations with a number of major international financial and policymaking institutions.

Chief Representative in Europe: Michael Andersen
Chief Representative in New York: David Emery

The Representative Offices in London and New York come under the umbrella of the Financial Markets Group. The European Representative Office in London maintains liaison with central banks and other institutions and authorities in Europe, including the Bank for International Settlements and the Organisation for Economic Co-operation and Development. The New York Representative Office performs similar functions in North America. Both offices monitor economic and financial developments in their respective local markets, and assist with the Bank's foreign exchange operations and investment of international reserves.

Financial System Group

Assistant Governor: Brad Jones

Financial System Group supports the Reserve Bank's broad responsibilities for financial system stability and its role in payments system oversight and regulation. The group comprises: Financial Stability Department; and Payments Policy Department.

Financial Stability Department

Head: Andrea Brischetto
Deputy Heads: Natasha Cassidy, Claude Lopez

Financial Stability Department analyses the implications for financial system stability of developments in the economy, financial markets and the financial sector more generally, including patterns of financial intermediation, financial products and risk management techniques. The department provides advice on these issues to the Governors and the Reserve Bank Board. It also supports the Bank's representation on bodies such as the Council of Financial Regulators, the Financial Stability Board and the Basel Committee on Banking Supervision. It is responsible for producing the Bank's semi-annual *Financial Stability Review*.

Payments Policy Department

Head: Ellis Connolly
Deputy Heads: Nicole Pyner, Chris Thompson

Payments Policy Department is responsible for developing and implementing the Bank's payments system policy. It provides analysis and advice to the Payments System Board on improving the safety, efficiency and competitiveness of the payments system. The department is also responsible for oversight of Australia's high-value payments, clearing and settlement facilities, and represents the Bank on the Committee on Payments and Market Infrastructures of the Bank for International Settlements.

Audit Department

Head: Ross Tilly

Audit Department is responsible for conducting independent appraisals of the Reserve Bank's activities, functions and operations to ensure that an adequate framework of internal control has been established and is operating effectively. The Head of Audit Department reports to the Deputy Governor and the Reserve Bank Board Audit Committee.

Finance Department

Chief Financial Officer: Emma Costello
Financial Controller: Sam Tomaras

Finance Department is responsible for the Reserve Bank's financial statements and taxation reporting obligations, prepares the Bank's budget and provides a range of support services, including corporate payments, payroll, procurement and travel. The department also manages the Bank's Enterprise Portfolio Management Office.

Human Resources Department

Head: Karlee Hughes

Human Resources Department provides a range of people-related services to support the Reserve Bank in maintaining a productive and engaged workforce. This includes attracting and retaining high-quality employees, as well as implementing policies and programs that cover employment conditions, reward, development, diversity, and workplace health and safety.

Information Department

Head: Jacqui Dwyer

Information Department is responsible for the Reserve Bank's information management framework, information governance, records management system and its archives. The department facilitates public access to Bank records and archival material. It also manages the Reserve Bank of Australia Museum and a program of public education, with particular focus on supporting economics students and educators.

Risk and Compliance Department

Chief Risk Officer: Keith Drayton

Risk and Compliance Department supports the consistent and effective application of the Reserve Bank's framework for managing risk, both at the enterprise level and for individual business units. It assists departments to identify, understand and manage their compliance obligations. It also monitors and reports on portfolio risks and compliance with respect to the Bank's operations in financial markets. The department is responsible for providing secretariat and coordination services and advice to the Risk Management Committee. The Chief Risk Officer reports to the Deputy Governor and the Reserve Bank Board Audit Committee.

Secretary's Department

Secretary: Anthony Dickman
Deputy Secretary: David Norman
General Counsel: Catherine Parr
Deputy General Counsel: James Greenwood

Secretary's Department provides secretariat and coordination services and advice on governance matters to the Governors, the Reserve Bank Board and its Audit and Remuneration committees, the Payments System Board and the Executive Committee. It is responsible for the Reserve Bank's communication, including preparing and publishing Reserve Bank information, maintaining the Bank's websites and managing enquiries from the media and general public. In addition, the department: provides legal services to the Bank through the General Counsel (who reports directly to the Deputy Governor); coordinates a range of contacts with government, parliament, other central banks and international organisations; and arranges programs for international visitors.

Note Printing Australia Limited (NPA)

NPA is a wholly owned subsidiary of the Reserve Bank. NPA operates under a charter reviewed and approved annually by the Reserve Bank Board. For further detail on the governance of NPA, see Chapter 1.2 Governance and Accountability.

NPA's prime function is the efficient and cost-effective production of high-quality and secure Australian banknotes, in accordance with specifications and requirements set by the Reserve Bank. NPA also undertakes other activities, including developing and producing passports for the Department of Foreign Affairs and Trade, producing banknotes for other issuing authorities and producing other security products from time to time.

NPA's Executive Committee, comprising its Chief Executive Officer and the heads of NPA's six business areas, is responsible for the operational and administrative management of NPA. As at the end of June 2023, NPA employed 249 permanent staff supplemented with temporary labour from time to time.

The annual financial statements of NPA are consolidated with those of the Reserve Bank.

Senior Executive Leadership September 2023

Governor
Philip Lowe

Deputy Governor
Michele Bullock

Assistant Governor
Business Services
Michelle McPhee

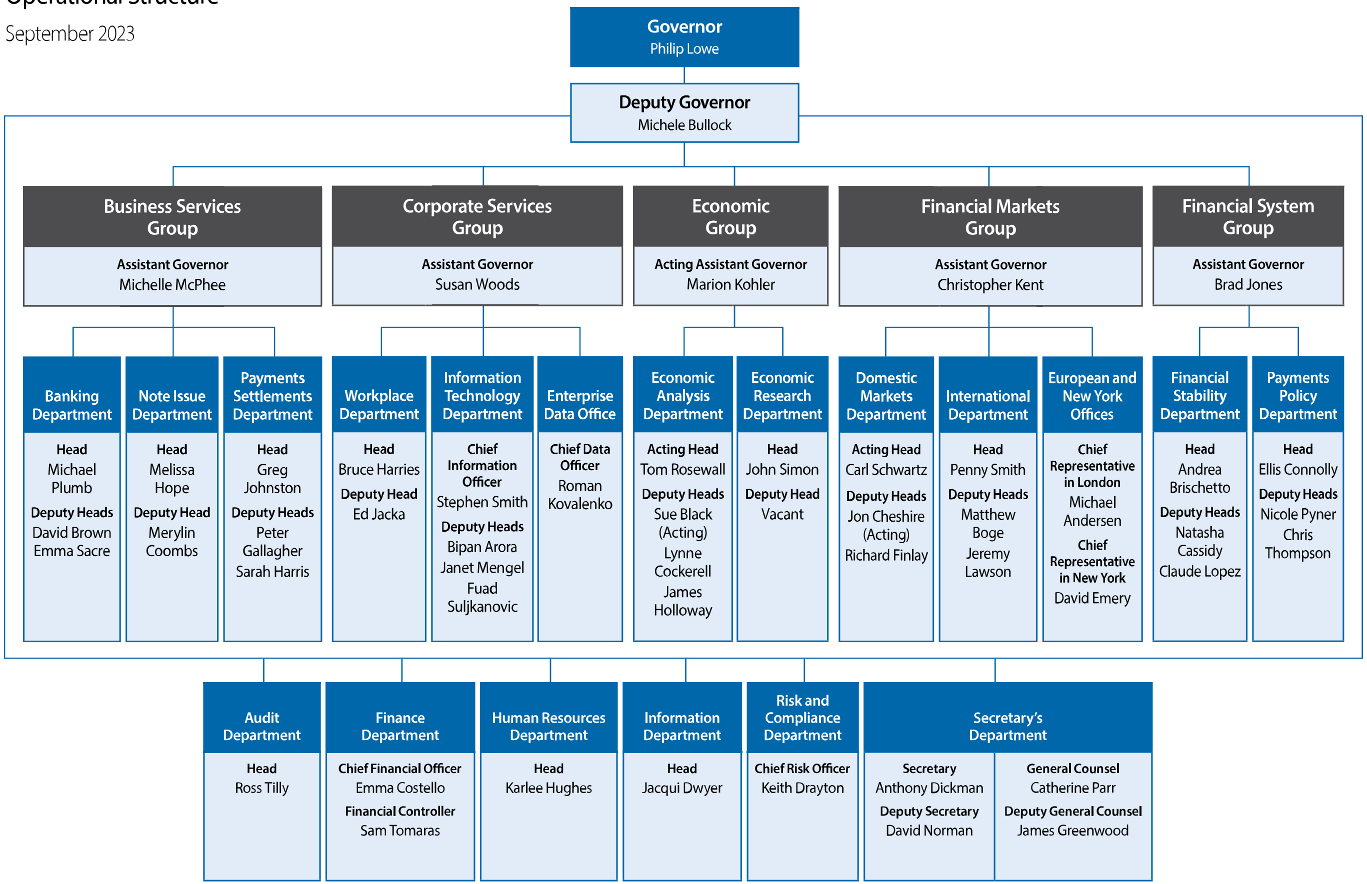
Assistant Governor
Corporate Services
Susan Woods

Assistant Governor
Economic
Marion Kohler
(Acting)

Assistant Governor
Financial Markets
Christopher Kent

Assistant Governor
Financial System
Brad Jones

Reserve Bank of Australia
Operational Structure
September 2023



PART 2

Performance

2.1 Annual Performance Statement

I, as the accountable authority of the Reserve Bank of Australia, present the Annual Performance Statement of the Reserve Bank for the 2022/23 reporting period, prepared under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, this Statement accurately presents the performance of the Reserve Bank in the reporting period and complies with subsection 39(2) of the PGPA Act.

Philip Lowe
Governor, Reserve Bank of Australia
6 September 2023

Introduction

This Statement outlines the key objectives of the Reserve Bank as set out in the 2022/23 corporate plan and provides an assessment of the Bank's performance in achieving those objectives. Where necessary, additional context is provided, including an analysis of significant factors that have contributed to the outcomes.

Price stability and full employment

Purpose

Under the *Reserve Bank Act 1959*, it is the duty of the Reserve Bank Board to ensure that the monetary and banking policy of the Reserve Bank is directed to the greatest advantage of the people of Australia and that the powers of the Bank are exercised in a way that, in the Reserve Bank Board's opinion, will best contribute to:

a. the stability of the currency of Australia
b. the maintenance of full employment in Australia
c. the economic prosperity and welfare of the people of Australia.

In support of these objectives, 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, consistent with its duties under the *Reserve Bank Act 1959*. 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 employment 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.

The Board's decisions on what monetary policy will best keep inflation at its target 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 that there is sufficient liquidity in the domestic money market every day.

Results

Performance Summary: Price Stability and Full Employment

Key activities	Performance measures and targets	Results
Conduct monetary policy in a way that will best contribute to: • 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.	Consumer price inflation was 6.0 per cent over the year to the June quarter 2023. Inflation remains well above the target band but has declined from its peak of 7.8 per cent over the year to the December quarter 2022. Inflation is forecast to be back within the 2–3 per cent target band in late 2025.
	Foster sustainable growth in the economy.	The Australian economy has continued to grow, expanding by 2.3 per cent over the year to the March quarter. GDP growth has moderated over the past year, including in response to cash rate increases to achieve a more sustainable balance between supply and demand in the economy. The unemployment rate has remained around 3½ per cent since mid-2023, the lowest rate in nearly 50 years.
Achieve cash rate consistent with the Reserve Bank Board's objectives.	Keep the cash rate within the interest rate corridor around the cash rate target each business day. The very high Exchange Settlement (ES) account balances mean the cash rate is likely to range between the target and the remuneration rate on ES balances.	The cash rate was within the interest rate corridor around the cash rate target on each business day throughout 2022/23.
Manage the Reserve Bank's Term Funding Facility (TFF).	While closed to new drawdowns, the TFF will provide low-cost funding to June 2024.	The Bank managed the TFF, undertaking collateral management and processing maturities and early repayments as required.
Provide adequate liquidity to the financial system.	Use open market operations (OMO) to ensure financial institutions have access to liquidity and that funding costs are appropriate to achieve our goals.	Financial institutions have been able to draw on liquidity as required, using the Bank's weekly OMO. Funding costs have risen in line with increases in the cash rate.
Manage reserves to portfolio benchmarks.	Reserves portfolio managed within permitted deviations around benchmarks for interest rate and currency risk.	Deviations from the benchmarks were in line with predefined tolerances.
Intervene in foreign exchange market as appropriate.	Publish data and explanations of any intervention.	No foreign exchange market intervention was conducted.

Key activities	Performance measures and targets	Results
Review of the Reserve Bank.	Support the Panel and Secretariat to undertake the Review, including by seconding staff to the Secretariat.	The Bank seconded four staff to the Secretariat, provided a large quantity of background documents and answered numerous questions posed by the Secretariat.

Analysis

Over 2022/23, many advanced economies, including Australia, experienced the highest rates of inflation in decades. Inflation rose much more quickly than had been expected, reflecting a combination of supply-side disruptions and stronger-than-expected demand. In response, central banks significantly increased their policy interest rates to bring inflation back towards target. The intent was to help bring demand and supply back into balance before medium- and long-term inflation expectations rose. While inflation has declined since the end of 2022 it has remained persistently high, particularly for services. This is partly because economic conditions have been resilient, particularly in labour markets.

At the time of the July 2022 Board meeting:

- The Australian economy had recovered strongly from pandemic-related disruptions and the labour market was tighter than it had been for a long time. The level of GDP had increased to be around 4½ per cent higher than prior to the COVID-19 pandemic. The unemployment rate had fallen by more than expected, to 3.9 per cent – then the lowest rate in almost 50 years. Underemployment had also fallen significantly. Job vacancies and hiring intentions were both at very high levels, with a further decline in unemployment and underemployment expected in the period ahead.
- Wages growth had picked up but remained low. The Wage Price Index (WPI) had increased by 2.4 per cent over the year. The Bank's liaison program and business surveys were pointing to a lift in wages growth from the very low rates of recent years as firms competed for staff in a very tight labour market. Wages growth was expected to pick up further to around 3¾ per cent by mid-2024, which would be the fastest pace since 2012.
- Inflation had increased sharply, to be above the 2–3 per cent target band for the first time in a decade, but remained lower than in other advanced economies. Headline inflation was 5.1 per cent over the year to March 2022 (the latest available data at the time). Underlying inflation was somewhat lower at 3.7 per cent. Inflation was forecast to peak at 6 per cent at the end of 2022 and then decline back to the top of the 2–3 per cent target range by mid-2024.
- The cash rate target had been increased by 25 basis points at the May meeting and by a further 50 basis points at the June meeting, taking it to 0.85 per cent. The interest rate on ES balances had increased by the same amount. The Board noted that the resilience of the economy and the increase in inflation meant that the extraordinary monetary support put in place to insure the Australian economy against the worst possible effects of the pandemic was no longer needed. The Board noted that further steps in the process of normalising monetary conditions in Australia were expected over the months ahead, given the outlook for inflation and the labour market.

By early-August 2023:

- Economic growth in Australia had slowed as the bounce-back from the pandemic had run its course, and in response to cost-of-living pressures and higher interest rates. GDP growth was 0.2 per cent in the March quarter (the latest available national accounts data) and 2.3 per cent over the year. By contrast, the labour market remained tight. The unemployment rate remained around its 50-year low of 3½ per cent, having hovered around that level since mid-2022. A range of other indicators suggested that the tightness in the labour market had eased slightly from late 2022, including some increase in the underemployment rate and firms reporting an improvement in labour availability in some sectors.

- Wages growth had picked up a bit more than had been expected, reflecting the strength in the labour market and higher-than-expected inflation in late 2022. The WPI was 3.7 per cent higher over the year to the March quarter, which was the strongest growth rate in a decade.
- Inflation remained high but was moderating. Year-ended growth in the Consumer Price Index peaked at 7.8 per cent in the December quarter of 2022, its highest level since 1990 (and since 1987 excluding interest charges) and much higher than had been earlier expected. By the June quarter of 2023, headline inflation had eased to 6.0 per cent and underlying inflation as measured by the trimmed mean had declined to 5.9 per cent. This rate of inflation is at least as high as in some other advanced economies.
- The cash rate had been increased at each Board meeting during 2022/23, apart from the April 2023 meeting, to be 4.1 per cent (4.0 per cent for ES balances).

Higher-than-expected inflation has been a key challenge facing many economies over the past year. Central banks around the world have responded by lifting their policy interest rates significantly. Inflation has eased as supply disruptions have unwound and contractionary monetary policy settings have taken effect. The decline in headline inflation has been helped by falls in energy and some food prices, but core inflation remains high and progress in reducing it has been slow. Inflation has been especially persistent in the services sector. In many countries, labour costs, which are a key driver of costs in the services sector, are growing more strongly than is consistent with inflation targets. This has been partly a function of subdued growth in labour productivity in many countries over recent years.

Economic growth in advanced economies has slowed in response to cost-of-living pressures and higher interest rates, but it has been more resilient than expected by most forecasters. This has been particularly true in the services sector. Labour market conditions remain tight, with unemployment rates at historically low levels in many countries, and this has underpinned strong wages growth. Central banks in advanced economies generally expect it will take another year or two to return inflation to target.

In Australia, inflation has followed a similar path to that in many other advanced economies, albeit with a slight delay. The high degree of commonality in the inflation experience globally has been a striking feature of the current episode. High inflation domestically has been broadly based across the CPI basket. A range of global and domestic developments have caused the current bout of high inflation, including global supply issues related to the war in Ukraine and the COVID-19 pandemic, and domestic supply disruptions from poor weather. Strong domestic and global demand have also played an important role, reflecting the significant fiscal and monetary policy responses to the pandemic and the faster-than-expected development of effective vaccines that enabled a rapid economic recovery.

Initially, global and domestic supply-side factors were key drivers of the rapid increase in inflation in Australia. As global supply chain disruptions were resolved, however, demand factors became increasingly important. Around one-half to three-quarters of the pick-up in inflation over the year to December 2022 is estimated to have been attributable to supply-side shocks, with around one-quarter to one-half due to demand conditions. The relative importance of these factors has started to shift over the first half of 2023.

While economic growth in Australia has slowed in response to higher interest rates and cost-of-living pressures, the economy continues to operate at a level of resource utilisation that is not sustainable and is leading to high inflation. The unemployment rate remains around its lowest level in close to 50 years and broader measures of underemployment also remain low. There has, however, been some easing in labour market conditions since late last year.

More firms have had to pay higher wages to attract and retain staff. Wages growth has increased to between 3½ and 4 per cent over the year to the June quarter. Meanwhile, labour productivity has been particularly weak recently, with little growth overall since 2019. At the aggregate level, current rates of wages growth are still consistent with the 2–3 per cent inflation target, provided that productivity growth picks up to around the average pace recorded before the pandemic.

The Board has stated that it is resolute in its determination to return inflation to the 2–3 per cent target over a reasonable time period. Given typical lags, the full effects on the economy of the tightening in policy rates are yet to flow through. The current forecasts are for inflation to moderate to be around 3¼ per cent by the end of 2024 and to be back within the 2–3 per cent target band in late 2025.

The Bank met the operational objectives of implementing monetary policy over 2022/23. The cash rate remained close to the cash rate target and within the policy rate corridor at all times. The cash rate was guided by the Bank's administered ES and OMO rates. TFF loans began to be repaid. The Bank's current operational framework for implementing monetary policy – supplying the reserves demanded by commercial banks at a fixed interest rate determined by the Bank – ensured the financial system had the liquidity needed. Foreign exchange reserves were also managed prudently within set limits and no foreign exchange interventions were required.

The stability of the financial system

Purpose

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 Reserve Bank also has specific responsibility to oversee financial market infrastructures (FMIs) that could have implications for financial stability.

The Bank works 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 (APRA), the Australian Securities and Investments Commission (ASIC) 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. 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.

Results

Performance Summary: Stability of the Financial System

Key activities	Performance measures and targets	Results
Support overall financial stability.	A stable financial system that can support the economy.	The Australian financial system is strong. Australian banks are well regulated, strongly capitalised, profitable and highly liquid. The Australian banking system remained resilient in the face of stresses in parts of the international banking system in March 2023. Most households and businesses managed the impact of higher interest rates and inflation, supported by strong labour market conditions and sizeable saving and equity buffers; however, some experienced significant financial pressures. As economic conditions became more challenging, the share of non-performing loans increased somewhat, albeit from very low levels. Agencies represented on the CFR continued to monitor potential risks to financial system stability and stand ready to respond as necessary.

Key activities	Performance measures and targets	Results
	Work with CFR agencies and international bodies to identify and appropriately address evolving systemic risks.	The CFR closely monitored the response of households and businesses to high inflation and rising interest rates. Later in 2022/23, CFR agencies closely engaged with their international counterparts to understand developments and share learnings following recent stresses in parts of the international banking system. While the Australian banking system was resilient, the CFR is assessing Australia's crisis management settings to ensure they remain robust in light of recent events. Other areas of attention for the CFR over the past year included: • the importance of cybersecurity and operational resilience, given the risks posed by the increasing incidence and sophistication of cyber-attacks • trends in non-bank financial intermediation; payments regulation, including in relation to payments service providers and crypto-assets • risks associated with geopolitical tensions and climate change. The CFR issued quarterly statements that outlined its discussions and assessments of these and other areas of focus.
	Assess and communicate risks to financial stability, including through the Bank's half-yearly *Financial Stability Review*.	The Bank used a wide set of data and information sources, as well as scenario analysis, to identify and assess emerging vulnerabilities in the Australian financial system, as well as potential cross-border channels of risk. The Bank communicated its assessments of these and other risks both with the other CFR agencies, and more broadly to a wider audience with the October 2022 and April 2023 issues of the *Financial Stability Review* (and accompanying short videos and infographics), as well as *Bulletin* articles, and speeches on financial stability issues.

Analysis

Over 2022/23, the Reserve Bank continued to conduct extensive analysis of developments and emerging risks in the financial system, relating to financial institutions, households and businesses. It also closely engaged with APRA and other CFR agencies to identify and appropriately address evolving systemic issues. This work informed the Reserve Bank Board's policymaking process. The Bank published much of its analysis of financial stability in its semi-annual *Financial Stability Review*, *Bulletin* articles, Research Discussion Papers and speeches.

A key area of focus in the past year was the effect of high inflation and rising interest rates on households, businesses and the financial system. Most households and businesses were able to manage the higher interest rates and cost-of-living pressures over 2022/23, supported by strong labour market conditions and the large additional savings and equity buffers accumulated in recent years. However, household resilience is unevenly spread, and some households and businesses are under significant financial pressure. The households most affected have been those with lower incomes, as well as recent borrowers who have larger debts relative to their income. There has been some increase in the levels of non-performing loans, though from very low levels.

The Bank monitored a number of timely indicators of financial stress among borrowers and renters, focusing on the debt-servicing challenges faced by a small share of households with high levels of debt relative to their income and low savings and equity buffers. Scenario analysis was also used to gauge the effects of high inflation and higher interest rates over the period ahead for indebted households. The analysis examined how households' spare cash flows (i.e. the income available after meeting loan payments and essential living expenses) would evolve, as well as how long savings buffers would last under various assumptions; it also considered the individual and system-wide implications of a rise in unemployment in this framework.

Another area of focus was the share of borrowers who took out fixed-rate loans during the period of very low interest rates. These borrowers face large increases in their scheduled mortgage repayments once their fixed-rate periods expire over 2023 and beyond, similar in size to the increases experienced by variable-rate loans to date. The Bank drew attention to this issue in both the October 2022 and April 2023 issues of the *Financial Stability Review*, and in a March 2023 *Bulletin* article. Bank research found that the vast majority of both variable- and fixed-rate borrowers rolling onto higher variable rates were, to date, able to manage these pressures by drawing on their savings buffers, reducing their spending and/or their rate of saving.

Most businesses have benefited from the strong economy and entered the interest rate tightening cycle in a healthy financial position. That said, the Bank drew particular attention to the financial difficulties in parts of the construction industry, given the potential for financial stress to spread to other businesses and some households.

During the recent period of overseas banking stress, CFR agencies closely monitored developments abroad, met frequently to share analysis and information, and assessed whether the stress overseas was transmitting to the Australian financial system. The Bank published its analysis of the causes and implications of the banking stress in a Box in the April 2023 *Financial Stability Review*. Australia has a well-capitalised, profitable and highly liquid banking system that is well placed to continue supporting the domestic economy. The banking sector remained resilient during the March 2023 bank stresses seen overseas. This was a result of banks' significant capital and liquidity buffers, well-established risk controls and a strong domestic regulatory and supervisory framework administered by APRA. The CFR has well-developed arrangements for managing distress at regulated financial institutions and financial market infrastructures. CFR agencies have been assessing Australia's crisis management settings to ensure they remain robust in light of recent events. In particular, international experience has highlighted the importance of crisis management tools, including Additional Tier 1 capital operating as intended, and deposit insurance schemes being able to provide depositors timely access to funds.

That episode of stress, along with earlier periods of heightened financial stress such as the global financial crisis and the COVID-19 pandemic, highlighted the benefits of the CFR framework in helping to support a stable financial system. This is consistent with the findings of the recent Review of the Reserve Bank on the effectiveness of the CFR.

While the non-bank sector in Australia accounts for a relatively small share of system-wide lending and has limited direct links with the banking system, the Bank and other CFR agencies continue to monitor the sector closely given the rapid growth in non-bank lending over recent years. Non-bank lending standards have been broadly maintained and lending growth has moderated since late 2022. These developments were discussed by the CFR during the year and the Bank published an article on non-bank lending in the March 2023 *Bulletin*.

The Bank's work on both fixed-rate borrowers and non-bank lenders made extensive use of the Securitisation Dataset, which is one of several databases used by the Bank to analyse financial system developments, emerging risks and distributions within aggregate outcomes. A September 2022 Research Discussion Paper also provided an overview of the Bank's macrofinancial stress-testing model for the banking system, which complements APRA's 'bottom-up' stress-testing approach.

The Bank continued to share its perspectives with overseas counterparts during meetings on international financial sector issues held by global bodies, such as the Financial Stability Board and the Basel Committee on Banking Supervision. This international engagement was particularly relevant during the March 2023 overseas banking stress as it provided insights on causes and possible cross-border impacts, and allowed the Bank to contribute to global work in response to issues raised by this event. The Bank places a high priority on these international forums, which also allow Australian perspectives to be provided when these bodies discuss and agree on new global standards applying to banks and other financial institutions.

A secure, stable and efficient payments system

Purpose

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

In relation to the Bank's policymaking role, it is the duty of the Payments System Board to ensure the Bank's payments system policy is directed to the greatest advantage of the people of Australia, and to ensure 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:

a. controlling risk in the financial system
b. promoting the efficiency of the payments system
c. 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 the powers and functions of the 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 its 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 there is no build-up of settlement obligations associated with high-value transactions and thereby promotes the stability of Australia's financial system.

Results

Performance Summary: A Secure, Stable and Efficient Payments System

Key activities	Performance measures and targets	Results
Support competition and efficiency in the payments system and financial system stability.	Work with the Australian Government to implement reforms, including those stemming from: • the conclusions of the Review of Retail Payments Regulation • the Treasury Payments System Review • the review of the regulation of stored-value facilities (and subsequent work on the use of stablecoins for payments). Ensure compliance with the Bank's card payments regulations and monitor the outcomes for consumers and businesses from this regulation.	The Bank supported the Australian Government's payments regulatory reforms through engagement with Treasury and industry, participation in CFR working groups and submissions to consultations. The Bank monitored compliance with the Bank's card payments regulations, which remains high.
	Undertake policy work to: • support the shift towards digital payments • monitor the winding down of legacy payment systems • identify and respond to any competition and efficiency issues associated with new technologies and new players in the payments system.	The Bank successfully encouraged industry to deliver enhancements to New Payments Platform (NPP) functionality, contributed to the government's policy work on winding down legacy payment systems, and delivered public statements on the issues associated with new technologies and new players in the payments system.
	Conduct a review of the suitability of our retail payments data collections for supporting the assessment of payments-related policy issues, in light of the changing nature of the payments system.	The Bank consulted with industry on a range of enhancements to the retail payments statistics.
	Support work being undertaken as part of the G20 Roadmap on Enhancing Cross-border Payments.	The Bank participated in work on cross-border payments as part of the G20 Roadmap and established an industry study group on interlinking fast payment systems.

Key activities	Performance measures and targets	Results
	Work with industry to modernise payment messaging standards via participation in the ISO 20022 migration project.	In March 2023, the High Value Clearing System (HVCS) successfully adopted the ISO 20022 message standard. This ongoing work is being coordinated by AusPayNet's 20022 Program Management Office and is overseen by an Industry Migration Steering Committee.
	Improve retail payments service reliability through enhanced disclosure by industry.	Data on the reliability of retail payment services provided to households and businesses are being published on the websites of the individual payment service providers. The list of providers and their URLs can be found at RBA (2023), 'Disclosures on Retail Payments Service Reliability', March.
	Conduct research to advance the Bank's understanding of the case for, and implications of, a central bank digital currency (CBDC).	The Bank conducted a pilot CBDC project with the Digital Finance CRC and industry participants, which involved testing 15 potential use cases for CBDC.
Promote the safety and resilience of FMIs.	Undertake assessments of systemically important payment systems and licensed clearing and settlement (CS) facilities against relevant standards. Establish recommendations and regulatory priorities as appropriate for each high-value payment system and CS facility based on these assessments.	Assessments were published for the ASX CS facilities, LCH Limited's SwapClear service and CME, in September 2022. In these assessments, the Bank judged that the entities had conducted their affairs in a way that promotes overall stability in the Australian financial system. In May 2023, the Bank published a targeted assessment of RITS against relevant Principles for Financial Market Infrastructures and found it broadly observed the principle on governance and partly observed the principles on the risk management framework and operational risk.
	Work with the Australian Government on implementing the reforms to the regulation of FMIs, including crisis management powers over Australian CS facilities. Develop operational plans to execute any powers granted under the regime.	The Bank assisted Treasury with the preparation of draft legislation to implement the reforms.
Ensure the regulatory framework for payment systems and FMIs is consistent with 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.	The Bank surveyed CS facilities and participants in the retail payments system to obtain feedback on its regulatory performance. The feedback was generally positive, with most respondents highlighting the Bank's willingness to listen to issues that arise and to take a pragmatic approach. Some entities encouraged the Bank to devote more effort to scanning the environment to understand the latest developments, including by participating in more industry discussions. Others noted the challenges faced by the Bank in addressing emerging payments issues while reforms to the *Payment Systems (Regulation) Act 1998* were underway.
	Ensure regulatory requirements are streamlined, proportionate to risks and coordinated with other regulators, and build capability in data analysis to efficiently monitor compliance.	Survey feedback on cooperation between the domestic regulators was positive. Respondents generally reported that the Bank's regulatory requirements were streamlined and proportionate to the risks involved. Respondents noted the value of the Bank's regulatory

Key activities	Performance measures and targets	Results
		reporting project, which streamlines FMI data collection as part of the monitoring of compliance, and the need for the Bank to continue to consider proportionality with regard to the risks associated with its regulatory requests. To minimise ad-hoc requests, some stakeholders noted there would be benefits in the Bank further automating its reporting requirements and providing greater clarity and context for information requests, as well as better acknowledgement of when compliance has been met.
	Communicate with regulated entities in a timely, clear and consistent way, including on regulatory priorities.	Survey feedback generally characterised the Bank's communications as timely, clear and consistent. A few stakeholders noted that they found the Bank's published material on its regulatory priorities very useful (e.g. in speeches by staff and Payments System Board updates) and that receiving more regular updates or a roadmap document setting out the Bank's payments priorities would help them plan more effectively to meet the Bank's expectations. Some responses requested additional engagement by the Bank prior to the announcement of decisions requiring regulatory compliance and a greater appreciation by the Bank of the challenges faced by organisations to meet those requirements.
Ensure the operational reliability and cybersecurity of RITS.	RITS availability at 99.95 per cent during core hours.	RITS availability was 99.972 during core hours in 2022/23.
	RITS FSS availability at 99.995 per cent on a 24/7 basis, with most transactions processed in less than one second. Complete a refresh of FSS infrastructure by mid-2023. Implement enhancements to RITS and related back-office systems to support the ISO 20022 industry go-live date of November 2022.	FSS availability was below target at 99.941 per cent due to a technology outage in October 2022. The industry go-live date for the HVCS was delayed from November 2022 to March 2023 to align with international ISO 20022 migration timelines. The industry successfully went live with ISO 20022 messaging in March 2023. RITS and the Bank's back-office system went live with ISO-based messaging at the same time. During the current 'co-existence' phase, industry participants can send both the old message types and ISO messaging. Full adoption of ISO20022 messages is targeted for end-2024.
	Ongoing investment and regular reviews and testing to support cyber resilience. In 2022/23, this will include updating the security standards for operators of external feeder systems that interface with RITS and planning an industry cyber exercise.	In November 2022, the Bank completed an internal assessment against the SWIFT Customer Security Controls Framework (CSCF). In May 2023, an internal audit was completed to assess the Bank's Information Security Management System against the ISO 27001 standard. RITS members have attested against updated business continuity and security standards that became mandatory at the end of 2022; 39 members are fully compliant and 26 members are partially compliant. New business continuity and security standards for the ASX-operated feeder systems to RITS are due to be introduced in 2023. Work has also commenced on planning for an industry cyber exercise, to be conducted in the first half of 2024 to test RITS members' response to a simulated cyber event involving RITS.

Analysis

The Reserve Bank's work on payments policy in 2022/23 occurred in an environment that was changing rapidly. There was a substantial shift in consumer payments away from cash and cheques to cards and other electronic payments. There was also rapid technological innovation and the entry of new players into the payments system. These changes can improve the convenience of payments for end users, but also bring risks and competitive issues.

The Bank welcomes the Australian Government's payments regulatory reforms, including the strategic plan for the payments system, measures to modernise the Bank's regulatory powers and the introduction of a licensing regime for payments service providers. The Bank also supports the reforms to the regulation of FMIs, aimed to ensure the Australian financial system is supported by resilient, efficient and stable FMIs. The reforms include enhancements to the licencing regimes for CS facilities and stronger supervision and enforcement powers for ASIC and the Bank.

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

Purpose

Insofar as the Commonwealth of Australia requires it to do so, the Reserve Bank must act as banker for the Commonwealth. The Reserve Bank's banking services comprise two activities: management of the Australian Government's core accounts; and the provision or transactional banking services 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 services.

Results

Performance Summary: Delivery of Efficient and Effective Banking Services to the Australian Government

Key activities	Performance measures and targets	Results
Ensure central banking services remain fit for purpose.	Maintain and enhance the central banking services provided to the Commonwealth.	The Bank continued to work with the Department of Finance and the Australian Office of Financial Management on its Commonwealth cash management operations. This included cooperation on areas such as reporting, resilience of services, and the compliance of industry participants.
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.	The Bank's banking services achieved the minimum required return in 2022/23. Pro forma accounts for the transactional banking business can be viewed in Chapter 2.3 Banking and Payment Services.
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, through:	The Bank extended service provision to several new customers during 2022/23, while retaining all existing agency customers.
	– continued development of banking services and systems, including NPP capabilities	The Bank: • implemented the capability to process cross-border and domestic high-value payment messages in the modern ISO 20022 standard, enabling the capability to carry more structured and richer data • continued to work with suppliers and customers to uplift and enhance data flows for payment and reconciliation • participated in industry work and consultations regarding the future of cheques and the Bulk Electronic Clearing System (BECS).

Key activities	Performance measures and targets	Results
	– supporting agency customers as they migrate payments from legacy payment systems to new systems	The Bank: • supported agency customers with their planning and analysis to reduce reliance on cheques • engaged with government agencies to consider the implications of a migration away from BECS towards modern payment systems; larger BECS users were included in industry consultations.
	– renewal of third-party supplier arrangements to ensure these remain innovative and align with key service objectives.	The Bank: • tendered for card acquiring and payment gateway services • extended contracts with existing providers of various banking services.

Analysis

During 2022/23, the Reserve Bank continued to provide the Australian Government with convenient, secure, reliable and cost-effective central banking and transactional banking services. This included supporting government agencies as they responded to natural disasters, such as the flooding on the east coast of Australia in mid-2022. The Bank was able to provide rapid delivery of support payments through the NPP, on behalf of Services Australia.

The Bank continued to participate in multi-year industry-driven initiatives, including uplifting capability to process cross-border and domestic HVCS messages using modern standards (ISO 20022). While the industry-wide program is ongoing, the Bank is increasing functionality for customers and suppliers to ingest richer data as part of payment and reporting messages. The Bank is also building out its customer-focused technology to enable more seamless connectivity.

Alongside building new functionality, the Bank continued to inform and support agencies as they look to transition from legacy payment systems to more modern solutions. In particular, the Bank focused on the future of BECS and cheques, including engagement with customers, government policymakers and participation in broader industry initiatives.

The provision of secure and reliable banknotes

Purpose

The Reserve Bank is responsible for the issuance, reissuance 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. We distribute banknotes to financial institutions, monitor and maintain banknote quality in circulation and withdraw unfit banknotes from circulation. We also monitor and analyse trends in cash usage and counterfeiting and conduct research into banknote security technology.

Results

Performance Summary: Provision of Secure and Reliable Banknotes

Key activities	Performance measures and targets	Results
Ensure Australian banknotes provide a safe, secure and reliable means of payment and store of value.	Maintain or improve public perceptions of Australian banknotes, as measured in the Reserve Bank survey.	The Bank's survey on perceptions, usage and behaviour related to Australia's banknotes showed that public perceptions of Australian banknotes remained favourable: 72 per cent of respondents perceived the new generation banknote (NGB) series to be sufficiently secure against counterfeiters; and 77 per cent noted they liked the NGB banknotes (largely unchanged from the 2021/22 results).
Meet banknote demand.	More than 95 per cent of banknote orders from commercial banks fulfilled by the Bank within three days of request.	All transactions were fulfilled on the same day as requested.
Ensure Australian banknotes remain secure, durable and cost effective.	Monitor actual and emerging counterfeiting trends.	Australian banknote counterfeiting rates continued to be very low by historical and international standards. The estimated counterfeiting rate was six counterfeits per million banknotes in circulation in 2022/23, down from a peak of around 31 counterfeits per million banknotes in 2014/15. The Bank continued to monitor international developments in counterfeiting, including through engagement with other central banks and international organisations
	Evaluate and develop security features that could be deployed on Australian banknotes to combat counterfeiting threats, extend circulation life and/or reduce production costs.	The Bank's key initiative to enhance banknote security in recent years was the release of the NGB banknote series with upgraded security features, which was completed in 2020. Since then, the Bank has continued to develop and test security features for future Australian banknotes, along with testing and implementing solutions to reduce costs and increase circulation life. This program has provided options for cost reduction, product improvements and includes candidates for the $5 banknote redesign.
Ensure high-quality banknotes.	Banknote production orders by the Bank to be met by NPA within agreed quality parameters.	NPA did not deliver any Australian banknotes in the 2022/23 financial year. This was due to agreed scheduling between the Bank and NPA to accommodate NPA's export production. This delay did not compromise the Bank's ability to meet public demand or jeopardise its target contingency stock of banknotes.
	Maintain quality of banknotes in circulation above the minimum quality standard agreed with industry.	Banknote quality remains good. The update of standards to include NGB security features was delayed due to the Review of Banknote Distribution Arrangements.

Analysis

The value of banknotes in circulation declined over 2022/23, with below-average growth for all denominations. This likely reflected a return to more usual spending behaviour post-pandemic, a reduction in precautionary savings and higher interest rates. Nonetheless, the value of banknotes in circulation remained around record highs. The Bank has continued to meet demand for banknotes by ensuring orders are fulfilled. The release of the NGB series of banknotes with upgraded security features has supported public confidence in banknotes. Australia's level of counterfeiting remains low by international standards.

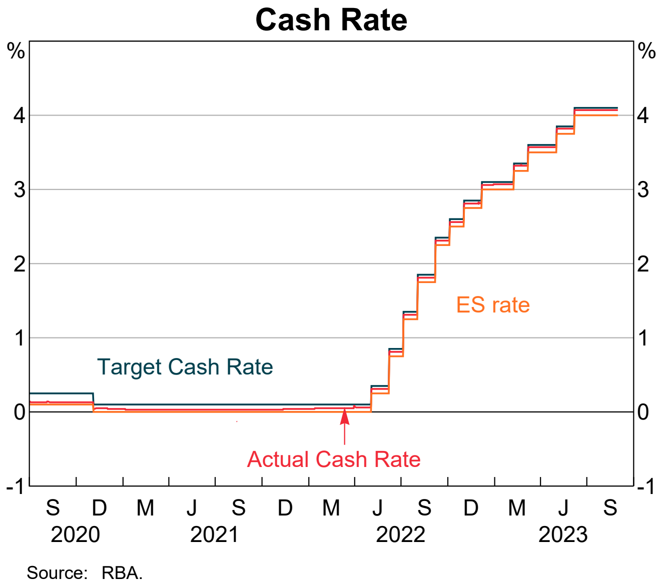
2.2 Operations in Financial Markets

The Reserve Bank operates in domestic and international financial markets to achieve its policy objectives. These operations include implementing the monetary policy decisions of the Reserve Bank Board, facilitating the smooth functioning of the payments system, managing the nation's foreign exchange reserve assets and providing banking services to clients (mainly the Australian Government, as well as foreign central banks). The Bank raised the cash rate target and the rate on Exchange Settlement (ES) balances by 325 basis points over 2022/23. The size of the Bank's balance sheet declined by around $16 billion over that period, but remains large.

Monetary policy implementation

The Reserve Bank Board's instrument for adjusting monetary policy is the cash rate. This is the rate at which banks borrow and lend to each other on an overnight, unsecured basis. The funds traded in the cash market are the balances held by financial institutions in their ES accounts at the Reserve Bank. These accounts are held by around 100 financial institutions and are used to settle payment obligations between these institutions. The aggregate level of ES balances changes as a result of payments made or received by customers of the Bank (principally the Australian Government) and ES account holders. It is also affected by transactions undertaken by the Bank on its own behalf, including repurchase agreements (repos) collateralised with eligible securities, buying or selling government securities on an outright basis, or using foreign exchange (FX) swaps involving Australian dollars.

The Board increased the cash rate target 10 times over 2022/23, taking it from 0.85 per cent to 4.1 per cent. The rate paid to banks on ES balances was increased by the same amount, from 0.75 per cent to 4 per cent. The cash rate target and ES rate were held steady at the July, August and September Board meetings.

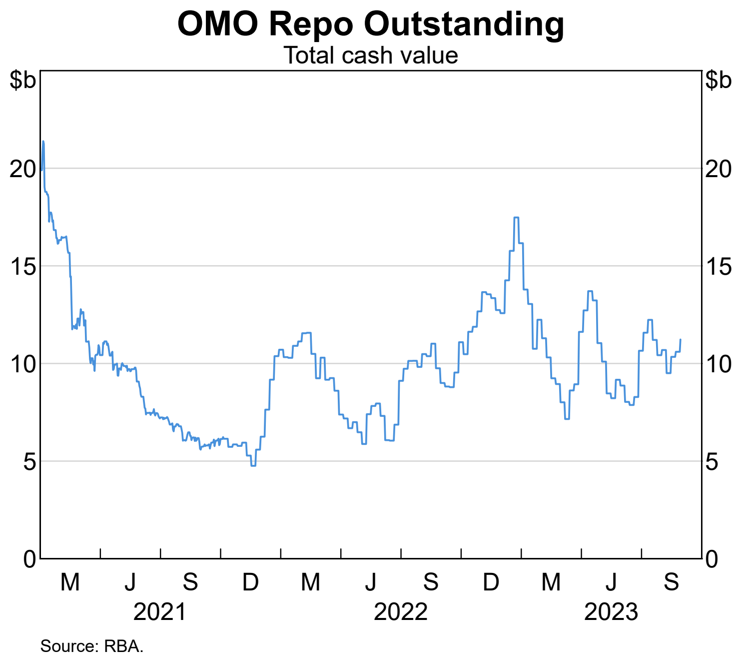


Given the increase in the Bank's balance sheet from pandemic-era policies, liquidity in the banking system (in the form of ES balances) is plentiful and well above pre-pandemic levels. This means that most banks are able to settle payments without borrowing funds in the overnight cash market. Nonetheless, as ES balances have started to fall, cash market activity has increased, from around $400 million per day on average over 2021/22, to around $900 million per day on average over 2022/23; this remains lower than prior to the pandemic. The cash rate continues to trade a little below the cash rate target but above the interest rate paid on ES balances, with the modest spread between these rates reflecting lenders' opportunity costs over and above the ES rate, as well as transaction costs and some credit risk. The Board has maintained the spread between the cash rate target and the interest rate on ES balances at 10 basis points, such that the actual cash rate remains close to the cash rate target.

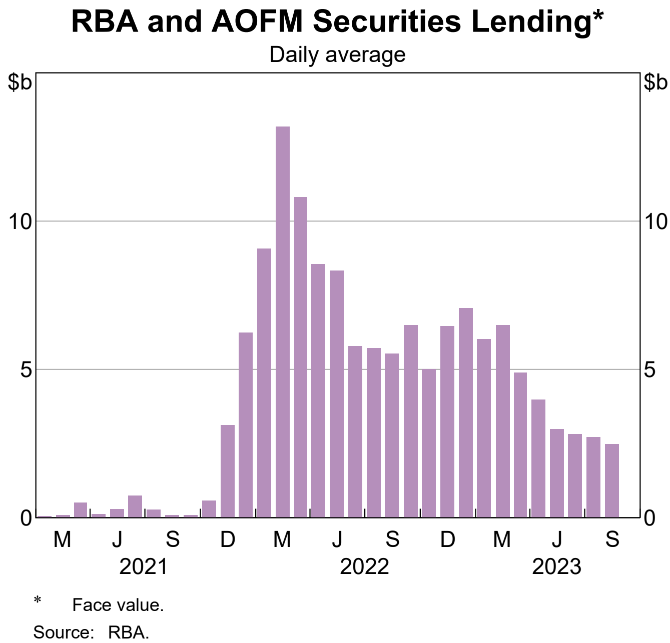
Open market operations

The Reserve Bank undertakes transactions in domestic financial markets where required to implement the policy decisions of the Reserve Bank Board and facilitate the smooth functioning of the payments system. This principally involves the Bank using repos contracted as part of its regular open market operations (OMO). Repos involve the purchase of high-quality securities whereby the Bank acquires the securities for a period of time in exchange for cash (i.e. funds deposited into an ES account). The Bank requires the value of the securities to exceed the cash lent by a specific margin (see below). As a result, there is very little risk of the Bank incurring financial loss from these transactions. The securities accepted by the Bank include Australian Government Securities (AGS), Australian state and territory government securities (semis), and securities issued by certain approved international sovereign and supranational entities. Securities issued by banks, asset-backed securities (ABS) and corporate bonds that meet certain criteria are also eligible for repo in the Bank's OMO. FX swaps are another type of transaction the Bank has used in the past to manage system liquidity; swapping Australian dollars for foreign currencies increases the supply of ES balances in the same way as a repo transaction.

The Bank does not target a specific level of ES balances. Rather, it offers to provide funds to banks via OMO at a set term and a cost that is closely linked to the cash rate; banks are then allowed to determine the size of the repo. This system is robust to unforeseen changes in the demand for ES balances and allows the quantity of ES balances to adjust in response to shocks. On average, around $11 billion in OMO repos was outstanding during 2022/23, compared with $7½ billion during 2021/22. FX swaps were not used for liquidity management purposes during 2022/23.



To aid market functioning, the Bank is prepared to lend government securities that it owns, in response to enquiries from eligible counterparties. The Bank also operates a Securities Lending Facility on behalf of the Australian Office of Financial Management (AOFM). Securities lending activity from the Bank's and AOFM's facilities averaged $5.3 billion and $57 million outstanding per day in 2022/23, respectively, compared with $5.5 billion and $98 million, respectively, in 2021/22. While activity has declined, it remains high by historical standards, reflecting the high (though declining) share of government bonds on the Bank's balance sheet.



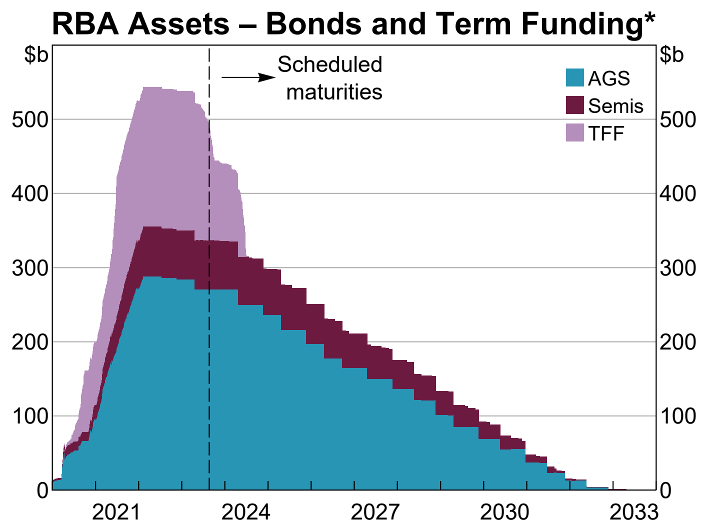
The Bank is also prepared to consider proposals from eligible counterparties to sell semis that it holds outright, in exchange for offsetting (duration-neutral) purchases of other semis. In 2022/23, the Bank conducted around $4.3 billion of these switch transactions.

Balance sheet

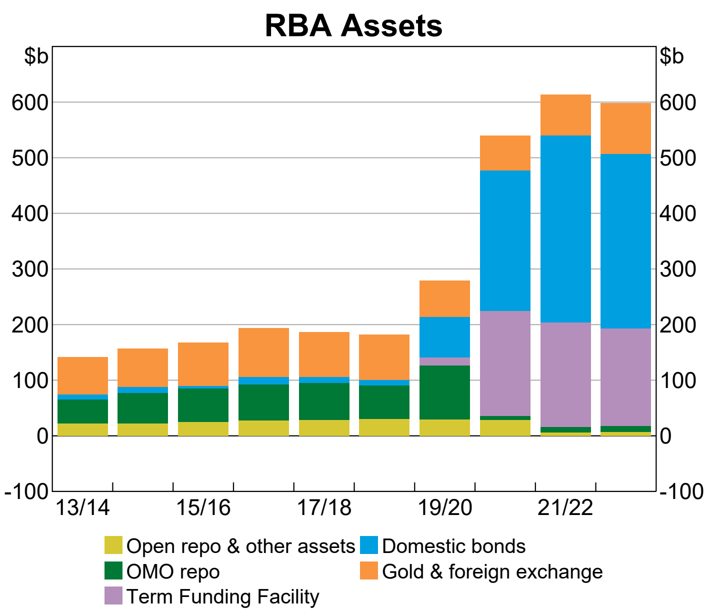
The Reserve Bank's balance sheet more than tripled in size between March 2020 and February 2022, the result of the monetary policy measures used to support the Australian economy during the pandemic. Over 2022/23, the size of the balance sheet declined by $16 billion to around $600 billion. Most of the decrease occurred in the final few months of the financial year.

On the assets side, the value of the Bank's government bond holdings declined following the maturity of the April 2023 government bond and as higher bond yields led to valuation losses. In addition, scheduled maturities of the Term Funding Facility (TFF) began in April 2023, with $12 billion repaid by the end of 2022/23.[1] As at 30 June 2023, 84 banks had $175 billion of TFF loans outstanding. In the September quarter of 2023, the remaining $64 billion of loans drawn under the first tranche of the TFF will mature. The remaining $111 billion of outstanding TFF loans, relating to the second tranche of the TFF, will be fully repaid by mid-2024.

[1] The Reserve Bank announced the TFF in March 2020 as part of the package of extraordinary monetary policy measures to support the Australian economy in the wake of the COVID-19 pandemic. Although closed to new drawdowns since 30 June 2021, the TFF continues to provide funding to banks until the funds drawn down mature or banks repay the funding prior to maturity. See RBA (2021), 'Box C: Use of the Reserve Bank's Term Funding Facility', *Statement on Monetary Policy*, August.



* Face value of outright holdings of AGS and semis.
Source: RBA.



Source: RBA.

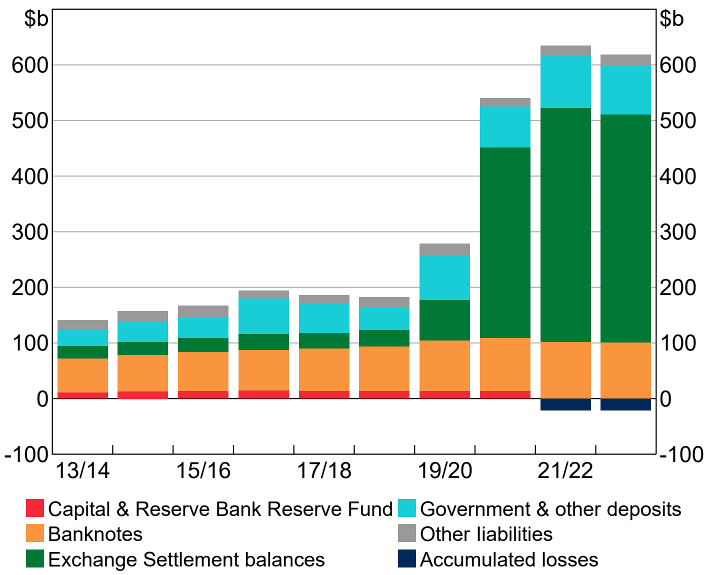
The corresponding decline in liabilities was primarily due to a reduction in ES balances, largely resulting from the repayment of TFF loans.

RBA Balance Sheet
$ billion, 30 June

	2022	2023
Assets	**614**	**598**
Foreign	73	91
Domestic	541	507
– Outright bond holdings	337	313
– Term Funding Facility	188	175
– OMO repo	9	11
– Open repo & others	7	7
Liabilities	**614**	**598**
Deposits	514	498
– ES balances	420	409
– Government & other	94	88
Banknotes	102	101
Accumulated losses	–21	–21
Other	18	20
Capital and Reserve Bank Reserve Fund	0	0

Source: RBA.

RBA Liabilities



Source: RBA.

Standing facilities

Separate from its OMO, the Reserve Bank can also provide liquidity via repo through its standing facilities, where eligible counterparties temporarily exchange high-quality collateral for cash. These facilities are designed to support the smooth functioning of the payments system.

The most frequently used standing facilities are those for the provision of intraday liquidity to ES account holders, which carry no interest charge. In 2022/23, the Bank undertook an average of $2½ billion per day of intraday repos, compared with $2 billion in 2021/22. The Bank also makes available an overnight repo facility where ES account holders can exchange collateral for funding at an interest rate of 25 basis points above the cash rate target if they cannot source funds from another financial institution for example, due to technical issues. This facility was not used during 2022/23.

Open repos are used to provide ES account holders with liquidity to facilitate their payments, particularly those made outside of normal business hours. ES account holders with after-hours payment obligations – such as 'direct-entry' payments and transactions through the New Payments Platform (see Chapter 2.3 Banking and Payment Services) – must hold sufficient ES balances at the close of each business day to settle these payments. Over 2022/23, open repo positions with the Bank declined from $3 billion to $2 billion.

Committed Liquidity Facility

The Committed Liquidity Facility (CLF) ceased on 1 January 2023. Under this facility, which was introduced in 2015, the Reserve Bank established a contractual commitment to provide repo funding to a range of institutions, subject to certain conditions including that they pay a fee on the committed amount. The CLF enabled banks subject to the Liquidity Coverage Ratio to meet the prudential requirement to hold sufficient high-quality liquid assets (HQLA) to meet outflows during a 30-day period of stress. (In the Australian context, HQLA consist of AGS, semis and ES balances.)

The CLF was introduced because relatively low levels of government debt outstanding in Australia at the time had limited the amount of HQLA securities that banks could reasonably hold without creating shortages for other participants in the market. However, the stock of AGS and semis outstanding increased substantially from early 2020, as the federal, state and territory governments issued bonds to finance the fiscal response to the COVID-19 pandemic. In addition, ES balances increased because of the Bank's policy response to the pandemic. Reflecting the increased availability of HQLA, in 2021 the Australian Prudential Regulation Authority announced that use of the CLF would be phased out by the end of 2022.[2] In accordance with that guidance, the overall size of the CLF was reduced from $66 billion in July 2022, to $33 billion in September 2022 and finally to zero in January 2023.

Eligible securities

The Reserve Bank accepts a range of eligible Australian dollar collateral for its market operations, as security in the event the Bank's counterparty does not meet its repurchase obligations. Acceptable collateral includes: AGS and semis; securities issued by authorised deposit-taking institutions (ADIs) and non-bank corporations with an investment-grade credit rating; and ABS and other securities with an average credit rating of AAA (for long-term securities) and A-1 (for short-term paper). To protect against a decline in the value of these securities, the Bank requires the value of the collateral to exceed the cash-leg of the repo by a specific margin when a trade is first entered. The Bank also requires counterparties to post additional collateral over the term of the repo if the value of the posted collateral falls. These margins, which are listed on the Bank's website, are considerably higher for securities that are not issued by

[2] See APRA (2021), 'APRA Phases Out Reliance on Committed Liquidity Facility', Media Release, 10 September.

governments.[3] Participants in the Bank's market operations tend to be the fixed-income trading desks of banks and securities firms, as well as bank treasuries. Reflecting this, around one-quarter of the value of the securities held by the Bank under repo (excluding those under open repo and the TFF) are government-related obligations.

In 2022/23, the Bank's repo collateral holdings decreased by around $13 billion, largely owing to the repayment of TFF repos.

The Bank's domestic securities are held in an account that it maintains in Austraclear, the central securities depository operated by the Australian Securities Exchange (ASX). Securities transactions conducted between the Bank and its counterparties are settled in the Austraclear system, mostly on a bilateral basis. The Bank also settles repo transactions contracted in its OMO within ASX Collateral, a collateral management service. During 2022/23, 55 per cent of the value of securities the Bank held under repo in OMO was settled within ASX Collateral, similar to the proportion in 2021/22. The use of this system reduces the manual processing that would otherwise be required to manage this collateral, including marking it to market and maintaining margins.

ABS form a significant share of the securities held by the Bank as repo collateral under the TFF. Around 90 per cent of the outstanding value of TFF repos is backed by self-securitised Residential Mortgage-backed Securities (RMBS) (which are not eligible as collateral for OMO or open repos). Given the importance of ABS to the Reserve Bank's operations, the Bank has mandatory reporting requirements for securitisations to remain eligible for repo. In 2022/23, the Bank received around 5,500 data submissions each month on around 400 ABS from issuers or their appointed information providers. For eligible RMBS, this covers around 2.4 million underlying individual housing loans with a combined balance of around $680 billion, which is around one-third of the total value of housing loans in Australia. The required data include key information on the structure of the RMBS and the counterparty relationships within that structure. The required data also include anonymised information on each of the residential mortgage loans and the underlying collateral backing the RMBS structures.

[3] See RBA (2020), 'Margin Ratios'.

Australian Dollar Securities Held under Repurchase Agreements[(a)]

30 June

	2019		2020		2021		2022		2023	
	$ billion	per cent of total	$ billion	per cent of total	$ billion	per cent of total	$ billion	per cent of total	$ billion	per cent of total
AGS	36.5	37	47.4	31	5.6	2	2.8	1	1.5	1
Semis	12.7	13	25.2	16	8.1	3	6.5	3	6.3	3
Supranational	2.8	3	3.4	2	0.7	0	0.9	0	0.8	0
ADI issued	12.9	13	27.8	18	11.2	4	15.9	6	17.6	7
Corporate issued	0.0	0	0.3	0	0.5	0	0.9	0	0.6	0
ABS	33.5	34	50.0	32	260.2	91	231.3	89	218.5	89
– of which: for open repo	32.4	33	32.4	21	31.5	11	0.7	0	0	0
– of which: for TFF	0.0	0	14.7	9	227.8	80	229.1	89	217.2	88
Other	0.4	0	1.1	1	0.2	0	0.1	0	0.2	0
Total	98.8	100	155.2	100	286.3	100	258.4	100	245.5	100
– of which: for open repo	34.5	35	35.3	23	34.3	12	3.1	1	2.1	1
– of which: for TFF	0.0	0	17.7	11	244.6	85	246.1	95	232.2	95
– of which: for OMO	64.3	65	102.2	66	7.4	3	9.2	4	11.3	5

(a) Market value of securities before the application of margins; includes securities held under triparty repurchase agreements.
Source: RBA.

Reflecting the Bank's interest in promoting transparency in ABS, issuers are also required to make securitisation information available to investors and other permitted users. The data provided to these users are broadly similar to the data provided to the Bank; however, issuers may redact particular fields where the information poses a potential risk to privacy obligations and provide aggregated data instead. The mandatory reporting requirements allow the Bank (and other investors in RMBS) to analyse in detail the underlying risks in ABS and therefore to price and manage risk accurately.

To promote strong financial markets, securities that reference the Bank Bill Swap Rate (BBSW) and are issued after 1 December 2022 must include a robust, reasonable and fair fallback to BBSW in order to be eligible securities in the Bank's operations. This ensures that the securities will continue to perform as expected in the unlikely scenario that BBSW ceases to be published at some point in the future.[4]

[4] See D Cole and L Pendle (2022), 'Fallbacks for BBSW Securities', RBA *Bulletin*, June.

The cash rate

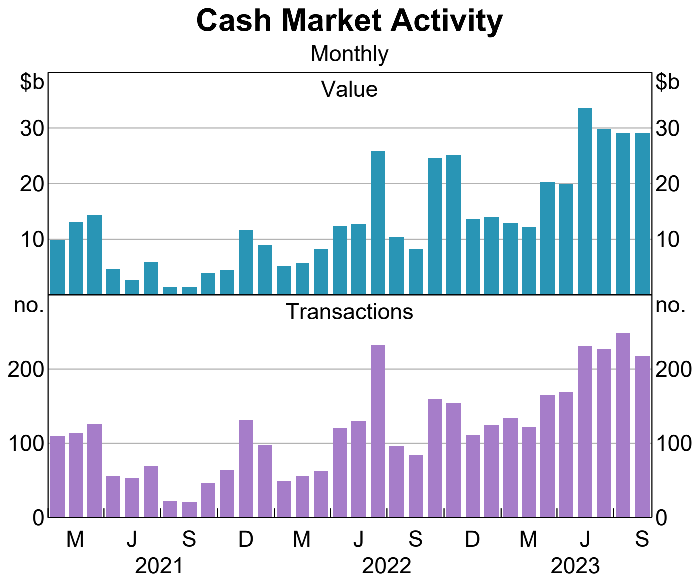
The Reserve Bank is the administrator of the cash rate. This is a significant financial benchmark referenced in overnight indexed swaps and the ASX's 30-day interbank cash rate futures contracts, as well as in securities and transactions requiring a (near) risk-free reference rate (RFR). The cash rate is also known as AONIA (AUD Overnight Index Average). As the RFR for the Australian dollar, under International Swaps and Derivatives Association (ISDA) definitions published in 2020, it forms the basis of the fallback to BBSW (calculated as AONIA plus a spread).[5] The ISDA definitions were developed in the context of global benchmark reforms, which have included identifying alternatives to credit-based rates for use in securities and transactions.

Activity in the cash market increased during 2022/23 but remained lower than prior to the pandemic. The cash rate was determined by market transactions on around 70 per cent of days, compared with around 30 per cent of days in 2021/22.[6] Expert judgement was used on days when activity was below the thresholds required to calculate a cash rate from market transactions. In accordance with fallback procedures, the published cash rate on these days was either: the last cash rate published based on sufficient transactions (70 occasions); or another rate that reflected the interest rate relevant to unsecured overnight funds for cash market participants as determined by the cash rate administrator, in its expert judgement and based on market conditions (four occasions). Over the June quarter 2023, the cash rate was determined by market transactions on all days. During the first two months of 2023/24, there were five days when expert judgement was used.

The cash rate remained between the cash rate target and the interest rate on ES balances throughout 2022/23. Between July and December 2022, the cash rate was typically 4 basis points below the cash rate target and 6 basis points above the ES rate; from January to June 2023 the cash rate typically traded at 3 basis points below the cash rate target and 7 basis points above the ES rate. During 2022/23, the cash rate rose from 0.81 per cent to 4.07 per cent, and it remained at 4.07 per cent during the first two months of 2023/24.

[5] See ISDA (2020), 'Amendments to the 2006 ISDA Definitions to Include New IBOR Fallbacks', 23 October.

[6] The Bank has outlined its arrangements for administering the cash rate and the procedures for handling errors and complaints in RBA (2023), 'Cash Rate Procedures Manual'.


Cash Market Activity
Monthly
Value
$b
30
20
10
Transactions
no.
200
100
0
M
J
S
D
2021
2022
2023

Source: RBA.

Foreign exchange operations

The Reserve Bank transacts in the FX market on almost every business day. Most of these transactions are associated with providing FX services to the Bank's clients, the most significant of which is the Australian Government.

The Bank typically purchases the necessary foreign currency in the spot market. During 2022/23, the Bank bought A$13.6 billion in the spot market to facilitate its customer business. The Bank also retains the option – especially during periods of market stress – to use its existing stock of foreign currency reserves to fund its customer business, replenishing those reserves when market conditions have stabilised. However, this has not been considered necessary since 2008, when global financial market functioning was significantly impaired. Similarly, the Bank has not intervened in the FX market since 2008. The Bank nevertheless retains the discretion to intervene in the FX market to address any dysfunction and/or a significant misalignment in the value of the Australian dollar. At the time each Annual Report is published, intervention data for the year under review are published on the Bank's website.[7] During 2022/23, the Bank's assessment was that trading conditions in the market were sufficiently orderly that it was not necessary to support liquidity in the market through its own transactions. Volatility in the Australian dollar was also contained, particularly when compared with previous episodes of market stress such as 2008.

The Bank also transacts in the FX market when managing its foreign currency reserves. As discussed below, the relative weightings of foreign currencies in the Bank's portfolio are tightly managed against a benchmark. To maintain the portfolio at these benchmark weights, or to accommodate discrete changes in the weights, the Bank transacts in spot FX markets. The final settlement of these rebalancing flows may be deferred for a short period of time through the use of FX swaps, whereby one currency is exchanged for another with a commitment to unwind the exchange at a subsequent date and at an agreed (forward) rate. Swaps can also be an efficient way to manage the shorter term investments within the reserves portfolio. During 2022/23, the Bank generally had around A$22 billion in swaps outstanding for these purposes.

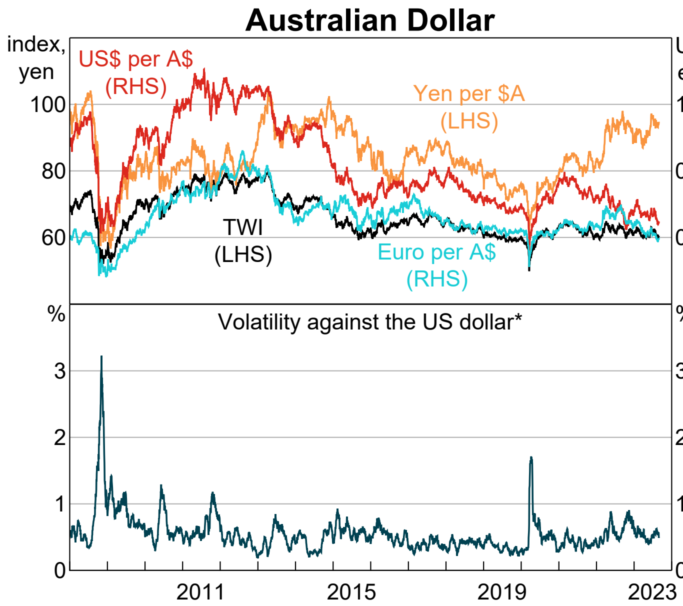
The Bank also executes long-term FX swaps against Australian dollars for terms of up to five years. These longer term transactions are used to maintain the Bank's policy capacity, including to meet Australia's commitments as a member of the International Monetary Fund (IMF). These swaps do not affect the exchange rate. The Bank had A$10.2 billion in long-term swaps outstanding at the end of June 2023.

The Bank's forward FX positions with each of its counterparties are marked to market daily and collateral is held against net exposures. The terms under which collateral is exchanged are defined in two-way credit support annexes to the ISDA Master Agreements that the Bank has executed with each of its counterparties (see Chapter 3.3 Risk Management).

The Bank's activities in the FX market are conducted in a manner consistent with the principles of the FX Global Code. A 'Statement of Commitment to the FX Global Code' has been signed on behalf of the Bank. [8] The Bank transacts in the FX market only with counterparties that have also signalled their adherence to the Code by signing a Statement of Commitment.

[7] See RBA, 'Statistical Table A5: Daily Foreign Exchange Market Intervention Transactions'.

[8] See RBA (2021), 'Statement of Commitment to the FX Global Code', 8 December.



* Daily absolute percentage change, 22-day rolling average.

Sources: RBA; Refinitiv.

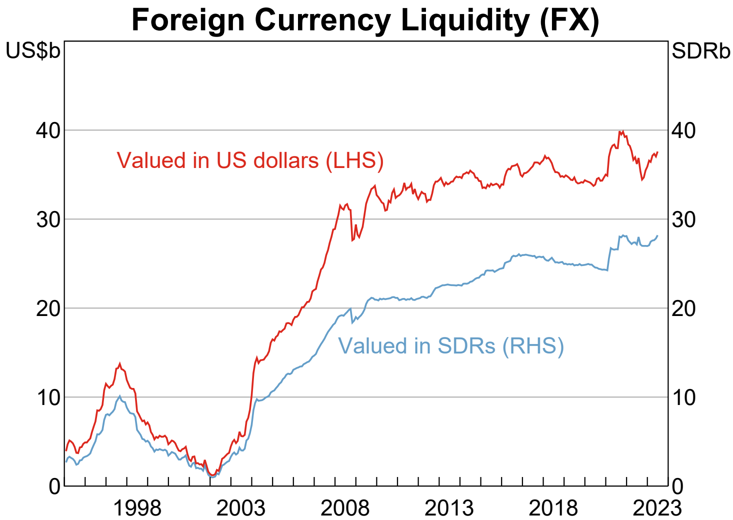
Reserves management

Australia's official reserve assets include foreign currency assets, gold, Special Drawing Rights (SDRs; an international reserve asset created by the IMF) and Australia's reserve position in the IMF. At 30 June 2023, these assets totalled A$89.4 billion. Most of these assets are owned and managed by the Reserve Bank. The Australian Government owns Australia's reserve position in the IMF and the bulk of Australia's SDR holdings.

Official reserve assets are held by the Bank to facilitate various policy operations, including in the FX market (described above) and to assist the Australian Government in meeting its commitments to the IMF. The Reserve Bank Board reviews the adequacy of the Bank's reserve holdings on a regular basis, including by considering historical FX intervention episodes and other potential stress scenarios. The most recent review of reserves adequacy was undertaken in March 2023 and concluded that the Bank's capacity for intervention should increase gradually over the coming years.

One gauge of the Bank's capacity to undertake FX operations is measured by its foreign currency assets net of any short-term forward commitments (such as an obligation to deliver foreign currency on a swap due to mature within 12 months against Australian dollars). As at 30 June 2023, these assets – referred to as 'foreign currency liquidity (FX)' – were SDR 28.2 billion or US$37.6 billion. Over time, foreign currency liquidity (FX) can increase with earnings on the Bank's foreign currency assets, with purchases of foreign currency in the spot market and via long-term swaps.

The foreign assets held by the Bank can expose it to market, liquidity and credit risk, which it seeks to mitigate where possible – for example, by holding a diversified portfolio and investing only in assets of high credit quality and appropriate liquidity (see Chapter 3.3 Risk Management).



Source: RBA.

Foreign Assets

30 June 2023

	A$m
Official reserve assets	
– Foreign currency	55,673
– Gold	6,019
– SDRs	19,732
– Reserve position in the IMF	3,848
– Other reserve assets	4,141
Other foreign currency assets	334
Net forward foreign currency commitments: Short term	
– Foreign currency	434
– Gold loans	279
Net forward foreign currency commitments: Long term	–10,245
Memo item:	
Foreign currency liquidity (FX)[(a)]	*56,706*

(a) Foreign currency liquidity (FX) includes foreign currency holdings and other foreign currency assets, net of short-term foreign currency forward commitments (commitments with less than 12 months to maturity).
Source: RBA.

The composition of the Reserve Bank's foreign currency reserve holdings, net of forward commitments against the Australian dollar, is managed against an internally constructed benchmark that reflects the Bank's need to maintain effective intervention capacity. Subject to this constraint and the Bank's overall risk tolerance, the benchmark is assessed to be the combination of foreign currencies and foreign currency assets that maximises the Bank's expected returns over the long run. Within the portfolio, the largest allocation is to the US dollar (55 per cent), reflecting the significant liquidity in US dollar currency and asset markets.

Duration targets are relatively short for most of the foreign currency portfolios. This has limited any capital losses associated with increasing global yields during 2022/23.

Investments in the benchmark currencies are limited to deposits at official institutions (such as central banks) and debt instruments issued (or guaranteed) by sovereign entities, central banks and supranational agencies. Debt instruments issued by quasi-sovereign entities can also be accepted as collateral under reverse repos.

Sovereign credit exposures are currently limited to the United States, Germany, France, the Netherlands, Japan, Canada, China, the United Kingdom and South Korea.

Benchmark Foreign Currency Portfolio

30 June 2023

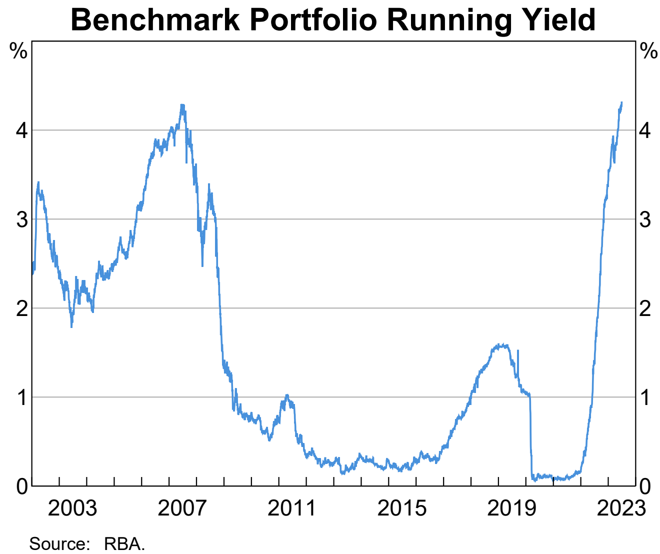
	US dollar	Euro	Japanese yen	Canadian dollar	Chinese renminbi	UK pound sterling	South Korean won
Currency allocation (per cent of total)	55	20	5	5	5	5	5
Duration (months)	6	6	<3	6	18	3	18

Source: RBA.

As has been the case for some years, when the cost of hedging currency risk is taken into account, yields on short-dated Japanese and South Korean investments have generally exceeded those available in the other currencies in the Bank's portfolio. Reflecting this, the Bank has swapped other currencies in its foreign currency reserves portfolio against the Japanese yen and South Korean won to enhance returns. As a consequence, while the Bank's exposure to changes in the value of the yen and won remains small (allocations in the benchmark to each of these currencies were only around A$2 billion), an additional A$17.1 billion of yen and A$2.2 billion of won was held at the end of June 2023 as a result of swaps against other foreign currencies in the portfolio.

A small component of the Bank's foreign currency risk is managed outside the benchmark framework. The Bank invests in a number of Asian debt markets through participation in the Executives' Meeting of East Asia-Pacific Central Banks Asian Bond Fund Initiative. This initiative was established following the Asian currency crisis in the late 1990s to assist in the development of bond markets in the region. At the end of June 2023, the total allocation of the Bank's reserves to these funds was A$757 million. In SDR terms, there was a return of 1.9 per cent on these investments over the year, reflecting capital gains on Asian government bonds as yields decline.

Measured in SDRs, the overall return on the Bank's foreign currency assets over 2022/23 was 3.1 per cent. The average running yield on the benchmark portfolio increased from 1.4 per cent to 4.3 per cent over 2022/23, reflecting increases in yields across most individual currency portfolios.



The Bank's holdings of SDRs at 30 June 2023 amounted to A$9.4 billion – A$3 billion higher than the previous year, mainly reflecting net purchases of SDRs. Under voluntary arrangements with the IMF, the Bank is willing to transact in SDRs on request from other countries or prescribed holders. In these transactions, the Bank will generally either buy or sell SDRs in exchange for foreign currencies (such as euros or US dollars). While such transactions do not alter the level of Australia's reserve assets (only the respective proportions held in SDRs and foreign currency), the Bank will typically replenish foreign currency sold in exchange for SDRs by purchasing foreign currency in long-term swaps against Australian dollars. At 30 June 2023, the Australian Government's holdings of SDRs amounted to A$10.3 billion.

Australia's reserve position in the IMF comprises that part of Australia's quota in the IMF that is paid in foreign currency, as well as other credit that Australia has extended to the IMF in support of its lending programs. At the end of June 2023, Australia's reserve position in the IMF was A$3.8 billion – A$0.1 billion larger than a year earlier, mainly reflecting the depreciation of the Australian dollar. As noted above, Australia's reserve position in the IMF is not held on the Bank's balance sheet. However, the Bank will sell to (or purchase from) the Australian Treasury the foreign currency it needs to complete its transactions with the IMF. As with SDR transactions, the Bank will typically replenish the foreign currency sold to the Treasury by purchasing foreign currency in long-term swaps against Australian dollars.

Gold holdings (including gold on loan) at the end of June 2023 were around 80 tonnes, unchanged since 1997. Gold prices increased by 9.4 per cent in Australian dollar terms over 2022/23, increasing the value of the Bank's holdings of gold by around A$0.6 billion to A$7.4 billion.

The Bank also seeks to earn income on its holdings by lending gold. Any gold lending by the Bank has the benefit of a government guarantee on the borrower's payment obligations to the Bank or is structured as a gold swap, such that the loan is fully collateralised by cash (either foreign currency or Australian dollars). Returns from these activities totalled A$1.1 million in 2022/23 – higher than the previous year, mostly due to increased activity. As at 30 June 2023, the Bank had outstanding gold loans amounting to 15 tonnes. Gold is held by the Bank in an allocated account at the Bank of England. All bars meet the London Bullion Market Association's (LBMA) 'Good Delivery' standards.

Foreign Currency Assets[(a)]

A$ million, 30 June 2023

Currency	Securities held outright	Securities lent under repurchase agreements	Deposits at official institutions[(b)]	Forward FX commitments[(c)] Total (gross)	Against A$	Against other currencies	Other	Total (net)
US dollar	15,739	–2,642	835	13,932	–7,381	13,087	5,627	25,265
Euro	3,307	–916	337	2,728	–8	5,200	1,517	9,437
Japanese yen	18,774	–	10,996	29,770	–9,804	–17,077	–	2,889
Canadian dollar	1,980	–	4	1,984	–	411	–	2,395
Chinese renminbi	1,430	–	775	2,205	–	–	–	2,205
UK pound sterling	598	–	8	607	–3	1,831	–	2,435
South Korean won	4,447	–	–	4,447	–	–2,194	–	2,253
Total	46,275	–3,558	12,955	55,673	–17,196	1,258	7,144	46,879

(a) Excludes gold, SDRs, the reserve position in the IMF, investments in the Asian Bond Fund, balances with overseas banks, futures margins and non-reserve currency holdings.

(b) Includes deposits at foreign central banks and the Bank for International Settlements.

(c) In accordance with IMF guidelines, 'forward commitments' reflect notional values of unsettled spot and forward transactions, converted to Australian dollars at the prevailing forward exchange rate. Other forward commitments largely reflect cash lent under repurchase agreements. This excludes forward commitments for non-reserve currencies and gold on loan.

Source: RBA.

The Bank's activities in the gold market are conducted in a manner consistent with the principles of the LBMA's Global Precious Metals Code. Following the publication of a revised Code in December 2022, an updated 'Statement of Commitment to the Global Precious Metals Code' was signed on behalf of the Bank.[9]

Bilateral currency swaps

The Reserve Bank has bilateral local currency swap agreements with the People's Bank of China, the Bank of Japan, the Bank of Korea and Bank Indonesia. The purpose of these agreements is to allow each central bank to support trade settlement in local currencies, particularly in times of market stress, or to support financial stability. Over the past year, the agreement with the Bank of Korea was renewed for a further five years.

	Expiry	Size (A$ billion)
People's Bank of China	July 2026	41
Bank of Japan	March 2025	20
Bank of Korea	February 2028	12
Bank Indonesia	February 2025	10

Source: RBA.

[9] See RBA (2023), 'Statement of Commitment to the Global Precious Metals Code', 5 April.

2.3 Banking and Payment Services

The Reserve Bank provides banking and payment services to meet the needs of the Australian Government and to support an efficient and stable Australian financial system. These services support the government's actions to provide financial assistance to Australian households and businesses, by ensuring that payments are processed quickly and reliably. In addition to operating Australia's real-time gross settlement (RTGS) system, the Bank operates national infrastructure to support the settlement of real-time payments by households and businesses on a 24/7 basis.

Transactional banking services

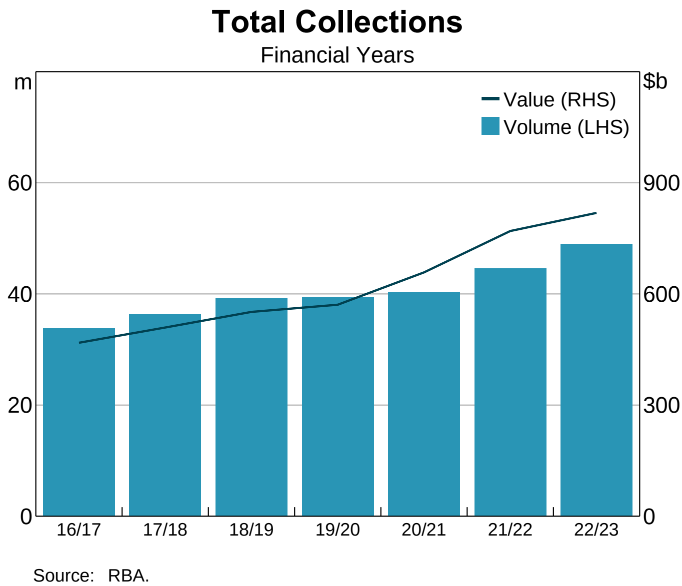
The Reserve Bank aims to deliver secure, reliable, cost-effective banking and payment services to the Australian Government and its agencies, consistent with the Reserve Bank's responsibilities under the *Reserve Bank Act 1959*. These services enable the government, through its agencies, to make payments and collect revenue. The Bank prioritises and resources these services commensurate with the criticality of payments made by the government, the vast majority of which are welfare and age pension payments. The Bank also works with industry to increase system resilience and minimise outages.

The Bank provides transactional banking services to more than 100 Australian government agencies. During 2022/23, the Bank retained its existing customer base and added several new customers.

The Bank provides a broad range of payment and collection services to its customers. At present, most payments are delivered using low-value, cost-effective, direct entry systems, both domestically and overseas. Other payment methods utilised by our customers include the New Payments Platform (NPP), RTGS, cheque and BPAY. For the collection of government revenue, payments are received by the above methods, as well as by card (either over the phone or via an online service), eftpos and, to a lesser extent, cash.

In 2022/23, the Bank distributed around 331.1 million domestic and 1.1 million international payments, totalling $758.2 billion and $16.7 billion, respectively. Domestic payments were somewhat lower than last year (in volume terms), when the numbers were inflated by payments related to the COVID-19 pandemic and natural disasters. The floods on Australia's east coast in mid-2022 resulted in temporary increases in emergency payments, most of which were made using the NPP. The capability to expedite and upscale the delivery of emergency payments reflects work undertaken in previous years by the Reserve Bank and Services Australia to provide timely financial support when needed.

In addition to processing payments, the Bank enables Australian government agencies such as the Australian Taxation Office to collect money owed from both domestic and international payers. In 2022/23, collections increased after the cessation of restrictions on activity related to the pandemic, and because of changes in economic conditions (such as higher commodity prices, a pick-up in wages growth, strong employment growth and high workforce participation). Overall, the Bank processed 49 million collections-related transactions for the Australian Government in 2022/23, amounting to $818.7 billion.



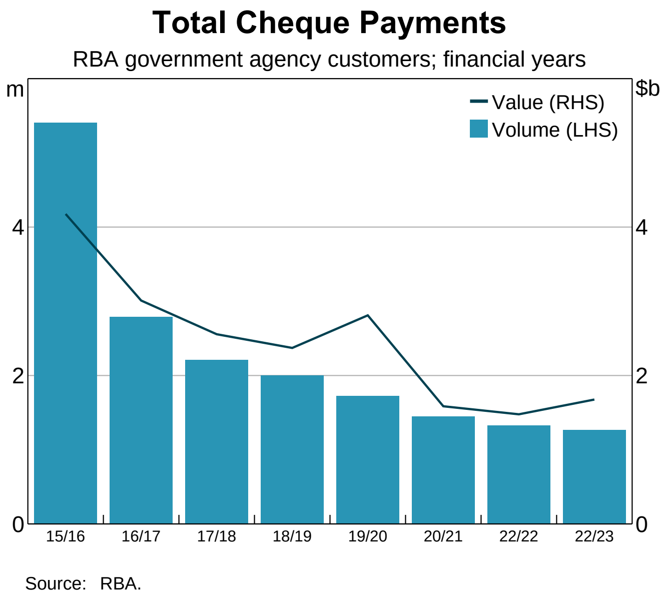
The transactional banking services offered by the Reserve Bank evolve alongside innovations in payments technology and business processes. The Bank continues to support the use of modern payments infrastructure and to facilitate migration away from legacy payment methods. Internally, this involves building new payment services and uplifting existing technology and processes. For example, significant work was undertaken over the past year to adopt modern payment messaging standards for various processes, both as standalone projects with customers and suppliers and as part of broader industry initiatives (see 'Settlement Services' below). The Bank is preparing to deliver new NPP payment capabilities over the coming year to allow its customers to receive cross-border payments, where the final domestic leg is sent over the NPP. It is also exploring the potential of cloud platforms to further enhance the resilience and performance of its banking and payments systems. Alongside enhancing its own capabilities, the Bank evaluates its third-party supplier arrangements to ensure they continue to offer modern payment solutions, meet the needs of users and remain cost effective. Notably, in 2022/23 the Bank approached the market to secure acquiring and payment gateway services and is in the process of transitioning to a new provider.

The Bank's modern payment suite allows it to support government customers in the transition away from legacy, less efficient and potentially more costly services. Bank staff engage with the payments industry and policymakers to ensure that the government's banking and payments needs are met. The Australian Government's 2023 report, 'A Strategic Plan for Australia's Payments System', will assist in prioritising work over the coming years.[1]

During 2022/23, the Bank continued to contribute to industry discussions and consultation processes around the future of the Bulk Electronic Clearing System (BECS), which is used for the delivery of direct entry payments. The Australian Government is a major user of BECS, and any transition to alternative payment systems – such as the NPP, which provides 24/7 real-time delivery of data-rich payments – will need to be managed carefully. The Bank will continue to work with its customers and industry to plan for the migration to more modern payments systems in a safe and cost-effective way.

[1] Australian Government (2023), 'A Strategic Plan for Australia's Payments System', Final Report, June.

The Bank has continued to work with its customers to migrate away from cheque usage to more modern and cost-effective payment methods. The Australian Government issued around 5 per cent of all cheques drawn in Australia in 2022/23. The annual cheque payment volume for government customers fell by a further 5 per cent in 2022/23.



Pro forma business accounts

The Reserve Bank's transactional banking services are subject to the Australian Government's competitive neutrality guidelines. The Bank delivers these services in competition with commercial financial institutions, including bidding for business at tenders. The Bank must cost and price the services separately from its other activities and meet a prescribed minimum rate of return. The Bank achieved its competitive neutrality target rate of return in 2022/23.

The following sets of pro forma business accounts for the Bank's contestable businesses have been prepared in accordance with competitive neutrality guidelines. These accounts do not form part of the audited financial statements.

After-tax earnings from the Reserve Bank's transactional banking services were $6.8 million in 2022/23, $2.1 million higher than the previous year.

Transactional Banking
$ million

	2021/22	2022/23
Revenue		
– Service fees	108.1	138.2
– Other revenue	1.6	4.6
Total	109.7	142.8
Expenditure		
– Direct costs	102.8	133.0
– Indirect costs	0.0	0.0
Total	102.8	133.0
Net profit/(loss)	6.9	9.8
Net profit/(loss) after taxes[a]	4.7	6.8
Assets[b]		
– Domestic markets investments	2,739.2	3,804.7
– Other assets	21.6	21.8
Total	2,760.8	3,826.5
Liabilities[b]		
– Capital and reserves	25.0	25.0
– Deposits	2,717.5	3,781.8
– Other liabilities	18.3	19.7
Total	2,760.8	3,826.5

(a) In accordance with the competitive neutrality guidelines, income tax expense has been calculated but no such amount is directly transferred to the Commonwealth. Instead, the amount is notionally captured within the Reserve Bank's annual profit distribution.

(b) As at 30 June.

Source: RBA.

Central banking services

As part of its central banking services, the Reserve Bank manages the overnight consolidation of Australian Government agency account balances. This requires the movement of agency account balances, held with commercial financial institutions and with the Bank, into the Official Public Account (OPA). Daily payment instructions from the Department of Finance are processed to move funds from the OPA to agency bank accounts to meet their payment obligations.

While the Bank manages the consolidation of the government's accounts, the Australian Office of Financial Management (AOFM) has responsibility for ensuring there are sufficient cash balances to meet the government's day-to-day spending commitments and for investing excess funds in approved investments. A cash management account offered by the Bank assists the AOFM in this regard. The Bank also provides a very limited short-term overdraft facility to cater for occasions when there is unexpected demand for government cash balances. This overdraft facility is used infrequently and was not used during 2022/23.

The Bank also provides banking services to overseas central banks, and registry services to supranational organisations issuing Australian dollar-denominated securities. Eight organisations currently use registry services, with this number remaining relatively steady over recent years.

Settlement services

The Reserve Bank owns, operates and manages Australia's interbank settlement system, the Reserve Bank Information and Transfer System (RITS). This system performs final and irrevocable settlement of interbank obligations arising from the wide range of non-cash payments in the Australian economy. This includes card-related transactions, electronic retail payments (including NPP and direct entry payments), cheques and high-value payments. These obligations are settled though the simultaneous debiting and crediting of Exchange Settlement Accounts (ESAs), held at the Reserve Bank on behalf of RITS member institutions.

RITS settles most high-value transactions individually in real-time through the process of 'real-time gross settlement' (RTGS). Many low-value transactions are also settled on an RTGS basis through the RITS Fast Settlement Service (FSS), which facilitates the real-time settlement of transactions initiated through the NPP. However, the majority of low-value payments are still settled on a net deferred basis in RITS via the RITS Low Value Settlement Service (LVSS) or in batches submitted by external batch administrators. The Bank also provides the Low Value Clearing System (LVCS) to facilitate file transfers for participants in Australia's low-value payments clearing systems.

On 12 October 2022, the Bank experienced a major technology incident that affected the FSS, LVCS and LVSS. The root cause was an operational error during a planned change to the software that manages the Bank's virtual servers. The incident disrupted a number of production and non-production servers, including some underpinning RITS and the FSS. As a result, processing of LVCS and LVSS files was impacted that evening. In addition, the settlement notifications that are typically sent to NPP participants by the FSS immediately following settlement were either delayed or not sent for several hours. This resulted in around 500,000 unique NPP payments (17 per cent of the daily average volume for a Wednesday) being delayed by between four hours and five days.

Following the outage, the Bank commissioned a comprehensive review of the operating environment supporting RITS, including information technology, operations and risk management. The review, which was requested by the Payments System Board and conducted by Deloitte, was published in May 2023.[2] The review concluded that the Bank has experienced and dedicated staff and a strong culture of care. It also concluded that the Bank needs to strengthen its systems and processes if it is to achieve the high standards of service availability that are required in operating critically important national payments infrastructure. The Bank is committed to implementing the recommendations in the review. These include: formalising the RITS operating model to ensure responsibilities are well articulated, investments are appropriately targeted, and resilience is enhanced; strengthening the risk management framework, with a focus on improving accountability for assurance activities; uplifting processes supporting the RITS ecosystem, including better use of automation and more effective change management practices; and developing frameworks to encourage feedback and constructive challenge in the areas supporting RITS, consistent with broader Bank initiatives.

Learnings from the October 2022 incident and the Deloitte review are also reflected in the Bank's targeted assessment of RITS against the *Principles for Financial Market Infrastructures* (international standards set by the Committee on Payments and Market Infrastructures and the Technical Committee of the International Organisation of Securities Commissions).[3] This year's assessment, released in May 2023, focused on three key principles. The performance of RITS against the governance principle was downgraded from 'observed' to 'broadly observed', while the framework for the comprehensive management of risks and operational risk principles were both downgraded to 'partly observed'. The assessment considered specific opportunities to: uplift capabilities; embed accountabilities, processes, systems and controls; and better identify, monitor and manage risk.

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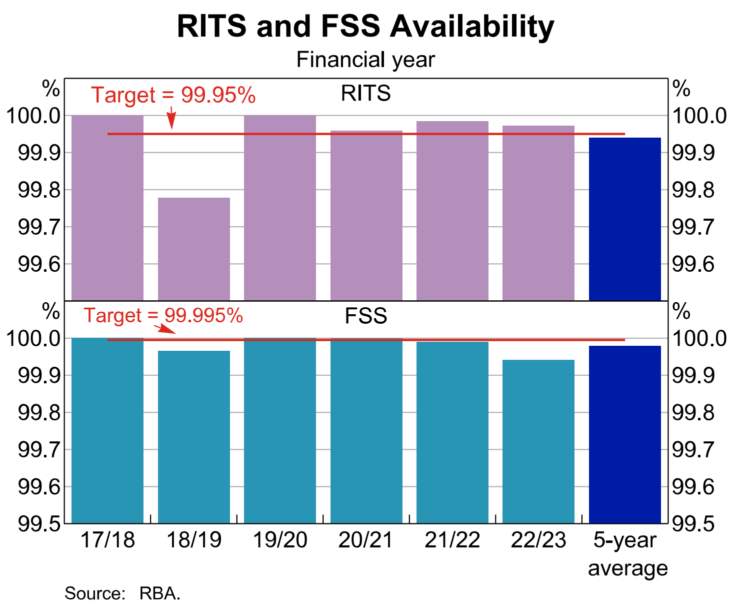
[2] See Deloitte (2023), 'Independent Review of the October 2022 Reserve Bank Information and Transfer System (RITS) Outage – Final', May.

[3] See RBA (2023), 'Targeted Assessment of the Reserve Bank Information and Transfer System', May.

Improvement opportunities arising from the Deloitte review and the RITS assessment will add to the Bank's existing work to enhance the security, resilience and capacity of RITS. The Bank is nearing completion of a refresh of infrastructure supporting the FSS. It has also been restructuring the way it manages changes to RITS, to improve its ability to implement time-critical and small changes quickly and efficiently, recognising the increasing pace of vendor software updates and the dynamic nature of the payments system. The Bank has been examining the longer term IT strategy for RITS over the past 18 months, with the aim of simplifying system design where possible, improving cost effectiveness, and enhancing security and resilience. Work has also commenced on planning for an industry cyber exercise to test RITS members' response to a simulated cyber event involving RITS. The Bank remains actively involved in payments-related cyber and contingency exercises undertaken by the banking sector and other external organisations.

The Reserve Bank sets availability targets of 99.95 per cent for core RITS (excluding the FSS) and 99.995 per cent for FSS. As the major outage in October 2022 mainly affected systems after business hours, availability for wholesale settlements in core RITS was not heavily affected and RITS achieved its target for 2022/23 (with availability of 99.972 per cent). Owing to the October outage and other incidents, FSS availability for the same period was below target at 99.941 per cent. The Bank has commenced quarterly reporting of system availability statistics for RITS, LVCS and FSS on its website.[4]

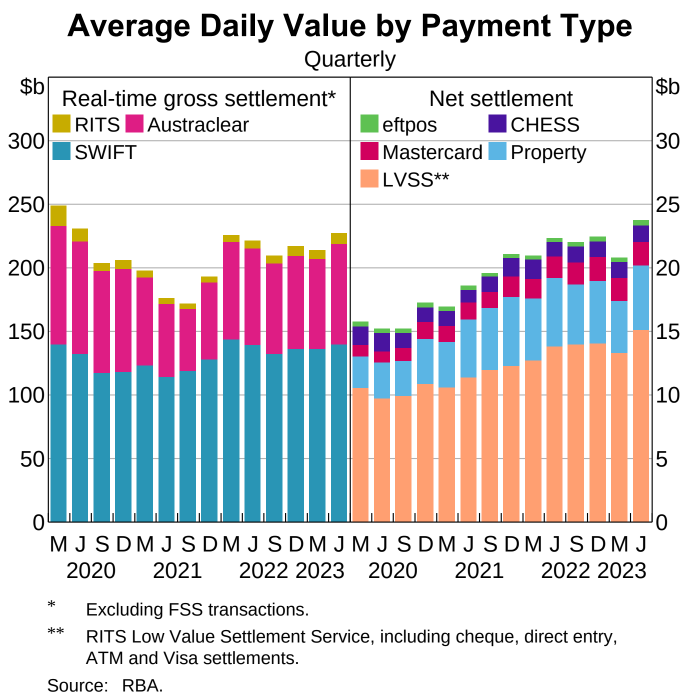


RTGS settlement activity in RITS has recovered from the subdued levels seen during the pandemic. In 2022/23, RITS (excluding FSS) settled an average of 53,000 transactions worth $217 billion per business day – around 5 per cent more by volume and 9 per cent more by value than in 2019. Compared with the previous financial year, transaction volumes grew by around 10 per cent and values grew by around 7 per cent.

[4] See RBA (2023), 'System Availability Statistics', March.

The average daily volume of settlements in the FSS increased by around 20 per cent in 2022/23, reaching a daily average of 2.5 million transactions, worth a total of around $3 billion, in June 2023. These were typically lower value payments. The NPP allows payments to be identified using unique identifiers (PayIDs) such as phone numbers, ABNs and email addresses, in addition to traditional account and BSB numbers. Future growth in FSS settlement volumes is likely to be supported by the ongoing rollout of PayTo functionality (which allows households and businesses to authorise third parties to initiate NPP payments from their accounts) and the migration of payments from the direct entry payments system to the NPP. Innovations in financial technology services built on NPP functionality will also contribute to growth.

While low-value payments continue to migrate to the NPP, resulting in FSS settlement, the majority of these payments are still primarily settled on a net deferred basis in RITS via the LVSS. This system collates interbank obligations arising from cheques, some debit and credit cards, BPAY, ATMs and direct entry payments that have not yet migrated to the NPP. LVSS net settlements totalled $14 billion per day in 2022/23. RITS also facilitates the settlement of obligations submitted by external batch administrators on a net basis. These batches settle obligations arising from payments processed by eftpos and Mastercard, equities transactions processed by the ASX Clearing House Electronic Sub-register System (CHESS), and electronic property settlement transactions processed by Property Exchange Australia (PEXA) and Sympli Australia.



The Bank continues to support the implementation of an industry-wide program for the migration of High Value Clearing System (HVCS) payments to the ISO 20022 messaging standard – a format used to relay electronic messages between financial institutions. This has involved upgrading the Bank's back-office payment processing systems and transitioning the existing settlement messages used by RITS to the ISO 20022 messaging standard, as well as participating in industry governance forums. Live ISO-based messaging commenced on 20 March 2023, with the new ISO message type accounting for around 30 per cent of total messages sent in the initial months. During this coexistence phase, industry participants can send both the old message types and ISO messaging and must be able to receive and process both types. By the end of 2024, all financial institutions within the HVCS are expected to have fully adopted ISO messaging for sending and receiving domestic payments. This will foster greater standardisation of cross-border messages, paving the way for enhanced transfer of information with payments and advancements in payment innovation.

In 2022/23, two institutions were approved as new RITS members, while six members resigned. This brought the total number of members to 161, of which 98 hold ESAs. Of these, 90 members are authorised deposit-taking institutions. Members without ESAs hold RITS membership in order to participate in the Bank's open market operations or administer batches in RITS. During 2022/23, five batch administrators submitted external batches to RITS for settlements and 13 RITS ESA members directly settled NPP transactions through the FSS.

The Reserve Bank offers correspondent banking services to other central banks and official institutions overseas, allowing for settlement of certain Australian dollar payments. The Bank also provides safe custody services to these overseas agencies; at the end of June 2023, the face value of securities held in custody was around $122 billion. In addition, the Bank provides settlement services for banknote lodgements and withdrawals by commercial banks.

2.4 Banknotes

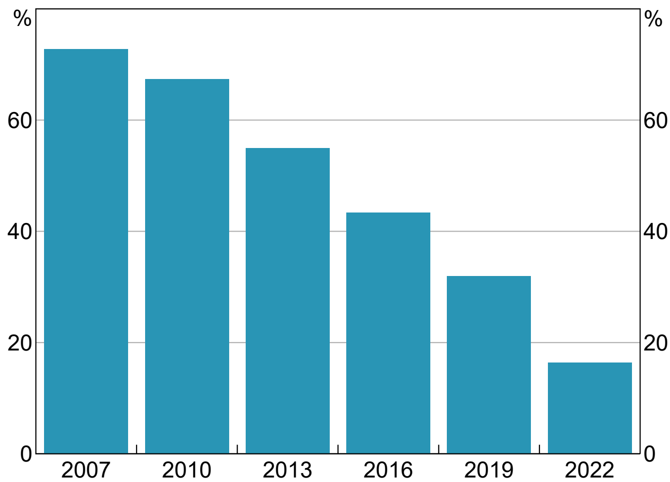
The Reserve Bank is responsible for producing and issuing Australia's banknotes, ensuring they are of high quality and the threat of counterfeiting is low. In late 2022, the Bank concluded a review of banknote distribution arrangements to ensure they remain effective, efficient, sustainable and resilient now and into the future.

Trends in cash use and policy implications

The use of physical cash for day-to-day transactions has been declining for many years, as consumers switch to digital payment alternatives. The COVID-19 pandemic further accelerated this trend. To assess consumers' payment habits, the Reserve Bank conducts a triennial Consumer Payments Survey (CPS), which asks respondents to record all their transactions over a week. The latest survey suggests the share of cash payments halved over the three years to 2022; cash accounted for 16 per cent of in-person transactions, compared with 32 per cent in 2019.[1] There has been a broad-based decline in cash use across all demographic groups, though the declines were largest for groups that traditionally use cash more, such as the elderly, those on lower incomes and those in regional areas.

Cash Payments

Share of in-person payments, by number



Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research.

[1] See Mulqueeney J and T Livermore (2023), 'Cash Use and Attitudes in Australia', RBA *Bulletin*, June.

Declining use of cash has placed pressure on the cash distribution system, which led the Bank to conduct the Review of Banknote Distribution Arrangements. This Review examined possible changes that could lead to a more effective, efficient, sustainable and resilient distribution system. The Review concluded in August 2022 and made several recommendations in response to stakeholder feedback,[2] including the establishment of an industry forum, greater transparency and standardisation of arrangements, increased quality-sorting incentive payments, and a commitment to monitor access to cash and retail acceptance of cash. These measures will improve transparency and flexibility in the distribution arrangements and will protect the high quality of banknotes in circulation. The industry forum has since been established and the Bank is currently working with industry to implement the other recommendations.

Most Australians have reasonable access to cash and do not need to travel far to withdraw money.[3] There are, however, parts of Australia where communities have few cash access points nearby. The Bank is continuing to work with industry to ensure the continued wide availability of banknotes and has participated in several government reviews on cash and payments, including Treasury's Strategic Plan for Australia's Payments System. The Australian Competition and Consumer Commission has also reviewed and authorised a proposed merger between Linfox Armaguard and Prosegur Australia – the two largest cash-in-transit companies in Australia. The Bank made three submissions to this process, which acknowledged the excess capacity in the cash distribution industry while also noting the importance of establishing a sustainable basis to support the ongoing provision of cash.

Distribution activities

The Reserve Bank operates as a wholesaler of banknotes and has distribution agreements in place with the four major commercial banks. The banks, in turn, have arrangements in place to distribute banknotes around the country to meet the demands of their customers.

The purpose-built National Banknote Site (NBS) at Craigieburn, Victoria is the primary centre for the Bank's distribution, processing and storage of banknotes. The Bank retains contingency distribution sites in Sydney and Craigieburn to ensure it can meet public demand in the event distribution cannot occur from the NBS. In 2022/23, all transactions were carried out from the NBS.

Following the large increase of banknotes on issue during the COVID-19 pandemic, commercial banks' wholesale purchases of banknotes from the Reserve Bank declined considerably during 2022/23. Around $3.1 billion of banknotes were issued in the year, about one-third of a typical year's issuance.

By contrast, wholesale returns by commercial banks to the Reserve Bank rebounded in 2022/23 but remained below the historical average. Around $4.1 billion of banknotes were returned to the NBS in the year, mainly consisting of the previous series banknotes.

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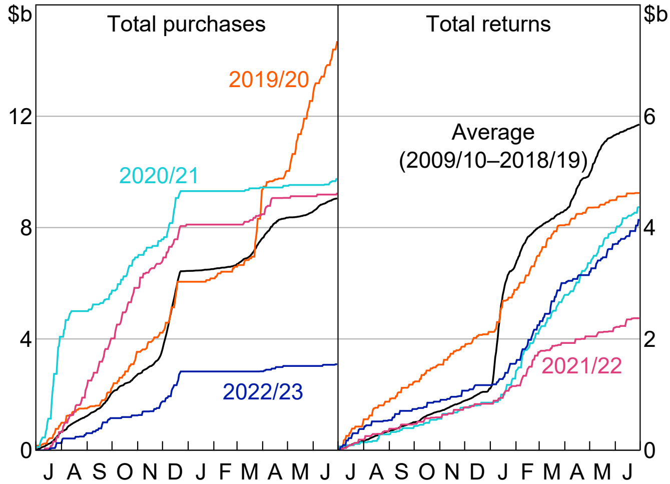
[2] See RBA (2022), 'Review of Banknote Distribution Arrangements: Conclusions Paper', August.

[3] See Guttmann R, T Livermore and Z Zhang (2023), 'The Cash-use Cycle in Australia', RBA *Bulletin*, March.

Total Purchases and Returns

Cumulative value

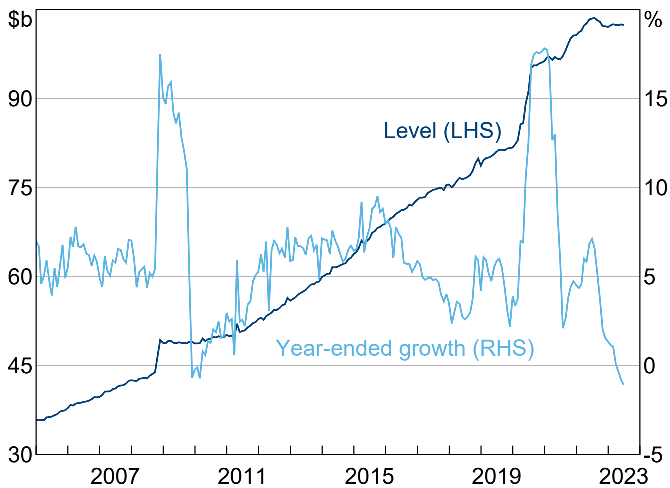


Source: RBA.

With a greater number of banknotes being returned to the Bank than purchased by commercial banks, the value of banknotes in circulation over 2022/23 declined by 1 per cent, the largest decline in around two decades. The number of notes in circulation declined across all denominations except the $100 note, which grew more slowly than its historical average. Higher interest rates, a reduction in precautionary savings and a return to more usual spending behaviour post-pandemic all contributed to this outcome. Nonetheless, the value of banknotes in circulation remained high, at $101.3 billion at the end of June 2023, equivalent to around 4 per cent of GDP. In total, there are currently almost 2 billion banknotes in circulation.

Banknotes in Circulation

By value, seasonally adjusted



Source: RBA.

Banknotes in Circulation

Annual growth; by value; non-seasonally adjusted

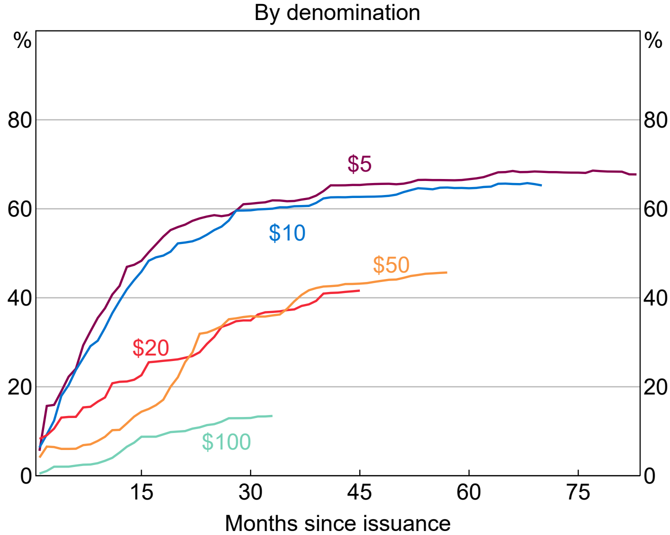
	$5 per cent	$10 per cent	$20 per cent	$50 per cent	$100 per cent	Total per cent
FY2022/23	–1.7	–0.2	–2.4	–4.2	2.4	–1.0
10-year average[(a)]	3.7	2.8	2.5	6.8	7.3	6.7

(a) Financial years up to June 2022.
Source: RBA.

The proportion of all banknotes in circulation that are part of the Next Generation Banknote (NGB) series (the 'saturation rate') increased over 2022/23, albeit modestly. NGB $20 and $50 banknote saturation increased by around 5 and 3 percentage points from the previous year, to around 42 per cent and 46 per cent, respectively; the NGB $100 banknote increased by a similar amount and now makes up around 13 per cent of all $100 banknotes. The two lower denominations, on the other hand, saw little change. Saturation of NGB $5 and $10 banknotes is unlikely to rise substantially from their current rates, reflecting the fact that many of the earlier series banknotes are stored, lost or held abroad, and so are unlikely to be returned to the Reserve Bank in the near term.

Saturation Rates of NGB Series*

By denomination



* Saturation rate – proportion of second polymer series banknotes to total banknotes in circulation.

Source: RBA.

Banknote quality and counterfeits

The Reserve Bank aims to have high-quality banknotes in circulation. Such notes are more easily handled by machines and reduce the possibility of counterfeits being accepted. Accordingly, the Bank has arrangements that encourage the cash-in-transit companies and the major commercial banks to sort the banknotes they handle to agreed quality standards. Based on this sorting, banknotes that remain fit for circulation are redistributed, while those that are deemed unfit are returned to the Bank, removed from circulation and destroyed.

There are two core features of the quality-sorting framework:

1. Different levels of 'quality' for banknotes are defined by the Reserve Bank, based on the absence or presence of defects such as tears, folds and inkwear. This allows banknote quality to be measured to determine whether a banknote can be recirculated or should be returned to the Bank for destruction. Once returned to the Bank, these unfit banknotes are assessed to confirm their authenticity and quality; they are then destroyed and recycled into other plastic products.
2. The commercial banks involved in wholesale banknote distribution are paid according to how well they sort to the quality standards. To do this, the Reserve Bank samples quality-sorted 'fit' banknotes at cash depots and makes payments to the banks based on the assessed quality score of the worst 15 per cent of the banknotes sampled. The maximum payment the banks can receive in aggregate is capped at $15 million per annum.

In 2022/23, the Bank received $3.7 billion worth of banknotes deemed unfit for recirculation and paid over $14 million to the commercial banks under the quality-sorting framework.

Another way the Bank incentivises quality sorting is through payments based on the proportion of banknotes a bank stores in private cash depots that have been quality sorted. In 2022/23, the Bank paid around $103 million in interest payments, which was significantly higher than in 2021/22 reflecting the increase in interest rates over the past 12 months.

The Bank also removes banknotes from circulation through its Damaged Banknotes Facility. The facility is offered to holders of Australian banknotes who have come into possession of damaged banknotes unwittingly or whose banknotes have been accidentally damaged. Claims that meet the requirements set out in the Bank's Damaged Banknotes Policy are paid based on their assessed value.[4]

Banknotes contaminated in the 2022 floods are washed prior to assessment.

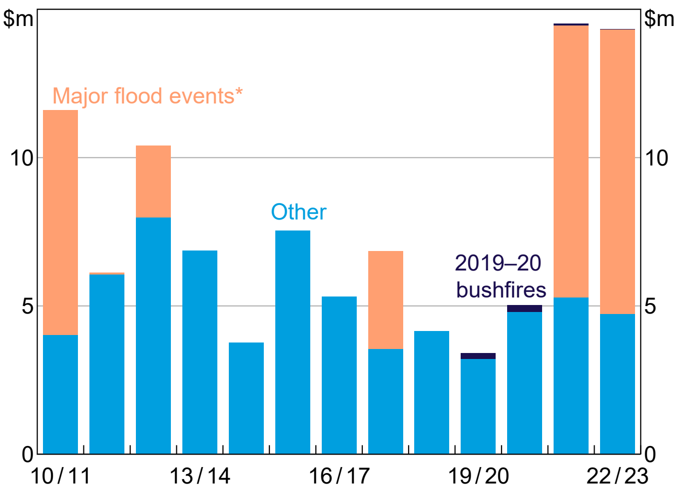
[4] See Burton A and H Winata (2022), 'What Can You Do With Your Damaged Banknotes?', RBA *Bulletin*, June.

After washing the banknotes were counted. The banknotes are assessed at the Damaged Banknotes Laboratory.

In 2022/23, the Damaged Banknotes Facility processed around 8,900 claims and made $14.3 million in payments. Of these, around 130 claims worth around $9.6 million involved banknotes that were damaged during the flooding events that occurred in eastern Australia in 2022. These were mainly received from businesses and financial institutions. The duration and widespread devastation of the floods meant the Bank continued to receive claims several months after the events; to date, the Bank has paid a total of $18.7 million for over 200 claims.

Damaged Banknote Claims

Value of payments



* Only major flood events with significant volume of flood claims received are identified.

Source: RBA.

The level of counterfeiting in Australia has reached its lowest point in nearly 20 years. In 2022/23, almost 10,000 counterfeits, with a nominal value of just over $800,000, were detected in circulation. This corresponds to a counterfeiting rate of around five counterfeits detected per million banknotes in circulation; however, this is expected to rise to around six once the analysis of all counterfeits detected in 2022/23 has been completed. This is less than half the 20-year average counterfeiting rate, which is just over 12 counterfeits detected per million banknotes in circulation. This subdued level of counterfeiting reflects a combination of effective law enforcement activities and the increasing saturation of the NGB series of banknotes.

Counterfeiting rates are highest for the $100 denomination, particularly the older series. There have been very few detections of NGB counterfeits in circulation so far. Since the first NGB banknote was released in 2016, there have been only 221 NGB counterfeits detected, compared with just over 146,000 counterfeits of the previous series of banknotes over the same period. The average quality of the NGB counterfeits is also lower than the average quality of the previous series' counterfeits for the same period. These figures indicate that the NGB banknotes are significantly more secure than the earlier polymer banknote series.

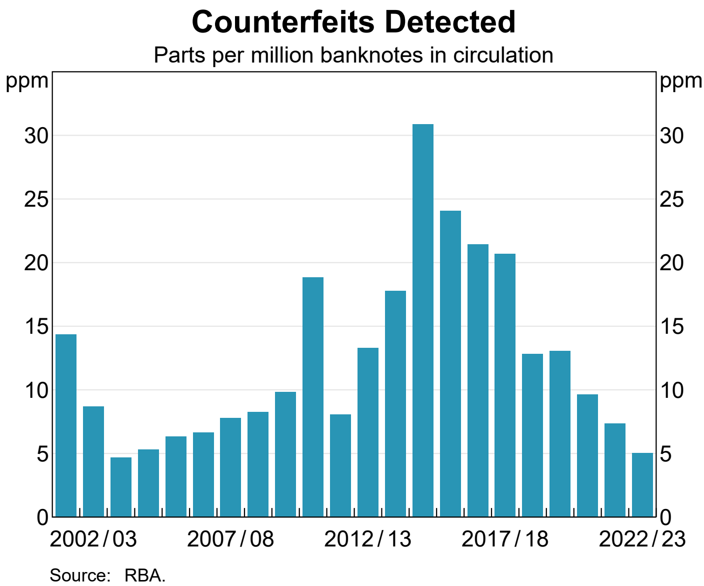
Law-enforcement efforts to investigate and prosecute counterfeiting operations continue to play a significant role in managing the threat of counterfeiting. The Bank supports court proceedings around Australia through the provision of information about counterfeit currency and expert witness statements. In 2022/23, the Bank completed 83 statements concerning 2,494 counterfeits and is aware of 19 court proceedings that occurred during the year. These proceedings related to the possession, passing and making of counterfeit currency.

Counterfeit Banknotes in Australia[(a)]

2022/23

	$5	$10	$20	$50	$100	Total
Total number	6	10	60	3,707	6,187	9,970
– First polymer series	1	9	56	3,664	6,171	9,901
– NGB series	5	1	4	43	11	64
– Paper series	0	0	0	0	5	5
Total nominal value ($)	30	100	1,200	185,350	618,700	805,380
Counterfeiting rate (counterfeits per million banknotes in circulation)	0.03	0.07	0.3	3.8	13.0	5.0

(a) Figures are preliminary and subject to upward revision because of lags in counterfeit submissions to the Reserve Bank.
Source: RBA.



Redesign of $5 banknote

In February 2023, the Reserve Bank announced the redesign of the current $5 banknote. The portrait side, which currently features the late monarch, Her Majesty Queen Elizabeth II, will be redesigned to honour the history and culture of First Nations peoples of Australia.[5] The Bank has established a research program and has begun a process of extensive consultation with First Nations peoples on this change. The project will take several years to complete.

Research and development

The Bank maintains an active banknote research and development program to innovate cost-effective, counterfeit-resistant security features and detection technologies for Australian banknotes. The primary purpose of this program is to ensure that Australia's banknotes remain durable and secure against counterfeiting and are easy to authenticate for a wide range of users. This is achieved in part through collaboration with domestic and international experts from various external organisations, including universities, public and private companies, research institutes and other central banks.

Fundamental to this program is a continuing assessment of: the vulnerability of banknotes to different forms of counterfeiting; the mechanisms by which banknotes wear in circulation; production capability; and how the public and banknote-processing machines use and authenticate banknotes. This work has been complemented by the design and manufacture of new equipment and the development of new methods for testing banknote quality and assessing damaged banknotes. Over 2022/23, there was a strong focus on the development and assessment of security options for the new $5 banknote redesign. In addition, work was done to understand the wear properties of the NGB series and the product and process improvements that might reduce costs and improve circulation life. The program also assisted Note Printing Australia Limited (NPA) with the provision of technology and expertise for its export customers.

[5] 'First Nations' refers to Aboriginal and Torres Strait Islander peoples of Australia.

Note Printing Australia Limited

NPA is a wholly owned subsidiary of the Reserve Bank that produces banknotes and passports for Australia. It also prints banknotes and other security products for other countries. The volume of Australian banknotes printed each year varies depending on Australian banknote stock levels and NPA's orders volumes from other central banks. For more details about NPA, see Chapter 1.2 Governance and Accountability and Chapter 1.5 Operational Structure.

NPA also provides printing services to other Australian Government agencies and overseas central banks. In 2022/23:

- NPA produced around 8,220 P Series passports and around 2.9 million new R Series passports for Australia's Department of Foreign Affairs and Trade.
- NPA printed 1,057,500 births, deaths and marriages certificates for all state governments in Australia.
- NPA delivered around 601 million banknotes under contract to Singapore, Papua New Guinea and the Philippines, dealing directly with the central banks in those countries.

2.5 International Financial Cooperation

The Reserve Bank participates in international efforts to address the challenges facing the global economy and financial system. It does so through its membership of global and regional forums and its bilateral relationships with other central banks. Over the past year, the war in Ukraine, inflationary pressures and macroeconomic policy settings continued to be at the forefront of international discussions on the global economic and financial outlook. Risks to financial stability, including from the stress that emerged in parts of the global banking system in early 2023, were also in focus. Work continued throughout the year on a range of financial sector issues, including regulation and oversight of crypto-assets and stablecoins, addressing financial risks arising from climate change and non-bank financial intermediation, and enhancing cross-border payments.

Group of Twenty

Purpose

The Group of Twenty (G20) serves as a key forum for members to discuss major risks to the economic outlook, share experiences on economic and financial policy measures, and explore ways to address global challenges collectively. It was chaired by Indonesia from December 2021 to November 2022, and has been chaired by India since December 2022.

Reserve Bank involvement

The Governor and Assistant Governor (Economic) represent the Bank at high-level meetings of the G20, while other staff participate in G20 working groups and contribute to the G20's work on financial sector issues.

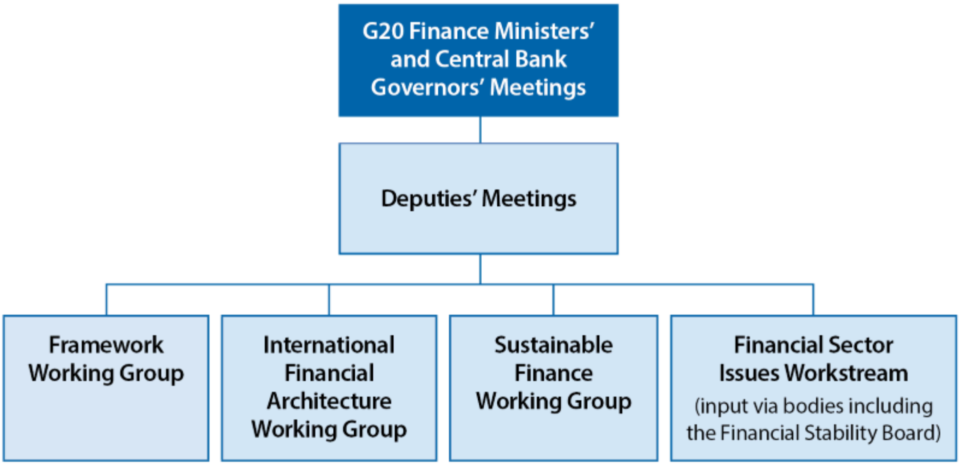
Reserve Bank staff participated in three G20 working groups during 2022/23:

- The Framework Working Group focused on identifying and monitoring risks to the economic outlook, including: the macroeconomic impacts of climate change and transition pathways; the macroeconomic consequences of food and energy insecurity; inflationary pressures; and financial instability.
- The International Financial Architecture Working Group focused on polices to strengthen support for vulnerable countries, including for multilateral development banks to expand their lending capacity and improving the G20's Common Framework for Debt Treatments.
- The Sustainable Finance Working Group addresses barriers to financing climate and sustainability goals. Focus areas over the past year included: policies to promote finance for climate and transition goals; finance for the Sustainable Development Goals; and capacity building to support sustainable development financing.

Governor Philip Lowe and Clare Noone (Senior Manager, International Policy and Engagement) at the G20 Finance Ministers' and Central Bank Governors' Meeting in February 2023, which was held in Bengaluru, India.

A key goal of the G20 is to address emerging risks to the global financial system. This entails close engagement between G20 countries and relevant international bodies, including the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS). Recent international discussions focused on the causes of, and lessons from, the banking stresses in March 2023. Work is now underway to assess where elements of the global regulatory framework for the banking system could be strengthened. In addition, the G20 and the FSB, working with relevant global bodies, continued ongoing work to enhance the resilience of the global financial system. Key areas over 2022/23 included addressing vulnerabilities in non-bank financial intermediation, mitigating climate-related financial risks, regulation and supervision of crypto-assets (including 'stablecoins') and enhancing cross-border payments. As discussed below, the Reserve Bank and other agencies on the Council of Financial Regulators (CFR) are involved with aspects of this work. This reflects the CFR's mandate to promote financial system stability and to support effective and efficient financial regulation.

Reserve Bank Involvement in the G20



Financial Stability Board

Purpose

The FSB promotes international financial stability by coordinating national financial sector authorities and international standard-setting bodies as they develop strong regulatory, supervisory and other financial sector policies. It also plays a central role in identifying and assessing evolving global trends and risks.

FSB members include representatives from 24 economies and the main international financial institutions – including the Bank for International Settlements (BIS) and the International Monetary Fund (IMF) – and standard-setting bodies such as the BCBS.

Reserve Bank involvement

The decision-making body of the FSB is the Plenary. The Governor is a member of the Plenary, and of the Steering Committee and the Standing Committee on Assessment of Vulnerabilities (SCAV).

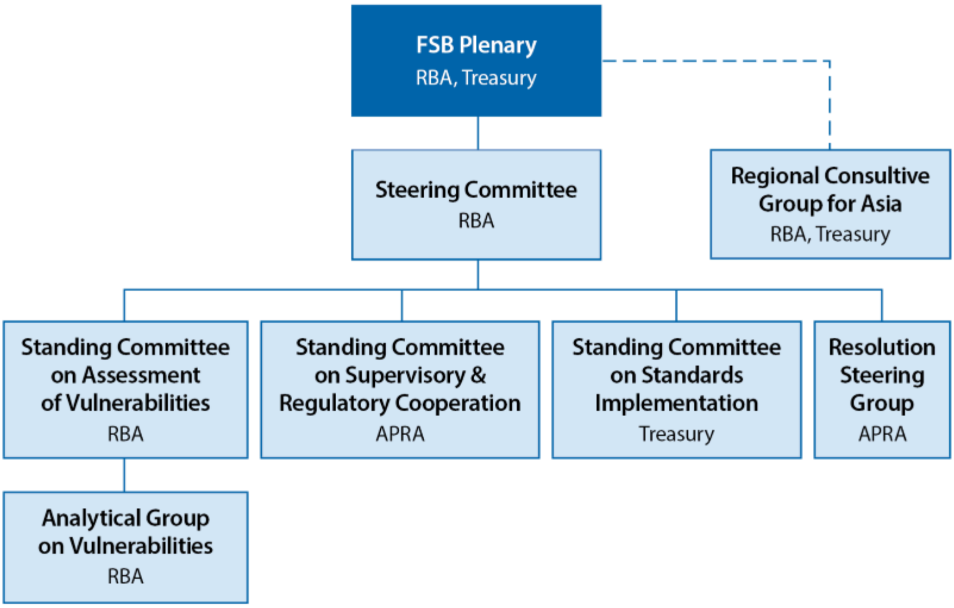
Senior Bank staff also participate in meetings of various FSB groups, including the Analytical Group on Vulnerabilities, which supports the work of the SCAV, and the Official Sector Steering Group.

As stresses emerged in parts of the global banking system in early 2023, the FSB discussed evolving developments, risks and the policy actions being taken by jurisdictions. Over 2022/23, the FSB also continued its ongoing work to address vulnerabilities in the global financial system, key elements of which are set out below.

The SCAV is the main FSB body for identifying and assessing risks in the global financial system. A recent focus of this work has been non-bank financial institutions (NBFIs), including their use of leverage and the role of liability-driven investment strategies in the pensions sector. The SCAV also coordinates early warning exercises with the IMF, which consider scenarios that, while unlikely, may be highly disruptive to the functioning of the global financial system.

Over 2022/23, the FSB advanced its *Roadmap for Addressing Climate-Related Financial Risks* across several areas. In November 2022, the FSB and the Network for Greening the Financial System (NGFS), which the Bank is also a member of, jointly released a report on scenario analyses undertaken by member financial authorities to assess climate-related financial risks. Another key element of the Roadmap is strengthenin g the monitoring and mitigation of climate-related vulnerabilities, by domestic authorities, firms and the FSB itself. The Bank participates in a SCAV working group, developing common and consistent metrics for climate-related exposures and risks, to improve comparability of climate scenario analysis outputs across FSB jurisdictions.

Australian Involvement in Key FSB Committees



The Reserve Bank participated in a number of other FSB groups during 2022/23, including:

- The Financial Innovation Network, which monitors and assesses the financial stability implications of financial innovation, including financial technology. Recent focus areas have included crypto-assets, decentralised finance, and the role of technology in the stickiness of bank deposits.
- The Non-bank Monitoring Experts Group, which publishes an annual report assessing NBFI trends, and the risks these may pose. This work is part of a long-standing FSB focus, intensified over recent years, to address vulnerabilities in the non-bank financial sector.
- The Cross-border Crisis Management Group for Financial Market Infrastructures (a sub-group of the Resolution Steering Group), which works on resolution arrangements for central counterparties (CCPs). Recent work has focused on the tools and financial resources available for CCP resolution.
- A country peer review of Switzerland. FSB country reviews focus on the implementation and effectiveness of regulatory, supervisory or other financial sector policies in a member jurisdiction. A report is due in December 2023.
- The Official Sector Steering Group, which has coordinated the transition away from the London Inter-Bank Offered Rates (LIBOR) towards alternative interest rate benchmarks. With the end of the USD LIBOR panel at the end of June 2023, the new reference rate landscape is in place. The FSB will continue to monitor the reference rate environment with the benefit of insights from the International Organization of Securities Commissions (IOSCO).

Throughout the year, the FSB continued to progress the international policy work required to enhance cross-border payments. In October 2020, the G20 endorsed a 'Roadmap' for this area of work, which was developed by the FSB in coordination with the Committee on Payments and Market Infrastructures (CPMI) and other international bodies. The Roadmap includes a set of quantitative global targets, to be achieved by 2027, to make cross-border payments cheaper, faster, more transparent and more inclusive. Reserve Bank staff have been participating in a number of international working groups responsible for aspects of the Roadmap (as discussed below), including an FSB working group dealing with data-related issues in cross-border payments. In early 2023, the FSB released a revised plan of priority actions that shift the focus of the Roadmap from analytical work at the international organisations to the implementation of specific initiatives, including by individual countries. The Bank is currently undertaking several key actions to encourage the adoption of new functionality and messaging capabilities for cross-border payments over coming years, in consultation with Australian industry participants and regulatory agencies.

One of the FSB's key priorities under the current Indian G20 presidency has been the development of an effective global regulatory framework for crypto-assets. The FSB's final recommendations in this area, including for stablecoins, were released in July 2023. Enhancing cyber resilience was also a particular focus over the year, and in April 2023 the FSB issued recommendations to achieve greater convergence in cyber incident reporting and a proposed common format for reporting and exchanging information about such incidents.

Bank for International Settlements

Purpose

The BIS and its associated committees support collaboration among central banks and other financial regulatory bodies by bringing together officials to exchange information and views about the global economy, vulnerabilities in the global financial system and other issues affecting the operations of central banks.

Reserve Bank involvement

The Reserve Bank is one of 63 central banks and monetary authorities that hold shares in the BIS. The Governor or Deputy Governor participates in the bimonthly meetings of governors and in meetings of the Asian Consultative Council. In 2022/23, Governor Lowe chaired the Committee on the Global Financial System (CGFS) and was on the Advisory Committee of the BIS Innovation Hub. The Assistant Governor (Financial Markets) is a member of the Markets Committee and the CGFS.

The CGFS seeks to identify potential sources of stress in the global financial system and promotes the development of well-functioning and stable financial markets. The Markets Committee considers how economic and other developments, including regulatory reform and technological change, affect financial markets, particularly central bank operations. These committees provide an important means for central banks to share perspectives on the evolving economic and financial landscapes and their policy responses.

Over the year, the committees monitored the challenges posed by the rapid tightening of monetary policy. Other areas of focus included vulnerabilities of NBFIs to rising interest rates and the incorporation of climate risks into asset prices.

During 2022/23, Reserve Bank staff participated in a number of committee sub-groups, including:

- A CGFS working group examining the use of asset purchases by central banks for monetary policy purposes during the pandemic, and the lessons learned from this experience. The final report was published in May 2023.[1]
- A CGFS study group that took stock of the recent experience with macroprudential measures targeting housing markets, including policy effectiveness. The study group will deliver a report later in 2023 that aims to be a practical handbook for managing housing-related risks to macrofinancial stability.
- An Asian Consultative Council working group examining how central banks and other financial authorities in the Asia-Pacific region have operated their macrofinancial stability frameworks to mitigate the impacts of inflation, tight global financial conditions and rising macrofinancial vulnerabilities since late 2021.

The Bank is also part of a new BIS Asia Climate Network, which was established in February 2023 to provide a regional perspective on climate-related issues. In 2023 so far, the Network has held discussions on sustainable finance taxonomies and climate-related considerations for monetary policy. In addition, the Bank co-chairs a BIS Innovation Network working group exploring the application of emerging supervisory and regulatory technologies to common challenges facing member central banks.

Basel Committee on Banking Supervision

Purpose

The BCBS is hosted by the BIS and is the primary international standard-setting body for the banking sector. It provides a forum for regular cooperation on banking supervisory matters among its 28 member jurisdictions. It seeks to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide.

Reserve Bank involvement

The Governor is a member of the Group of Governors and Heads of Supervision, which is the oversight body for the BCBS. The Assistant Governor (Financial System) is a member of the BCBS.

During 2022/23, the BCBS continued its work to strengthen global banking sector standards and assess the implementation of these standards by its members. Following the emergence of stress in parts of the global banking system in March 2023, the BCBS provided a key forum for members, including the Reserve Bank and the Australian Prudential Regulation Authority (APRA), to discuss developments, risks and related policy responses. The BCBS has since undertaken to examine the lessons arising from the episode, building on existing initiatives already underway. This includes work on strengthening the effectiveness of supervision, liquidity risk management and interest rate risk in the banking book. The BCBS noted that the Basel III reforms implemented to date, including in Australia, which led to stronger capital and liquidity levels, helped shield the global banking system and real economy from a more severe banking crisis.

Throughout the year, the BCBS drew attention to the need for banks and supervisors to remain vigilant to the evolving global outlook. In particular, many borrowers face financial pressures in the environment of higher interest rates and inflation, lower growth and geopolitical tensions.

[1] BIS Committee on the Global Financial System (2023), 'Central Bank Asset Purchases in Response to the Covid-19 Crisis', March.

In December 2022, the BCBS published its prudential treatment for banks' exposures to crypto-assets. While such exposures are relatively low at present, the standard aims to provide a robust and prudent global regulatory framework that promotes responsible innovation while preserving financial stability. The BCBS also further advanced its climate-related work over the year, in particular the development of a Pillar 3 framework requiring disclosure of bank exposures to climate-related financial risks. A consultation paper on the proposed framework will be released by the end of 2023. The BCBS continued work to identify and assess emerging risks and vulnerabilities to the global banking system. Other work related to the ongoing digitalisation of finance, a major review of its *Core Principles for Effective Banking Supervision*, and monitoring, implementing and evaluating the Basel III framework.

Committee on Payments and Market Infrastructures

Purpose

The CPMI is hosted by the BIS. It serves as a forum for central banks to monitor and analyse developments in payment, clearing and settlement infrastructures, and sets standards for these facilities. The CPMI has 28 member institutions.

Joint working groups of the CPMI and IOSCO bring together members of these two bodies to coordinate policy work on the regulation and oversight of financial market infrastructures (FMIs).

Reserve Bank involvement

Reserve Bank staff are members of the CPMI, the CPMI-IOSCO Steering Group, the CPMI-IOSCO Implementation Monitoring Standing Group, the CPMI-IOSCO Policy Standing Group and CPMI workstreams contributing to the G20 Roadmap to enhance cross-border payments.

The CPMI published a number of reports during the year to which Reserve Bank staff contributed. These included reports on: CCP practices to address non-default losses; margin practices and margin dynamics in commodity markets; facilitating increased adoption of payment versus payment; harmonisation requirements for cross-border payments; aligning payment system operating hours; and multilateral platforms for cross-border payments. Staff members also contributed to the CPMI-IOSCO implementation monitoring report on FMI cyber resilience.

Cooperative oversight arrangements

Purpose

The Reserve Bank participates in several multilateral and bilateral arrangements to support its oversight of foreign-headquartered FMIs that play an important role in the Australian financial system.

Reserve Bank involvement

Over 2022/23, staff from the Payments Policy Department participated in:

- an arrangement led by the Federal Reserve Bank of New York to oversee CLS Bank International, which provides a settlement service for foreign exchange transactions
- a global oversight college and a crisis management group for LCH Limited, both chaired by the Bank of England
- an information-sharing arrangement with the US Commodity Futures Trading Commission, in relation to CME Inc
- the Society for Worldwide Interbank Financial Telecommunication (SWIFT) Oversight Forum, chaired by the National Bank of Belgium (NBB)
- an information-sharing arrangement with the Commission de Surveillance du Secteur Financier, Banque Centrale du Luxembourg and the Australian Securities and Investments Commission (ASIC) in relation to Clearstream Banking
- an information-sharing arrangement with the Reserve Bank of New Zealand, the NZ Financial Markets Authority and ASIC
- the Multilateral Oversight Group for Euroclear Bank, chaired by the NBB.

International Monetary Fund

Purpose

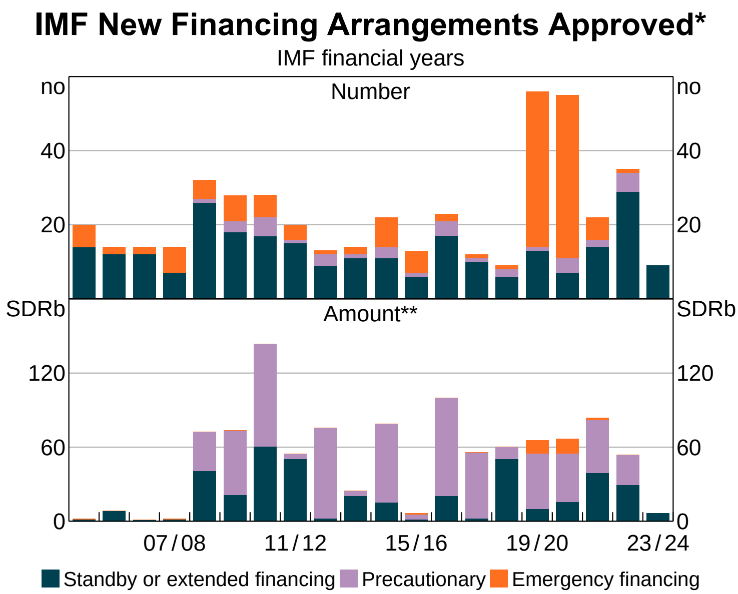
The IMF oversees the stability of the international monetary system by:

- monitoring, analysing and providing advice on the economic and financial policies of its 190 members and the linkages between them; Article IV consultations are a key mechanism for achieving this and are conducted for Australia every year
- providing financial assistance to member countries experiencing actual or potential balance of payments problems.

Reserve Bank involvement

Australia holds a 1.38 per cent quota share in the IMF and is part of the Asia and the Pacific Constituency, which is represented by one of the IMF's 24 Executive Directors. Australia also contributes to the IMF's supplementary borrowed resources, including the Poverty Reduction and Growth Trust and the Resilience and Sustainability Trust (RST). The Reserve Bank supports the Constituency Office at the IMF by seconding an advisor with expertise in economic and financial sector matters and by working with the Australian Treasury to provide support on matters discussed by the IMF's Executive Board.

During 2022/23, the IMF continued to provide financial assistance to vulnerable member countries. In the 12 months to June 2023, 34 new financing arrangements were approved, with a total value of SDR53.2 billion. This included three precautionary arrangements with a combined value of SDR18.1 billion and a SDR11.6 billion program for Ukraine. Established in April 2022, the RST provides longer term financing to help address deeper structural issues that pose risks to prospective balance of payments stability, including climate change and pandemic preparedness. The IMF approved eight lending programs under this new facility in 2022/23, with a combined value of SDR2.8 billion, all focused on climate change.



* IMF financial year runs from May to April; the observation for 2023/24 is for May and June 2023.

** Augmentations included at time of original financing arrangement approval.

Sources: IMF; RBA.

The Australian Government directed just under 40 per cent of the SDRs that Australia received in the IMF's general SDR allocation in 2021 to the RST (and other IMF lending facilities) to help support vulnerable countries.

As part of its review of Australia in 2018 under the Financial Sector Assessment Program, the IMF recommended CFR agencies implement a resolution regime for clearing and settlement facilities and strengthen supervisory and enforcement powers. Legislation implementing these changes is being prepared.

Executives' Meeting of East Asia-Pacific Central Banks

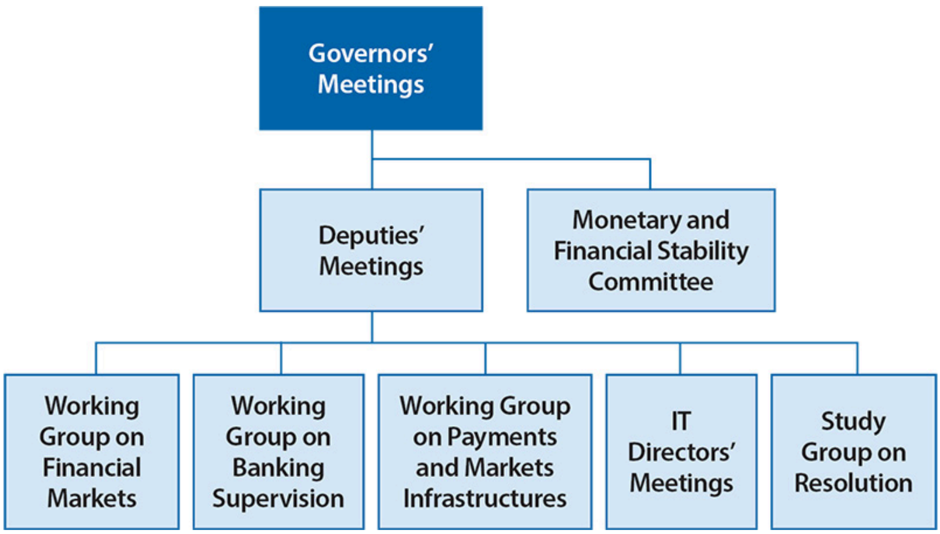
Purpose

The Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) brings together central banks in the east Asia-Pacific region to discuss issues relevant to monetary policy, financial markets, financial stability and payment systems. Its members are Australia, China, Hong Kong SAR, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea and Thailand.

Reserve Bank involvement

The Reserve Bank participates in EMEAP, including at Governor and Deputy Governor level. In November 2022, the Bank chaired the EMEAP Deputy Governors' Meeting. Staff also participate in the EMEAP Working Groups on Financial Markets, Banking Supervision, and Payments and Market Infrastructures, the Study Group on Resolution and in meetings of Information Technology Directors.

Reserve Bank Involvement in EMEAP



EMEAP Governors meet annually to discuss key issues in the region. The 2022 EMEAP Governors' meeting covered the impact of policy rate increases in major advanced economies, the sustainability of the ongoing regional economic recovery, inflationary pressures across the region and potential sources of regional vulnerability. Governors also meet annually with heads of supervisory authorities in the region to discuss issues related to the financial system.

The EMEAP Monetary and Financial Stability Committee provides an important forum to discuss current economic and financial market developments and the associated policy challenges for EMEAP members. In 2022/23, the Committee discussed topics including the impact of recent banking turmoil in the United States and Switzerland, regional inflationary pressures, the outlook for growth and developments in cross-border payment systems. The Committee met twice in 2022/23.

The Working Group on Financial Markets focuses on the analysis and development of foreign exchange, money and bond markets in the region. During the year, the group continued its work on developing local currency bond markets, through the Asian Bond Fund Initiative (see Chapter 2.2 Operations in Financial Markets). The green bond market in Asia continued to be an area of focus in 2022/23.

The Working Group on Banking Supervision (which also includes prudential regulators, with APRA attending from Australia) meets to share information, discuss banking supervision issues and conduct joint work on relevant topics. In 2022/23, the group shared information on financial system and regulatory developments, including lessons learnt from the stress in parts of the global banking system in March 2023. The group also shared information on macroprudential policies and climate-related financial risks, including on how jurisdictions conduct scenario analysis and on differing approaches to supervising and assessing climate risk.

The EMEAP Working Group on Payments and Market Infrastructures is a forum for sharing information and experiences relating to the development, oversight and regulation of retail payment systems and FMIs. During 2022/23, discussions focused on: initiatives to strengthen the operational resilience of payment systems and FMIs; interlinking fast payment systems across countries; market and regulatory developments in relation to stablecoins; the future of cash and access to cash services; and evolving views and research into central bank digital currencies.

The Study Group on Resolution is a forum for central banks, resolution authorities and deposit insurers to share knowledge in relation to practical and technical resolution matters in a cross-border context.

The Information Technology Directors' Meeting provides a forum for discussions on developments in IT and its implications for central banks. Topics discussed during 2022/23 included: cybersecurity and cloud adoption; incident reduction; building IT staff capacity and technology support for hybrid workplaces; digital operating models and use of common platforms; and increased investments in data management and governance.

Trans-Tasman Council on Banking Supervision

Purpose

The Trans-Tasman Council on Banking Supervision (TTBC) provides a platform for cooperation and information sharing between the respective regulators of the banking sectors in Australia and New Zealand. It supports the development of a single economic market in banking services and promotes a joint approach to trans-Tasman banking supervision that delivers a seamless regulatory environment. It considers issues relating to financial stability, efficiency and integration throughout the financial sector, with a particular focus on the banking system and bank supervision, including crisis preparedness.

TTBC membership is comprised of the CFR agencies, the New Zealand Treasury, the Reserve Bank of New Zealand and the New Zealand Financial Markets Authority.

Reserve Bank involvement

The Reserve Bank is represented on the TTBC by the Governor and Assistant Governor (Financial System).

Over the year, the TTBC considered matters related to trans-Tasman bank supervision and regulation, climate risks to the financial system and developments in cybersecurity and crypto assets. The TTBC discussed economic conditions and housing markets in Australia and New Zealand, noting the challenges faced by the economies, including high inflation and rising interest rates. TTBC members continued to collaborate in relation to cybersecurity events and have been reviewing the potential for harmonisation of regulation and supervision in relation to cyber risk.

Network for Greening the Financial System

Purpose

The purpose of the NGFS is to share best practices, contribute to the development of climate and environment-related risk management in the financial sector, and mobilise mainstream finance to support the transition towards a sustainable economy. At the end of June 2023, membership included 127 central banks and supervisors.

Reserve Bank involvement

The Reserve Bank joined the NGFS in July 2018. Over 2022/23, the Bank participated in several workstreams.

A key contribution of the NGFS is the development of climate scenarios. These scenarios provide a common starting point for analysing climate risks to the economy and the financial system. The Reserve Bank participates in the workstream on scenario design and analysis, which published the joint FSB-NGFS 'Climate Scenario Analysis by Jurisdictions: Initial Findings and Lessons'.[2] Over 2022/23, the Bank also participated in workstreams on monetary policy, net zero for central banks, the task force on nature-related financial risks and the expert group on legal issues.

Global Foreign Exchange Committee

Purpose

The Global Foreign Exchange Committee (GFXC) brings together central banks and private sector participants in the wholesale foreign exchange market to promote a robust and liquid market. It does this in part through the maintenance of the FX Global Code, which is a set of principles of good practice for market participants.

[2] FSB and NGFS (2022), 'Climate Scenario Analysis by Jurisdictions: Initial Findings and Lessons', November.

Reserve Bank involvement

The Reserve Bank sponsors the Australian Foreign Exchange Committee (AFXC) – one of the 20 regional committees that comprise the membership of the GFXC. The Assistant Governor (Financial Markets) is Chair of the AFXC and the Bank's representative on the GFXC.

Throughout 2022/23, the GFXC focused on developing tools and related material to simplify adherence to the FX Global Code for those market participants with less complex activities. It also continued to discuss evolving trends in foreign exchange settlement methods and ways to measure the amount of settlement risk within the market more accurately.

Organisation for Economic Co-operation and Development

Purpose

The Organisation for Economic Co-operation and Development (OECD) is an international organisation of 38 countries that promotes policies to improve the economic and social wellbeing of people worldwide. It provides a forum in which governments can work together to share experiences and seek solutions to the economic, social and governance challenges they face.

Reserve Bank involvement

On behalf of the Australian Treasury, the Reserve Bank's Chief Representative in Europe participates in the OECD's Committee on Financial Markets and the Advisory Task Force on the OECD Codes of Liberalisation.

The OECD Committee on Financial Markets examines a range of financial market issues and aims to promote efficient, open, stable and sound financial systems, based on high levels of transparency, confidence and integrity, so as to contribute to sustainable and inclusive growth. Key focus areas in 2022/23 were: environmental, social and governance investment and climate transition risks; the economic and financial impact of the war in Ukraine; developments in the digitalisation of financial assets; and financial literacy.

The OECD's Codes of Liberalisation promote the freedom of cross-border capital movements and financial services. In particular, the Codes provide a balanced framework for countries to progressively remove barriers to the movement of capital, while providing flexibility to cope with situations of economic and financial instability. The Advisory Task Force meets to address questions and discuss policy issues related to the Codes and examines specific measures by individual adherents with relevance to their obligations under the Codes.

Technical cooperation and bilateral relations

The Reserve Bank provides technical assistance to foreign central banks. While the Bank's technical cooperation activities focus on capacity building in the areas of monetary policy and financial stability, its scope extends to other areas of central banking, including payment systems, note issue operations and risk management. In 2022/23, the Reserve Bank assisted the central banks of a number of countries, including those in South America, south-east and central Asia and eastern Europe. The Bank also participates in the Australian Government's 'Prospera' Program to help build the capacity of government institutions in Indonesia.

Engagement in the South Pacific

The Reserve Bank fosters close ties with South Pacific countries through participation in high-level meetings, staff exchanges and the provision of technical assistance across a wide range of central banking issues.

In November 2022, the Bank participated in the annual meeting of the South Pacific Central Bank Governors. The Governors discussed recent economic and financial developments and the challenges presented by de-risking and the loss of correspondent banking relationships in the region.

At a June 2022 meeting of the South Pacific Central Bank Governors it was decided that South Pacific central banks will each prioritise developing strategies for their own national electronic 'know-your-customer' (eKYC) capability, with the development of a regional eKYC facility to be considered in the future. To help to support this work, in 2022/23 the Reserve Bank worked with two South Pacific central banks to organise eKYC workshops in their national capitals. These workshops involved participation from a range of local financial institutions and public sector agencies, as well as multinational organisations working on KYC or national identity initiatives in the region.

Since 1992, the Reserve Bank has provided financial support for Bank of Papua New Guinea officers to undertake postgraduate studies in economics, finance or computing at an Australian university. At the request of the Bank of Papua New Guinea, these funds will be reallocated to support secondments of Bank of Papua New Guinea officers to the Reserve Bank. The aim of this new program is to support the development and 'on-the-job learning' of officers from the Bank of Papua New Guinea.

International visitors and secondments

International visits to the Reserve Bank increased towards pre-pandemic levels in 2022/23. These visits covered the full range of the Bank's activities and included delegations from countries in the Asia-Pacific region.

During the past year, the Bank hosted secondees from the Bank of England. In turn, Reserve Bank staff were seconded to other central banks and international organisations, including the Bank of Canada, the Bank of England, the IMF and the BIS. These arrangements provide a valuable opportunity for the exchange of skills and expertise between the Bank and the broader global economic and financial policymaking community.

2.6 Communication and Community Engagement

The Reserve Bank is committed to being open, transparent and accountable in all its communication. Staff work to understand community priorities and concerns across Australia and, in turn, explain the Bank's policies and decisions. Our engagement with the community occurs in a number of ways, including via a longstanding regional and industry liaison program, public appearances and community dinners, social media, roundtables and a public education program. Staff also consult with businesses, consumer groups and payments industry participants on issues in payments policy. The Bank communicates its policy decisions, and the context in which these are made, through publications and speeches. It appears before parliamentary committees, responds to public enquiries, supports academic research, publishes a broad range of statistics, and operates a museum where visitors can discover the history of Australia's banknotes and economic development.

Publications and speeches

The Reserve Bank's communication about its policy decisions, analysis and operations is primarily through publications, media releases and speeches. Announcements about monetary policy decisions are made shortly after each Reserve Bank Board meeting and minutes are released two weeks later. A media release is likewise published following each Payments System Board meeting, outlining issues discussed at the meeting and foreshadowing any documents to be released by the Bank.

Public appearances provide an opportunity for the Governor, Deputy Governor and other senior staff to communicate the Bank's analysis of economic and financial developments and how they have influenced monetary policy decisions. During 2022/23, the Governor spoke at nine public events to update the community on monetary policy and other issues and to answer questions from the audience. The Governor also spoke at a media and markets briefing in April 2023, following the release of the Review of the Reserve Bank, to provide an initial response to the Review and to answer questions on this topic.

Audio recordings of each address made by the Governor and Deputy Governor continue to be broadcast live, including the question-and-answer sessions with participants. Transcripts of these are then published on the Bank's website. Live-streamed video recordings of most speeches have also been made available on the Bank's website since April 2023.

Governor Philip Lowe speaking at the Morgan Stanley Australia Summit in June 2023. Photo: Evie Whiunui.

During 2022/23, the Governor, Deputy Governor and other senior staff gave 27 public speeches. These were on various topics, including monetary policy, the changing economic outlook, payments, a central bank digital currency (CBDC) and climate change. Senior staff also participated in public panel discussions and a number of parliamentary hearings.

The Bank explains its analysis through a number of regular publications:

- the quarterly *Statement on Monetary Policy* provides information about the Bank's assessment of current economic and financial conditions, along with the outlook for economic activity and inflation in Australia
- the semi-annual *Financial Stability Review* provides a detailed assessment of the condition of Australia's financial system and potential risks to financial stability
- the quarterly *Bulletin* contains analysis of a broad range of economic and financial issues, as well as aspects of the Bank's operations; during 2022/23, 34 articles were published in the *Bulletin*.

The Reserve Bank continues to publish new and refreshed content on its website. A new homepage was introduced in 2022/23 to improve the user experience and visibility of the Bank's work. Followers of the Bank's social media accounts on Twitter, LinkedIn, Facebook and Instagram grew to over 230,000 during the year, an increase of 23 per cent; the number of subscribers to our email alert service for publications grew by almost 20 per cent to around 17,200. Visitors to the website also made use of the RSS feeds, which provide alerts about data updates, media releases, speeches, research papers and other publications, including those related to Freedom of Information requests.

Regional and industry liaison

The Reserve Bank's regional and industry liaison team operates from four state offices around Australia (in Adelaide, Brisbane, Melbourne and Perth) and the Bank's Head Office in Sydney. Liaison staff meet regularly with businesses and associations from all sectors of the economy, as well as governments and community organisations, across the country, including in regional areas. Around 930 liaison meetings were conducted in 2022/23.

Beyond the state office cities, liaison staff made in-person visits to Tasmania, Darwin, East Arnhem Land and a number of other regional centres during 2022/23. In addition, the embedding of hybrid work and supporting technology at the Bank allowed for a higher level of contact with areas outside the major cities. The visits to East Arnhem Land and Darwin were part of the Bank's Reconciliation Action Plan commitment to increase our understanding of the economic conditions faced by First Nations businesses around Australia. Liaison staff also interviewed First Nations contacts as part of research that underpinned establishment of the Reserve Bank's First Nations Advisory Panel (see Chapter 3.2 Our People).

Timely information provided by liaison contacts helps the Bank to monitor trends in the Australian economy and in specific industries in real time. This is especially valuable when assessing the effect of unusual events such as the COVID-19 pandemic, natural disasters and the current episode of high inflation. De-identified high-level, thematic information about economic conditions from liaison is regularly shared with the Reserve Bank Board to better inform members' understanding of the issues affecting businesses and the wider economy, and in turn the Board's policy decision-making.[1]

Broad messages from liaison are also communicated to the public through the Bank's regular statements and publications, and through speeches by senior staff.[2] In 2022/23, liaison information informed discussions on the recovery in the Australian tourism sector, challenges faced by the construction sector, developments in electricity markets, the softening in retail spending, the availability of labour and the factors influencing wages growth. In November 2022, the Bank began publishing a dedicated Box in the *Statement on Monetary Policy*, titled 'Insights from Liaison', which reports on the high-level liaison messages collected each quarter.

Staff in the state offices play an important role in the Bank's communication with members of the public, as they are well positioned to hold discussions with a broad cross-section of the community. In 2022/23, state office staff presented at schools, business roundtables and regional chambers of commerce. In addition, Bank employees presented summaries of the *Statement on Monetary Policy* and the *Financial Stability Review* to more than 450 participants in the liaison program.

The Bank convened its annual Small Business Finance Advisory Panel in July 2023. The Panel, which was established in 1993, discusses issues relating to the provision of finance and the broader economic environment for small businesses. Membership is drawn from a range of industries across the country. An article drawing on the Panel's discussions and other sources of information on small business finance appeared in the September 2023 *Bulletin*.[3] The liaison program also meets with representatives from the small business sector throughout the year to better understand the economic conditions they face.

[1] See Dwyer J, K McLoughlin and A Walker (2022), 'The Reserve Bank's Liaison Program Turns 21', RBA *Bulletin*, September.

[2] See, for example, Bruno A, K Davis and A Staib (2022), 'The Recovery in the Australian Tourism Industry', RBA *Bulletin*, December.

[3] Chan P, A Chinnery and P Wallis (2023), 'Recent Developments in Small Business Finance and Economic Conditions', RBA *Bulletin*, September.

Queensland Office staff visiting Townsville to discuss local economic conditions.

Consultations and public enquiries

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

The Governor, Deputy Governor and senior staff meet four times a year with panels of market economists and academics, to gain their insights on monetary policy and the economy. The Bank met with the panel of academics in September 2022 and April 2023, and with the panel of market economists in October 2022 and May 2023. Each panel included around a dozen participants.

In June 2023, the Bank published an issues paper seeking feedback from relevant stakeholders on some options for further enhancing the competitiveness, efficiency and safety of Australia's debit card market. The key issues related to the default network routing arrangements of dual-network debit cards and the tokenisation of debit cards for online transactions.

In August 2022, the Bank published the conclusions paper from the Review of Banknote Distribution Arrangements, which began in November 2021. The paper set out various policy actions in response to stakeholder feedback that will improve transparency and flexibility in the distribution arrangements and preserve the high quality of banknotes in circulation.[4] More details are provided in Chapter 2.4 Banknotes.

Throughout the year, staff from Payments Settlements Department conducted regular liaison meetings with 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. A senior staff member sits on the Board of AusPayNet, and staff from the Payments Settlements and Banking departments represent the Bank on New Payments Platform operating committees. Participation in these groups, and a number of other industry forums, helps the Bank to remain well informed about developments in these areas and to contribute to innovations in the banking and payments industry.

[4] See RBA (2022), 'Review of Banknote Distribution Arrangements: Conclusions Paper', August.

The Bank sponsors and provides the secretariat to the Australian Foreign Exchange Committee (AFXC), a member committee of the Global Foreign Exchange Committee (GFXC). During 2022/23, the AFXC sought to ensure the adoption of the updated FX Global Code within the Australian market and contributed to further materials developed by the GFXC to promote wider adherence to the Code (see Chapter 2.5 International Financial Cooperation).

During the year, the Bank received approximately 6,000 public enquiries on a broad range of topics, including monetary policy, the economy, financial markets and regulation of the payments system. Responses were provided to the majority of these enquiries. Staff from Note Issue Department continued their engagement with industry and members of the public in support of counterfeit resistance and banknote functionality testing (see Chapter 2.4 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 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 2022/23, 11 RDPs were published on a range of topics, including monetary policy, housing prices, low wages growth and bank profitability. Bank staff also published their research in various external journals, including the *Journal of Applied Econometrics, Macroeconomic Dynamics* and the *Journal of Business and Economic Statistics*.

Research undertaken at the Bank is frequently presented at external conferences and seminars. In 2022/23, Bank staff presented both in person and virtually at several conferences and institutions in Australia and abroad. These included the Public Sector Economists Conference, Western Economics Association International, RBA ABS, MQBS-e61 Big Data Workshop and the BoJ-IMES Conference.

The Reserve Bank co-hosted a conference with the Australian Bureau of Statistics in May 2023. Both the RBA Annual Conference and the annual Quantitative Macroeconomic Workshop are scheduled to be held in the second half of 2023.

Throughout the year, the Bank hosted policymakers from various domestic and overseas institutions, including the International Monetary Fund, the Bank of England and the Federal Reserve Bank of New York. The Bank also hosted academics from a range of institutions, including the University of Maryland, Harvard University, Dartmouth College, the University of Western Australia and the University of Melbourne. International presenters of note included Mathias Drehmann, Head of Secretariat, Markets Committee at the Bank for International Settlements, David Vines, Professor of Economics at Oxford University, Damjan Pfajfar, Group Manager, Monetary Studies Section at the Federal Reserve Board and Michael McMahon, Professor of Economics at Oxford University.

During 2022/23, the Bank collaborated with the Digital Finance Cooperative Research Centre on a research project to explore use cases for a CBDC in Australia. The project involved the modest issue of a CBDC on a trial basis that could be used by industry participants to understand the potential role for CBDC. A white paper was published in September 2022, which explained the objectives and approach of the project and invited industry participants to make submissions of CBDC use cases. A number of submissions were subsequently selected to participate in the project, which took place from March to July 2023. A report on the findings from the project was published in August.[5] This work is part of ongoing research by the Bank into the policy case for a CBDC.

[5] See RBA and DFCRC (2023), 'Australian CBDC Pilot for Digital Finance Innovation', August.

In 2022/23, the Bank continued its financial support of:

- a monthly survey of inflation expectations, undertaken by the Melbourne Institute of Applied Economic and Social Research at the University of Melbourne
- a quarterly survey of union inflation and wage expectations undertaken by the Australian Council of Trade Unions
- the *International Journal of Central Banking*, which seeks to disseminate first-class, policy-relevant and applied research on central banking and to promote communication among researchers both inside and outside central banks
- the Group of 30's program of research into issues of importance to global financial markets
- the Australian Research Council Centre of Excellence in Population Ageing Research (CEPAR), based at the University of New South Wales; a senior official of the Bank also sits on CEPAR's Advisory Board
- the Economic Society of Australia's Central Council via renewing its sponsorship for a further three years, which will help to build and strengthen the profession and the debate on economic issues
- a number of conferences in economics and closely related fields, including: the University of New South Wales' Australasian Finance and Banking Conference; the University of Western Australia's PhD Conference in Economics and Business; the Workshop of the Australasian Macroeconomic Society hosted by the University of Sydney; the University of Melbourne's Melbourne Money and Finance Conference; the University of Sydney's Banking and Financial Stability Conference; Edith Cowan University's National Indigenous Business Summer School; and the Economic Society of Australia's Australian Conference of Economists, Australian Gender Economics Workshop and Women in Economics Network Retreat.

In addition, in 2022/23 the Bank renewed its corporate membership of the American Australian Association, the Centre for Independent Studies, the Committee for Economic Development of Australia, the Ethics Alliance, the McKell Institute, the Lowy Institute for International Policy and the South Australian Centre for Economic Studies. The Bank also provided in-kind support for the Grattan Institute by seconding a staff member to the Institute during the year. The Bank continued its associate membership of the South East Asian Central Banks Research and Training Centre.

In conjunction with the Australian Prudential Regulation Authority (APRA), the Reserve Bank continued to sponsor the Brian Gray Scholarship Program, which was initiated in 2002 in memory of a former senior staff member of the Bank and APRA. Two scholarships were awarded under this program in 2022, at a total cost of $15,000. More recently, four new recipients were announced by APRA in July 2023. The Bank is also sponsoring a PhD student under the Digital Finance Cooperative Research Centre's industry PhD program, at a cost of $38,500 in 2022/23.

The total value of support provided for research in 2022/23 was $485,405.

Education

An important part of the Bank's community engagement is our relationship with students and educators. The Bank has a dedicated team coordinating the efforts of staff across the Bank to deliver a public education program. While the program focuses on economics education at senior high school, activities are also undertaken for different stages of learning, ranging from senior primary school through to university. The program is delivered nationally, both in person and online.

The Bank has a longstanding commitment to economics education. Increased efforts in recent years have been motivated by the falling size and diversity of the economics student population as this weighs on economic literacy in the community and the longer term health of the discipline. Nationally, the number of Year 12 students studying economics has fallen by around 70 per cent since the early 1990s, with fewer schools (particularly government schools) offering economics. Over the same period, there has been a significant and related fall in diversity among economics students, with lower participation by females and students from schools that are culturally diverse or located in lower income areas. A similar pattern is evident in economics enrolments at university. In response, the Bank has provided practical support by creating accessible resources that are aligned with curricula, giving presentations to students and offering professional development opportunities to educators. The Bank has also been conducting research to guide the education program and evaluate its effectiveness.

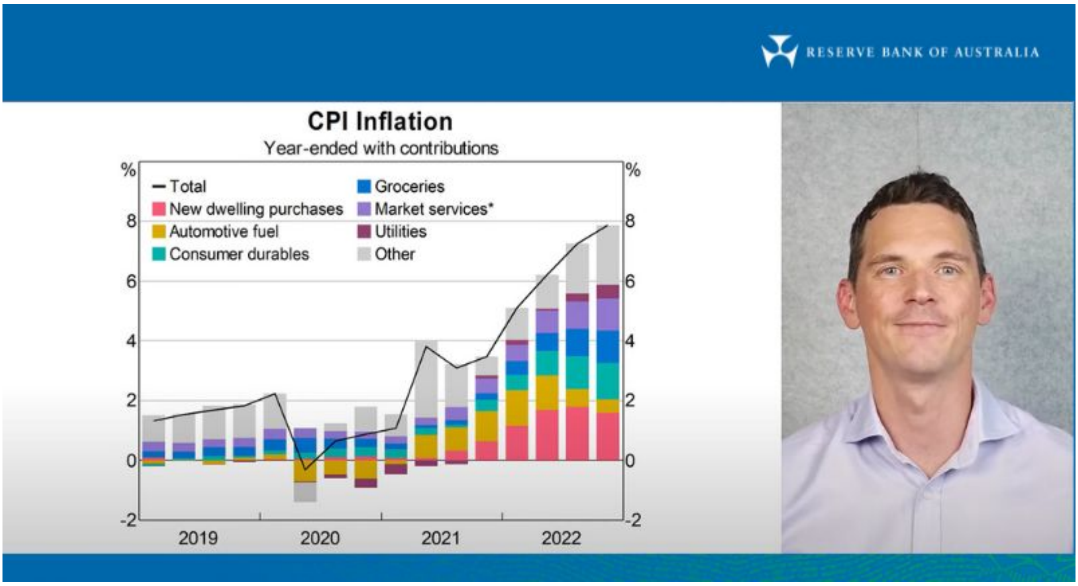
The main feature of the education program is the delivery of talks to students by the Reserve Bank's Ambassadors (nearly 50 Bank economists who are trained to engage directly with students). Talks are given to individual classes (in person and online) as well as at multi-school events in the form of webinars and in-person student conferences. Topics range from explanations of monetary policy, economic concepts and current economic conditions through to the benefits of studying economics. In total, nearly 8,000 students were reached during 2022/23, of whom around 7,000 were high school students. Furthermore, using online delivery, the program's geographic reach continued to expand, including to remote and regional areas. To complement the talks to students, the program publishes videos on current economic conditions, including after each quarterly *Statement on Monetary Policy*.

Over the past year, the public education team expanded the school talks series to include more talks for students in middle high school. The intention is to introduce them to economics (as part of their commerce or business-related studies), so that they might choose economics in senior high school or university. These talks are accompanied by additional resources for teachers, particularly those who are less familiar with teaching economics.

In recognition of an important change in recent economic conditions, a new Explainer on the causes of inflation was added to the Bank's suite of 24 Explainers on economic concepts, which are linked to curricula and most of which have accompanying videos. The Explainers are widely viewed by both education audiences and the public (with over 2.5 million page views in the past three years). The various Explainers about inflation were the most viewed in 2022/23.

While Explainers are the key resource to support economic literacy, a new *Econ-essentials* suite of animations was introduced for senior primary and junior high school students to explain core economic principles, including 'What is money?', 'What is an economy?' and 'What affects the value of money?'. These are designed to engage younger students with the essential ideas of economics that they may recognise in the world around them or later in their formal study of the subject.

In terms of the advocacy of economics, Ambassadors participated in various panel discussions to explain the benefits of studying economics and the career paths it can provide. Some of these discussions were filmed for use by educators to assist students with subject selection and career planning.



A Reserve Bank economist in a recorded talk for students and teachers on current economic conditions.

Bank staff participated in large-scale careers fairs throughout the year, which were attended by over 40,000 students, along with teachers and parents. These fairs allowed the Bank to engage directly with students. Around 1,400 substantive discussions were conducted with individual students about their subject and career choices.

A Reserve Bank economist is filmed for the Explore Economics video series, which encourages the study of economics.

At the Western Sydney Careers Expo, students speak with Reserve Bank Ambassadors about studying economics.

The Bank continued to support educators through professional development activities. In 2022/23, an in-person teacher immersion event was held, which included addresses by the Governor and Deputy Governor and was attended by teachers from across the country. The Bank also offered educators a 'topical talk' – that is, a lecture on a topic about which teachers face challenging queries from students – on digital assets, focusing on CBDC. Key sessions of all Bank-hosted professional development activities were filmed and made available on the Bank's website. In addition, staff presented at various professional development events hosted by peak teaching bodies and other education service providers.

The Governor welcomes economics teachers to the 2022 Teacher Immersion Event.

Further research continued to be undertaken to shape the strategic direction of the public education program and evaluate its effectiveness. Over the past year, research focused on economic literacy and diversity.[6] To complement the qualitative research on economic literacy, a survey was conducted of 3,000 Australian adults in a first attempt to measure their economic literacy.

The Educators Advisory Panel – which comprises external education experts who advise on the Bank's public education program – met three times during the year to review the education program's progress and the future needs of students and educators.

Museum

The Reserve Bank's Museum has traditionally housed a permanent collection of artefacts related to the history of currency in Australia and hosted periodic exhibitions. However, the Museum has been closed for an extended period, owing initially to the pandemic and then to the renovation of the Bank's Head Office. Consequently, the Museum has shifted to sharing its collections virtually, including via online presentations and new digital displays.

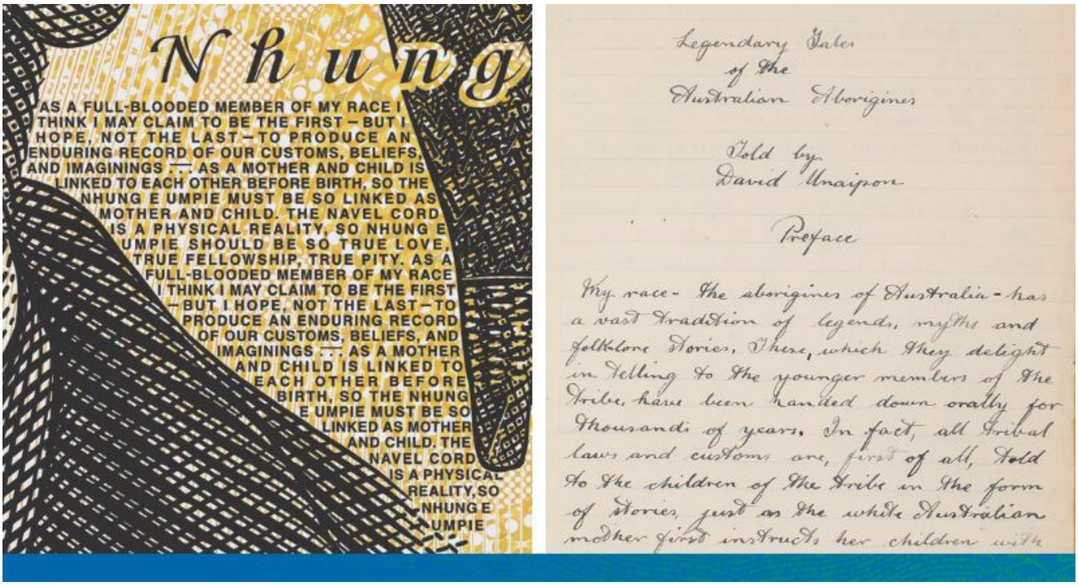
With the passing of Queen Elizabeth II, there was high visitation of a revised online exhibition that depicted her representation on each Australian banknote series issued during her reign (titled 'Queen Elizabeth II'); the exhibition illustrated both the continuity and progressive change in the design of the nation's banknotes.[7] With the announcement that a new $5 banknote would include a design to represent the culture and history of First Nations peoples, there was also significant visitation of the online exhibition 'First Nations Peoples and Australian Banknotes'.[8]

Photographic portraits of Queen Elizabeth II, various photographers, used as references for banknotes. RBA Archives NP-002951, NP-002567 and P12/272.

[6] See McCowage M and J Dwyer (2022), 'Economic Literacy: What Is It and Why Is It Important?', RBA *Bulletin*, December; Dwyer J (2022), 'A Matter of Diversity', Guest Lecture at Macquarie University, Sydney, 28 September.

[7] RBA Museum, 'Queen Elizabeth II'.

[8] RBA Museum, 'First Nations Peoples and Australian Banknotes'.



Microprint on Australia's $50 banknote, issued 2018 (left), is an excerpt from David Unaipon's manuscript of *Legendary Tales of the Australian Aborigines* (right). State Library of New South Wales and Courtesy Ms Judy Kropinyier.

During the year, a new online feature was published, called 'Portraits of Value'. This explores the history of banknote portraiture and illustrates the portraits of significant Australians, by significant artists, that have appeared on the nation's banknotes over the past century.[9] It explains that while the current Next Generation Banknotes (issued 2016–2020) incorporates highly sophisticated technology in their design and security features, the portraits are still drawn by hand.

The Museum also launched a series of animations aimed at children, introducing the people on Australia's banknotes.[10] Titled 'On the Money', each animation describes how the identity overcame adversity to make a major contribution to the country. The first episode describes the transformation of Francis Greenway from convict to the rank of first government architect, responsible for creating the colony's new built environment.

Among other parts of the Museum's collection, an 'Introduction to the Coombs Collection of Australian Paintings' was published,[11] presenting the Reserve Bank's art collection as a cultural legacy. It also documents the active support and promotion of Australian art by the Bank's first Governor, Dr HC Coombs, and continued by his successor, Sir John (Jock) Phillips. As a new national institution, the Bank conveyed a sense of modernity and progress in its architecture and art, and its collection remains a rich source for understanding both the nation's artistic heritage and the history of its central bank. The collection is complemented by a comprehensive online catalogue of the artworks in the Bank's digital archive, Unreserved.[12]

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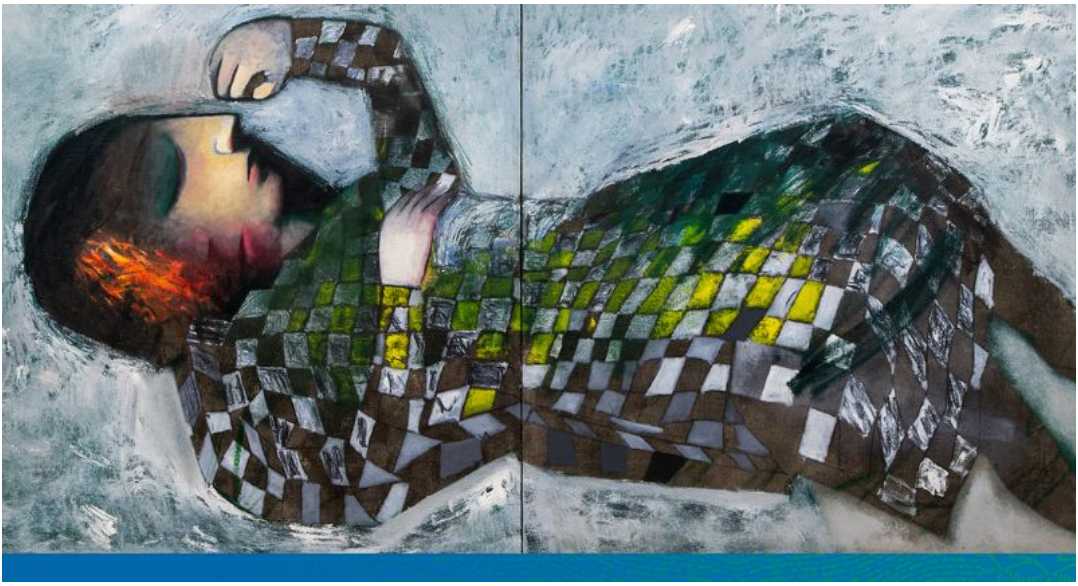
[9] RBA Museum, 'Portraits of Value'.

[10] RBA Museum, 'On the Money'.

[11] RBA Museum, 'Introduction to the Coombs Collection of Australian Paintings'.

[12] RBA, 'Series Guide: The Coombs Collection of Australian Paintings', Unreserved.



Charles Blackman, 'The girl in the checkered dress', 1963. Reserve Bank of Australia Collection, OP-000102. This artwork has been placed outside the Board Room since the opening of the Head Office building in 1964.

Archives

The Reserve Bank has a unique and rich archives collection, containing records on the Bank's own operations as well as Australia's economic, financial and social history over nearly 200 years. The Bank has been digitising its archival records and progressively releasing them to the public through the digital archive, Unreserved.[13] Unreserved enables users to independently browse, research and download digital

Tonal sketch of Banjo Paterson, together with an example of line analysis for intaglio printing by Robert Cook of Note Printing Australia. Reserve Bank of Australia Archives, 17/1078, 17/1212, P16/21220.

versions of archival records, learn about the nature and scope of the Bank's archival collection, and lodge requests for information or assistance from the archivists. Since the launch of Unreserved in March 2021, there have been nearly 49,000 views of volumes of records, individual records and collection items via this platform.

Two additional tranches of digitised records were released during the past year. These included:

- *Coombs Release*: records and collection items relating to Dr HC 'Nugget' Coombs who was Governor of the Commonwealth Bank and the Reserve Bank from 1949–1968
- *Coombs Collection of Australian Paintings*: digitised images of artworks acquired chiefly from the 1950s to the mid-1970s by Dr Coombs and his successor Sir John (Jock) Phillips, along with details of their provenance
- *Research Department*: the early economic analysis conducted by the central bank over the period 1918 to 1979, including RDPs written between 1969 and 1978 and specification of the Reserve Bank forecasting model
- *Advertising Department*: materials produced by the Bank between 1913 and 1959 to promote awareness of the Bank and its services to the public, including the Bank's internal staff magazines *Bank Notes* and *Currency*
- *Mid-Century Photographs*: new photographs dating from the 1950s and 1960s that capture snapshots of daily life at the Bank.

To showcase the value of the archival records, a *Bulletin* article on the career of Dr HC Coombs was published in December 2022.[14] It was accompanied by a corresponding Research Guide on Dr Coombs, which directs users to the records not previously in the public domain in support of original research.[15]

The Reserve Bank Archives continued to provide public access to Bank records in the open access period (20 years from the closure of a record). While there has been some disruption to the Archives repositories due to the Head Office building works, the level of service to the public has been maintained. This has been supported by the ongoing digitisation of archival records and active use of the Bank's secure external collaboration tool, RBA Box, which allows records to be sent to researchers quickly and efficiently.

Over the past year, the Archives dealt with over 130 research requests, entailing more than 400 hours of research by the archivists. Topics of interest included historical aspects of Reserve Bank Board meetings, the exchange control functions of the Bank, unissued banknote designs, Dr Coombs and the Economic Society of Australia, along with photographs of Bank branches in regional areas of Australia.

The archivists continued to support the Bank's Historian, Associate Professor Selwyn Cornish of the Australian National University, who is documenting the Bank's official history between 1975–2000.

[13] RBA, 'Unreserved'.

[14] Cornish S (2022), 'HC Coombs: Governor of Australia's Central Bank 1949–1968', RBA *Bulletin*, December.

[15] RBA, 'Research Guide: Dr Herbert Cole Coombs', Unreserved.

Banknotes

The Reserve Bank actively engages with a range of stakeholders spanning the entire lifecycle of banknotes, from design and planning through to manufacturing and public usage.

The Bank's communication with the cash-handling industry – which includes equipment manufacturers, financial institutions and other high-volume cash handlers – is an important part of ensuring Australian banknotes remain secure and reliable. In 2022/23, staff continued to support the industry in ongoing research and development, as well as equipment upgrades to maintain confidence against counterfeiting. It is estimated there are over half a million pieces of banknote-handling equipment in Australia – including ATMs, self-service checkouts, gaming machines and vending. Staff also attended industry events and delivered presentations to share information about Australian banknotes and the program of industry engagement.

As noted in Chapter 2.4 Banknotes, the Bank made the decision to remove the image of the reigning monarch from the $5 banknote. A redesigned $5 banknote will feature a new design that honours the culture and history of First Nations peoples on one side; the Australian Parliament will continue to feature on the reverse. A program of work is being developed to support this change, which will place consultation with First Nations peoples at the centre of the design process. Design and production are expected to take a number of years.

Charitable activities

During 2022/23, the Reserve Bank made its 21st annual contribution of $50,000 to the Financial Markets Foundation for Children, which is chaired by the Governor. In September 2023, the Governor will deliver his seventh address to the Anika Foundation's annual event to raise funds to support research into adolescent depression and suicide. This will be the 18th such event supported by the Bank.

The Reserve Bank supports several staff-led charitable initiatives, key among which is dollar-matching staff payroll deductions organised by the Reserve Bank Benevolent Fund. The Fund supports 14 recognised charities, chosen based on the preferences of staff, the effectiveness and transparency of the charities themselves, and in order to support a diverse range of activities. The current set of charities supported operate in the areas of welfare, education, mental health, illness, disability, international medical aid and animal protection. The Bank also facilitates staff salary sacrificing under a Workplace Giving Program. Dollar-matching of staff payroll deductions totalled $137,006 in 2022/23.

Other staff-led initiatives over the year included matching staff donations for the Benevolent Fund's Christmas appeal for Foodbank Australia and Barnados Australia, and providing volunteer leave for teams which provide their time to charitable activities.

The Bank's total contribution to charitable activities, including these and other modest one-off donations, totalled $199,431.

PART 3

Management

3.1 Management of the Reserve Bank

The Reserve Bank is committed to discharging its policy and operational responsibilities in an efficient manner. To achieve this, it invests in its people, technology, data, facilities and the related capabilities essential for the Bank to achieve its strategic objectives.

Management structure

Under the *Reserve Bank Act 1959*, the Bank is managed by the Governor, with the support of two key management committees – the Executive Committee and the Risk Management Committee.

The Executive Committee supports the Governor in managing operational and strategic matters with Bank-wide significance, including delivery of the Bank's strategic priorities (see Chapter 1.1 Our Role). It is chaired by the Governor and includes the Deputy Governor and the Assistant Governors. Other senior executives attend when required to provide specialist advice. The Committee meets weekly.

The Risk Management Committee has responsibility for ensuring that operational and financial risks are identified, assessed and properly managed across the Bank in accordance with its Risk Management Policy. It is chaired by the Deputy Governor and comprises senior executives drawn mainly from the operational areas of the Bank. The Committee meets regularly and keeps the Executive Committee and the Reserve Bank Board Audit Committee informed of its activities. Details of the Bank's Risk Management Framework are provided in Chapter 3.3 Risk Management.

The Executive Accountability Framework (EAF) supports the Bank's high standards of executive accountability. The EAF outlines where accountability lies for the Bank's functions and operations. It complements the Bank's broader governance framework, which is set out in legislation, charters of board subcommittees and Bank committees, and Bank policies. The EAF is available on the Bank's website.

Financial management

The Reserve Bank seeks to ensure its policy and operational objectives are met, while prudently managing its spending and resourcing levels. The Bank's budget is a key component of this accountability, covering the Bank's resourcing and expenditure plans for the coming year. The Executive Committee supports the Governor in overseeing the Bank's budget.

The Bank has an Investment Committee, chaired by the Deputy Governor, to oversee the Bank's project portfolio. Its primary role is to support the Governor and the Executive Committee to prioritise spending to deliver outcomes consistent with the Bank's operational and strategic objectives. Project delivery is underpinned by a Project Management Framework, which covers the full lifecycle of a project from business case through to implementation. Senior executive accountability is established through their participation in project steering committees. Projects report at least quarterly to the Executive Committee on their status, including the management of project-related risks.

Assistant Governors and Department Heads are responsible for managing expenditure within approved budgets. Support is provided by the Bank's Finance Department, which provides the Executive Committee with regular updates and forward estimates to allow it to make timely decisions to support efficient delivery of priorities. Financial management is also supported by the Bank's expenditure and payment approval policy and related processes, which ensure appropriate oversight of expenditure and payments to suppliers of goods and services to the Bank. Material spending commitments are approved by executive leaders in accordance with the Bank's delegations of authority.

The Reserve Bank is a corporate Commonwealth entity 'prescribed' under section 30 of the *Public Governance, Performance and Accountability Rule 2014*. It is therefore required to apply the Commonwealth Procurement Rules (CPRs) when performing duties relating to certain procurements with an expected value exceeding $400,000 for non-construction services and $7.5 million for construction services. The CPRs require public reporting of certain activities on the Commonwealth's AusTender website. For all other procurements, the Bank follows the CPR principles with a broad objective to ensure that goods and services are procured in an efficient and economical manner, supported by effective processes for accountability and probity.

The Bank's costs arise from fulfilling its responsibilities and from investment that supports the delivery of its strategic objectives. Where appropriate, the Bank seeks to recoup operating costs associated with its operational responsibilities through fees and charges. This includes from the use of payment systems run by the Bank (such as the Reserve Bank Information and Transfer System (RITS) and the Fast Settlement Service (FSS)), and from transactional banking services provided to clients. Operating costs associated with the production, issuance and management of Australia's banknotes are indirectly funded by net interest income; holders of 'banknotes on issue' are not paid interest, but the Bank earns interest on its assets. These activities are discussed further in Chapter 2.3 Banking and Payment Services, Chapter 2.4 Banknotes and Chapter 2.2 Operations in Financial Markets.

Operating costs

The Bank's general operating costs were $500.9 million in 2022/23, a 16.6 per cent increase on the previous year. Staff costs – the largest component of the Bank's general operating costs – increased by 16.9 per cent. This was due to additional resourcing to support the Bank's strategic priorities (including data, payments services and technology resilience) and, to a lesser extent, salary increases stipulated in the Reserve Bank's Workplace Agreement. Technology resilience initiatives included ongoing strengthening of cyber defences, automation of technology services, and increased use of cloud computing services in areas such as human resources and information technology (IT) service management (see 'Technology' and 'Data' sections below).

General Operating Costs[a]

$ million

	2018/19	2019/20	2020/21	2021/22	2022/23
Staff costs	225.6	241.8	243.2	256.3	299.7
Technology costs	34.8	41.0	42.4	44.6	52.8
Premises costs	24.8	26.5	28.8	29.1	30.5
Other costs	31.8	32.0	35.9	35.5	56.4
General operating costs (excl. depreciation)	317.0	341.4	350.3	365.5	439.4
Depreciation	56.2	64.7	62.3	64.3	61.5
General operating costs	373.2	406.0	412.7	429.8	500.9
– of which: Cost of projects	23.2	20.1	30.3	37.1	65.5
General operating costs by function[b]					
– Policy	82.6	89.7	89.7	90.2	98.8
– Business services	100.1	100.9	90.8	87.6	93.4
– Executive and corporate support	190.5	215.4	232.2	252.0	308.7

(a) Excluding Note Printing Australia Limited and banknote management expenses, and costs directly linked with transaction-based revenue. Some prior period costs have been reclassified to align with the current basis of presentation.

(b) Costs by function shown are on a direct basis, with no allocating of executive and corporate support costs across functions.

Source: RBA.

Capital expenditure reflects the program of investment aimed at maintaining the value of the Bank's buildings and technology assets and supporting the delivery of new capabilities and services. Capital expenditure increased in 2022/23, largely due to ongoing works to upgrade the Bank's Head Office and the continued refresh of technology infrastructure, including the FSS.

Capital Expenditure[a]

$ million

	2018/19	2019/20	2020/21	2021/22	2022/23
Capital costs	36.5	43.6	62.0	49.3	72.6
– of which: Cost of major projects	31.7	19.0	44.1	29.2	60.9

(a) Excluding Note Printing Australia Limited.

Source: RBA.

The Bank engages consultants where it lacks specialist expertise or if independent research, review or assessment is required. Spending on consultants in 2022/23 included external reviews of the Bank's technology outage on 12 October, which affected the payments systems operated by the Bank.

Spending on Consultancies[a]
$

Financial year	Spend
2012/13	1,190,000
2013/14	387,000
2014/15	773,000
2015/16	622,520
2016/17	987,388
2017/18	596,157
2018/19	1,113,425
2019/20	485,896
2020/21	613,823
2021/22	599,759
2022/23	2,059,205

(a) Sum of individual consultancies that cost $10,000 or more (excl. GST).
Source: RBA.

Technology

IT systems and infrastructure play a key role in the Bank's ongoing operations and account for a significant proportion of the Bank's strategic investments. The Bank's technology environment comprises approximately 700 software applications, 3,500 servers, two data centres and a highly resilient network infrastructure across multiple Bank sites.

During 2022/23, there was an ongoing focus on increasing the resilience of technology services, through improved problem analysis and management and the implementation of a dedicated problem management team. Business and technology continuity exercises were successfully conducted in November 2022 and March 2023 to validate system resiliency.

The Bank experienced a major technology outage in October 2022, which saw RITS-related services, particularly the FSS, unable to operate for several hours. The outage occurred during a planned change to the software that manages the Bank's virtual servers. Following the outage, IT Department engaged Capgemini to conduct a review of technical infrastructure controls. Additionally, the Payments System Board requested the Bank to commission Deloitte to conduct a comprehensive review of the broader RITS operating environment. The Bank released the Deloitte review publicly on 30 May 2023 and is committed to implementing the recommendations in the final report.

Major technology-related projects completed in 2022/23 included the successful rollout of Office 365, the replacement of the Bank's human capital management system, and upgrades to its document management system. In March 2023, the Bank released system upgrades to support the global payments industry cutover to the ISO 20022 payments message standards. This required updates to RITS, back-office settlements, SWIFT and related trading infrastructure and banking systems to cater for the first wave of new ISO 20022 messages. Important projects relating to access management, technology asset management and deployment of upgraded security monitoring tools continue and are expected to be completed in 2023/24.

Cybersecurity remains a key focus for the Bank, with continued investment in ensuring the security of its systems and information. The Bank's vulnerability management standard has been revised to align with the Australian Cyber Security Centre's updated 'Essential Eight' standards. The Bank continually monitors security vulnerabilities to inform continuous security improvements, regularly undertakes penetration testing of the Bank's systems and processes and applies strong security governance over new technology solutions as they are introduced into the Bank's IT environment. These activities are supported by programs to build cybersecurity awareness among all Bank staff. The Bank also actively engages in intelligence sharing within the financial services, government and central banking communities.

The Bank continues to pursue strategies to drive the efficiency, stability and resilience of its IT assets. This includes automating patching and release management activities, and utilising cloud computing and managed services where appropriate. The Bank substantially enhanced its IT training and development framework in 2022/23 to assist with the attraction and retention of IT staff and to ensure the Bank has access to the skills needed to support its services into the future.

The Bank operates an Innovation Lab to identify and evaluate the implications of emerging technologies and business trends that are relevant to both its charter obligations and broader operations. In 2022/23, key innovation lab engagements included undertaking research on employee engagement in a hybrid working environment and establishing an Innovation Academy to improve the innovation capabilities of Bank staff. A key focus in 2023/24 will be understanding the challenges and opportunities of generative artificial intelligence and its potential application to the Bank.

Data

Harnessing the power of data has been a strategic focus area for the Bank over recent years. In 2022/23, the Bank completed a four-year program to uplift the maturity of technology, processes and people capabilities for working with data. It also defined a new strategy for the next four years, which will focus on: (i) better data sharing and collection; (ii) leveraging large datasets and advanced analytics tools and techniques; and (iii) wider application of cloud computing and automation. This is intended to enhance analytical insights, improve efficiencies and risk management, and defend against growing cyber threats.

Key activities in 2022/23 included the ongoing refresh of the Bank's strategic data platforms and tools, and further delivery of training to maintain the staff's proficiency with these new tools. This, in turn, enabled the development of many data acquisition, storage and analytics solutions that are supporting better economic and financial analysis and operations management.

There has also been ongoing investment in the application of advanced data science techniques to policy and operational projects in support of the Bank's functions. This has delivered novel insights from the Bank's data and enhanced data analysis capabilities.

Facilities

The Reserve Bank owns premises in locations where there is a business need to do so. The Bank's facilities include: the Head Office in Martin Place, Sydney; the H.C. Coombs Centre for Financial Studies in Kirribilli, Sydney; an office building in Canberra; facilities for the printing, processing, storage and distribution of banknotes at Craigieburn, north of Melbourne; and a Business Resumption Site in north-west Sydney. In addition to the buildings it owns, the Bank leases office space in Adelaide, Brisbane, Melbourne, Perth, Beijing, London and New York for staff based in these locations. During 2022/23, temporary office space was also leased in Sydney to accommodate staff while renovations continued in the Head Office building.

Valuations of the Bank's owned properties are undertaken every second year. As at 30 June 2023, the value of the Bank's domestic property assets was estimated at $408 million. This is about 25 per cent lower than at 30 June 2022, because of a temporary reduction in the value of the Bank's Head Office while an extensive renovation is in progress; when that is completed, the building's value is expected to be substantially higher than prior to the renovation.

The Bank also leases out space that is not required for the Bank's own business purposes to external tenants. Net income from these leases amounted to $5.8 million in 2022/23.

The renovation of the Head Office building that commenced in April 2022 continued during 2022/23. The substantial renovation, which includes upgrading base building infrastructure that is at end-of-life, will ensure a safe, efficient and effective workplace to meet the long-term needs of the Bank, while preserving heritage features and modernising the office space. The project has encountered material latent conditions, including extensive hazardous materials, which will extend both the time and cost of the project.

The Bank also completed a project during the year to upgrade the strongrooms in the Head Office building used to store banknotes. This project included upgrades to security features and ventilation. Passenger and good lifts at the Craigieburn site, which were over 40 years old, were also replaced.

Environmental matters

Ecologically sustainable development and environmental performance

The Reserve Bank is committed to improving the environmental performance of its operations. The Bank has developed policies and practices that are consistent with the principles of ecologically sustainable development (ESD) as set out in the *Environment Protection and Biodiversity Conservation Act 1999*. These policies and practices serve to minimise the impact of the Bank's activities on the environment by: increasing the use of renewable energy sources; undertaking continuous environmental improvement through more efficient energy utilisation and management of waste streams; and incorporating sustainability and environmental aspects in the Bank's building designs and operations. The ESD principles are captured in the Bank's Environmental Statement.[1]

The Bank has a target of achieving net zero emissions by 2030. This is consistent with the commitment of the Australian Public Service (APS).

The Bank has an ongoing program to reduce carbon emissions from its operations. This is occurring through improvements to the infrastructure of the Bank's buildings, replacing aged and inefficient equipment with modern, compliant and efficient alternatives, and improving the efficiency of operations by expanding data monitoring of building performance, which facilitates more energy efficient use of electricity, water and gas.

During 2022/23, the Bank:

- increased the energy efficiency of the H.C. Coombs Centre through sustainability improvements made during its recent renovations, including rooftop solar panels, improved insulation, increased fresh air ventilation and rainwater harvesting
- completed the Stage 1 conversion to LED lighting at the Business Resumption Site and the Main Production Building at Craigieburn Site 1
- reduced energy usage at the Main Production Building at Craigieburn Site 1 by installing new chillers and cooling towers and replacing the passenger and goods lifts; the chillers and cooling towers have also enabled more efficient use of chilled water and eliminated ozone-depleting refrigerants
- commenced a project to install a large array of solar panels at both Craigieburn sites.

[1] See RBA (2019), 'Environmental Statement', December.

In 2022/23, electricity consumption at Bank-operated sites declined by 1 per cent. Operation of the solar panels at the Bank's Business Resumption Site enabled carbon emissions to decline by 448 tonnes. Gas consumption was 3.3 per cent lower than the previous year. The reductions in electricity and gas consumption are predominantly associated with improved efficiencies at the Craigieburn site, including the installation of more efficient cooling and humidification systems. Water consumption rose by 23 per cent as a result of several one-off activities, including the refurbishment of the water tanks at the Craigieburn site, which necessitated the water to be drained and re-filled, and the reopening of the H.C. Coombs Centre.

APS net zero 2030 emissions reporting

The Australian Government has committed to achieving net zero emissions from operations produced via the APS by 2030. As part of this commitment, the Department of Finance requires all non-corporate and corporate Commonwealth entities, including the Bank, to report on their operational greenhouse gas emissions.

Greenhouse gas emissions reporting has been developed using a methodology that is consistent with the 'Whole of Australian Government' approach as part of the APS's Net Zero 2030 policy.

Greenhouse Gas Emissions Inventory – Location-based Method[(a)]

2022/23; CO_2-e[(b)]

Emission source	Scope 1 kg	Scope 2 kg	Scope 3 kg	Total kg
Electricity (location-based method)[(c)]	n/a	19,830,125	1,634,248	21,464,373
Natural gas[(c)]	1,718,474	n/a	170,479	1,888,953
Fleet vehicles	8,729	n/a	2,437	11,166
Domestic flights[(d)]	n/a	n/a	192,159	192,159
Other energy[(e)]	27,097	n/a	6,678	33,775
Total kg CO_2-e	1,754,300	19,830,125	2,006,001	23,590,426

(a) The table above presents emissions related to electricity usage using the location-based accounting method.

(b) CO_2-e = Carbon Dioxide Equivalent.

(c) Electricity and natural gas includes emissions output from buildings owned by the Bank as well as leased office space where available. While care has been taken to report on Bank-specific emissions where possible, some of the reporting may include usage from tenants that also use the same office space (including Note Printing Australia Limited and other government agencies).

(d) Emissions data have been provided by CTM (under the Whole of Australian Government travel contract). As per APS's Net Zero reporting methodology, only emissions from domestic flights have been captured, but not international travel.

(e) 'Other energy' includes emissions from both mobile and stationary energy sources, including forklifts and back-up generators.

Source: RBA calculations using methodology of the APS Net Zero Unit in the Department of Finance.

The electricity emissions reported above are calculated using the location-based approach. When applying the market-based method – which accounts for activities such as GreenPower, purchased large generation certificates or being located in the Australian Capital Territory – the total emissions for electricity are lower (see below).

Greenhouse Gas Emissions Inventory – Market-based Method[a]

2022/23; CO_2-e[b]

Emission source	Scope 1 kg	Scope 2 kg	Scope 3 kg	Total kg
Electricity (market-based method)[c]	n/a	12,763,775	1,689,323	14,453,098
Natural gas[c]	1,718,474	n/a	170,479	1,888,953
Fleet vehicles	8,729	n/a	2,437	11,166
Domestic flights[d]	n/a	n/a	192,159	192,159
Other energy[e]	27,097	n/a	6,678	33,775
Total kg CO_2-e	1,754,300	12,763,775	2,061,076	16,579,151

(a) The table above presents emissions related to electricity usage using the market-based accounting method.

(b) CO_2-e = Carbon Dioxide Equivalent.

(c) Electricity and natural gas includes emissions output from buildings owned by the Bank as well as leased office space where available. While care has been taken to report on Bank-specific emissions where possible, some of the reporting may include usage from tenants that also use the same office space (including Note Printing Australia Limited and other government agencies).

(d) Emissions data have been provided by CTM (under the Whole of Australian Government travel contract). As per APS's Net Zero reporting methodology, only emissions from domestic flights have been captured, but not international travel.

(e) 'Other energy' includes emissions from both mobile and stationary energy sources, including forklifts and back-up generators.

Source: RBA calculations using methodology of the APS Net Zero Unit in the Department of Finance.

Other climate-related initiatives

Banknote sustainability

The Reserve Bank has been reviewing opportunities to improve the sustainability of Australian banknotes throughout the banknote lifecycle. This covers banknote design, supplier engagement, production (working with Note Printing Australia Limited), distribution and recycling. Sustainability considerations will be incorporated into the updated $5 banknote. The design process aims to ensure the new banknote is durable in circulation and minimises waste during production.

The Bank continues to recycle all unfit polymer banknotes at their end of life. In 2022/23, a total of 88.8 million unfit banknotes were returned to the Bank for disposal. All polymer from unfit banknotes was recycled by the Bank's recycling partner into new products, forming part of the circular economy. A total of 80 tonnes of polymer waste was recycled during 2022/23. Our recycling program has been expanded to other products used in the banknote lifecycle, such as the containers used to store and transport banknotes (these are reusable and are recycled once they eventually reach end of life). Analysis is also underway to better understand how banknotes are circulated and returned at end of life. The review aims to ensure banknotes are maintained in circulation for their maximum life span, reducing the need to produce and replace banknotes.

Climate research and policy agenda

Climate change and the actions taken in response to climate change will have wide-ranging implications for the economy, the financial system and society more broadly. Climate change affects the Bank's responsibilities for price stability, employment and the stability of the financial system.

The Bank is building its capacity to understand the implications of climate change for the Australian economy and financial system, through internal analysis and external engagement. In 2022/23, internal analysis focused on:

- understanding how climate change might affect the economy and the implications for monetary policy – including by considering the impact on Australia of climate policies implemented overseas, monitoring developments in energy markets and developing modelling capacity
- analysing the risks climate change poses to banks' loan portfolios, insurers' assets and liabilities, and superannuation funds' assets – including by incorporating climate risks into top-down stress-testing models
- monitoring climate-related trends in financial markets, developments in international climate policy and regulation, and considering the implications of these for the domestic financial system.

The Governor's position as Chair of the Council of Financial Regulators (CFR) provides another avenue to promote awareness and understanding of the financial risks and opportunities associated with climate change. In addition, the CFR's responsibilities include contributing to the development of a framework that best enables participants in the financial system to manage these risks. In 2022/23, the CFR Climate Working Group supported the Australian Government's sustainable finance agenda, including via workstreams on taxonomy development, greenwashing and ESG labelling, climate-related financial disclosures, transition plans and net zero commitments, data and scenarios, and nature risks. Climate-related issues were covered in a number of speeches and publications, including: a speech by then Head of Domestic Markets, Jonathan Kearns, on climate change risk in the financial system;[2] a speech by the Governor on price stability;[3] and a *Bulletin* article on climate change and financial risk.[4]

The Bank is also actively engaged with peer central banks and external groups, both domestically and internationally, on climate-related topics. This enables us to learn about and contribute to the development of best practice in assessing the impact of climate change. The Bank is a member of the Network for Greening the Financial System and contributes to discussions on climate and sustainability issues through its involvement with the Financial Stability Board, the Basel Committee on Banking Supervision, the G20, the Executives' Meeting of East Asia-Pacific Central Banks, the BIS Asia Climate Network and the Organisation for Economic Co-operation and Development (see Chapter 2.5 International Financial Cooperation).

Climate-related disclosures

The Bank is currently reviewing the Australian Accounting Standards Board's adoption of general requirements for sustainability and climate-related disclosures, which were published by the International Sustainability Standards Board in late-June 2023. The Bank will follow guidance from the Department of Finance regarding the application of sustainability and climate-related disclosures under the Whole of Australian Government reporting framework.

[2] Kearns J (2022), 'Managing Financial Services Risks in an Age of Uncertainty', Speech to the Credit Law Conference, Sydney, 24 August.

[3] Lowe P (2022), 'Price Stability, the Supply Side and Prosperity', CEDA Annual Dinner Address, Melbourne, 22 November.

[4] Kurian S, G Reid and M Sutton (2023), 'Climate Change and Financial Risk', RBA *Bulletin*, June.

3.2 Our People

The Reserve Bank aims to attract, develop and retain high-quality staff. We seek people who have the technical skills and capabilities to achieve the Bank's strategic objectives, exhibit the behaviours consistent with the Bank's values and possess strong leadership skills.

Our values

Our values are set out in the Bank's Code of Conduct. They are designed to shape the Bank's culture and guide expectations and standards around workplace behaviour and professional conduct. The Bank's values are:

1. Promotion of the public interest

We serve the public interest. We ensure that our efforts are directed to this objective, and not to serving our own interests or the interests of any other person or group.

2. Excellence

We strive for technical and professional excellence.

3. Intelligent inquiry

We think carefully about the work we do and how we undertake it. We encourage debate, ask questions and speak up when we have concerns.

4. Integrity

We are honest in our dealings with others within and outside the Bank. We are open and clear in our dealings with our colleagues. We take appropriate action if we are aware of others who are not acting properly.

5. Respect

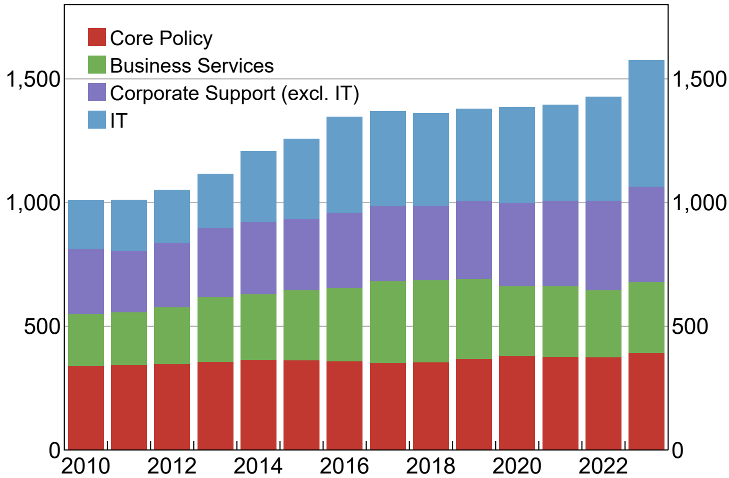
We treat one another with respect and courtesy. We value one another's views and contributions.

2022/23 workforce profile

In June 2023, the Reserve Bank (excluding Note Printing Australia Limited) had 1,575 employees. With 7.4 per cent of employees working part time, the Bank's workforce comprised 1,540 full-time equivalent (FTE) employees. During the year, the Bank hired 330 employees. Almost 50 per cent of these were recruited on fixed-term contracts, mostly to undertake project work.

RBA Employee Numbers*

As at 30 June



* Excludes NPA and contingent workers.

Source: RBA.

Employees of the Reserve Bank(a)

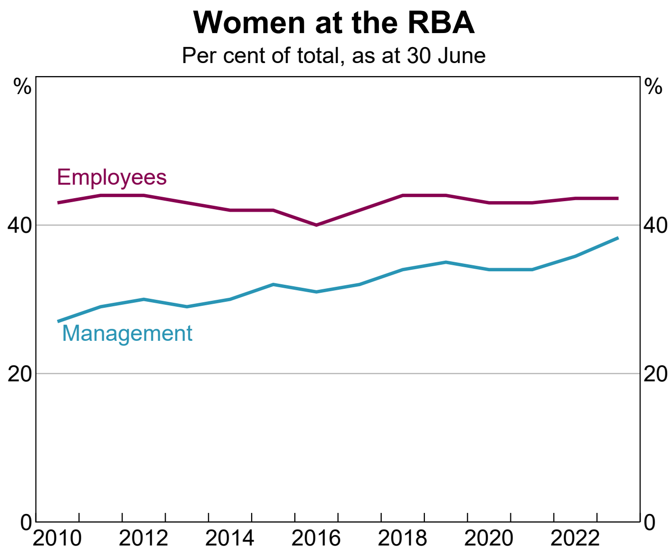
Location	30 June 2022							30 June 2023									
	Men			Women				Men			Women			Non-binary			
	Full time	Part time	Total	Full time	Part time	Total	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Total
Australia																	
Head Office, Sydney	722	14	736	463	86	549	1,285	803	15	818	535	85	620	0	1	1	1,439
H.C. Coombs Centre for Financial Studies, Sydney	2	0	2	0	0	0	2	1	0	1	0	0	0	0	0	0	1
Business Resumption Site, Sydney	22	0	22	11	1	12	34	19	0	19	8	1	9	0	0	0	28
Note-printing facility and National Banknote Site, Craigieburn	21	1	22	32	5	37	59	23	0	23	26	6	32	0	0	0	55
Canberra Branch, Canberra	5	0	5	8	1	9	14	5	0	5	9	1	10	0	0	0	15
Victorian Office, Melbourne	3	0	3	0	1	1	4	3	0	3	0	2	2	0	0	0	5
Queensland Office, Brisbane	1	0	1	1	2	3	4	1	0	1	1	2	3	0	0	0	4
South Australian Office, Adelaide	2	0	2	2	0	2	4	2	0	2	1	0	1	0	0	0	3
Western Australian Office, Perth	1	0	1	2	0	2	3	0	0	0	2	0	2	0	0	0	2
Overseas																	
New York Representative Office, New York	5	0	5	4	0	4	9	8	0	8	3	0	3	0	0	0	11
European Representative Office, London	6	0	6	1	1	2	8	5	1	6	2	2	4	0	0	0	10
China Representative Office, Beijing	0	0	0	2	0	2	2	2	0	2	0	0	0	0	0	0	2
Total	790	15	805	526	97	623	1,428	872	16	888	587	99	686	0	1	1	1,575

(a) Excludes NPA.
Source: RBA.

We are committed to achieving gender equity at all levels, including in management positions. The Bank's current objective for the share of women in management roles is to reach 40 per cent by the end of 2023 and equal representation of men and women in management positions over the longer term. To achieve this, we focus on equity in recruitment and selection, succession planning and development opportunities.

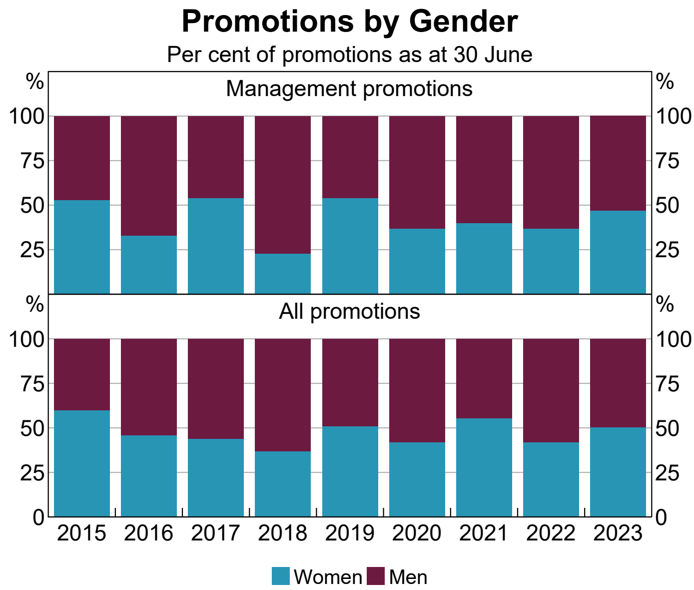
As at June 2023, women accounted for 43.6 per cent of the Bank's employees. (By comparison, women make up 47 per cent of all employees in Australia.) Four of the seven positions on the Bank's Executive Committee, and 38.3 per cent of management positions, were held by women.

During 2022/23, 50.5 per cent of all promotions went to women. Of the 49 employees promoted to management positions, 46.9 per cent were women.



* Per cent of total employees and per cent of total managers.

Source: RBA.



Source: RBA.

Recruitment and development

The ability to attract and retain high-quality staff is essential to the Bank achieving its strategic objectives. Key to this is maintaining the Bank as an employer of choice and establishing strong recruitment practices and processes based on the principles of transparency, non-discrimination and merit.

While turnover declined in 2022/23, demand for particular skills such as information technology remained high, and the Bank continued to experience challenges in attracting talent for certain roles. The talent attraction campaign that was initiated in July 2022 proved successful, resulting in a 26 per cent increase in the number of applicants per role in 2022/23.

The Bank encourages employees to continually develop their skills. Our flagship training programs are the Internship Program and the Graduate Development Program. The eight-week Internship Program provides high-performing university students with work experience and training, through the completion of an applied research project and exposure to normal business work. From the 1,001 applications for entry into the 2023 internship program, 27 places were offered. The two-year Graduate Development Program provides structured development opportunities through a balance of on-the-job training, rotations between key departments and complementary development activities. From the 1,861 applications received, 35 graduates participated in the program in 2023, compared with 39 graduates the year prior. The Graduate Development Program has several skills streams and is open to graduates from a wide range of backgrounds, including economics, finance, audit and IT.

The Bank also provides financial support to employees wishing to study full time or part time in disciplines related to their work and that are of interest, value and relevance to the Bank. During 2022/23, the Bank provided support to 26 employees to undertake part-time study and supported 14 employees to undertake full-time postgraduate study at universities in Australia and overseas.

Rotations and secondments

Lateral internal career rotation opportunities are offered to employees. These provide exposure to different business areas of the Bank, support new skills and knowledge development, encourage retention and strengthen succession pipelines. The Bank also has a career progression framework to allow for movement between career stages, to acknowledge individual growth and development in a role.

In partnership with other Australian and international institutions, secondment opportunities are offered to Reserve Bank employees to share subject matter expertise and best practice, broaden their experience and assist with the development of their capabilities. During 2022/23, we continued to support short-term secondments to other Australian Government agencies, including to the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission, the Australian Bureau of Statistics and the Australian Treasury. Secondments to international institutions included the Bank of England, the Bank of Canada, the Bank for International Settlements and the International Monetary Fund.

Hybrid working

The Bank has developed a set of hybrid work principles for staff. The aim is to optimise the benefits of working remotely while also coming together in person to build teamwork, collaboration, learning and inclusiveness. These benefits align with the Bank's aim of attracting and maintaining a high-quality and innovative workforce. To achieve this, staff are strongly encouraged to spend at least half their time working from a Bank site.

Diversity and inclusion

The Bank's Diversity and Inclusion Executive Council meets quarterly and is chaired by the Deputy Governor. The Council comprises the Head of Human Resources, the chairs of the Employee Resource Groups (ERGs) and other Human Resources team members responsible for diversity and inclusion at the Bank. The chairs of each of the ERGs (Accessibility, Gender Equity, First Nations, Unreservedly Proud, and Race and Cultural Identity) form the Diversity and Inclusion Advisory Panel. The Panel meets every second month to discuss activities pertinent to their respective ERGs.

The Bank is currently in the third year of the Diversity and Inclusion Strategy, which was launched in 2020/21. The Strategy is founded on a commitment to build a more diverse and inclusive culture, where all employees are treated with respect throughout their careers. It is overseen by the Executive Committee, in consultation with the Diversity and Inclusion Executive Council, which is responsible for monitoring the development and implementation of diversity and inclusion initiatives, policies and practices. The key focus areas of the Strategy are:

- reinforcing leadership commitment to inclusion, where all leaders show visible, authentic commitment to inclusion and consistently model inclusive behaviours
- building an inclusive culture, whereby our people are empowered to contribute to and deliver on the Bank's mission and drive results through effective collaboration, open communication and challenging the status quo
- reviewing and updating employee lifecycle processes, so that diversity and inclusion is considered and built into key processes from recruitment to talent development and promotion.

The Bank's commitment to the reconciliation process is signified by having registered with Reconciliation Australia to undertake a second Innovate Reconciliation Action Plan (RAP). The Plan establishes the Bank's vision for meaningful engagement with First Nations peoples in our role as Australia's central bank, recognising and respecting the contribution of First Nations peoples to our country's social and economic progress. The Plan is underpinned by our commitment to reconciliation through engaging with and involving First Nations peoples in the Bank's work. It is consistent with our objectives of having a diverse and inclusive workplace and contributing to the economic prosperity and welfare of the people of Australia. The Innovate RAP has three focus areas:

1. *Increase awareness and respect* – raise awareness among our staff of First Nations cultures in a way that furthers reconciliation between First Nations peoples and other Australians.
2. *Build relationships* – work with First Nations peoples by drawing on the Bank's unique position as Australia's central bank and the skill and expertise of its staff.
3. *Provide opportunities* – position the Bank as a respectful employer of First Nations peoples.

In January 2023, the Bank hired a First Nations and Inclusion Manager to lead the Bank's approach to key First Nations initiatives. In addition, a First Nations Consultant was appointed in November 2022 to support the Bank's First Nations employment strategy.

The Bank has made a commitment to employing First Nations peoples. This includes providing entry pathways through the Indigenous Apprenticeship Program run by Services Australia, and by maintaining a partnership with Career Trackers.

The Bank is continuing its membership of the Central Bank Network for Indigenous Inclusion, an international network formed in 2021. The members of this network include Pūtea Matua (Reserve Bank of New Zealand), the US Federal Reserve and the Bank of Canada. The purpose of this network is to foster ongoing dialogue and raise awareness of Indigenous economic and financial issues. Among other focus areas, the network discusses approaches to building cultural awareness, recruitment practices and other aspects of corporate culture to foster Indigenous inclusion within member organisations.

In 2023, the Bank established a First Nations Advisory Panel (FNAP). The FNAP will provide the Bank with strategic direction and advice across a range of areas, including the Bank's RAP, procurement from First Nations businesses, employment and retention of First Nations staff, and community engagement. The FNAP members include Leah Armstrong (Chair), Professor Valerie Cooms and Mark Motlop.

Work health and safety, compensation and rehabilitation

The Reserve Bank is committed to maintaining and improving the safety, health and wellbeing of its employees. The Reserve Bank Board and the Bank's executives receive regular reports on work health and safety (WHS) matters to assist them in exercising their duty of care and meeting due diligence obligations.

Acknowledging an ongoing emphasis on safety and wellbeing in the Bank's approach to hybrid working, and additional safety issues arising from the Head Office refurbishment project, areas of strategic focus over 2022/23 included:

- the Mental Health and Wellbeing Plan, with an emphasis on implementing initiatives to uplift and embed mental health awareness and the capability of people leaders to support their teams
- the implementation of targeted initiatives that positively affect employees' health and wellbeing
- the safety of our people during workplace disruptions, including the Head Office refurbishment.

The Bank continued to implement initiatives to support the physical and psychological health of its employees, through promotion of positive health outcomes and prevention of potential health risks, including:

- encouraging staff to take two-week blocks of leave
- promoting physical health activities, such as wellbeing programs focused on good physical health and nutrition, fitness classes, health challenges and influenza vaccinations
- offering mental health initiatives, such as leadership training and seminars on topics related to mental health and wellbeing.

There were 48 WHS incidents reported in 2022/23, a 25 per cent decline on the previous year. The most common causes of incidents were: workplace hazards such as people experiencing cuts, sprains, strains, burns and striking objects (43 per cent), workplace factors such as property damage and electrical/environmental hazards (22 per cent), and mental stress (12 per cent).

There were two accepted workers' compensation claims in 2022/23. The Reserve Bank's Lost Time Injury Frequency Rate (number of lost time injuries per million hours worked) was 2.05 in 2022/23, similar to the previous year.

Seven internal WHS investigations were conducted in 2022/23, relating to incidents that either caused moderate harm or had the potential to cause harm to a staff member. The investigations indicated there were no systemic issues that would point to deficiencies in the way the Bank manages health and safety.

No investigations were made into the Reserve Bank's businesses or undertakings by Comcare during 2022/23, and no improvement, prohibition or non-disturbance notices were issued by Comcare under Part 10 of the *Work Health and Safety Act 2011* (WHS Act).

Summary of Notifiable Incidents, Investigations and Notices under the WHS Act

Action	2021/22	2022/23
Death of a person that required notice to Comcare under section 35	0	0
Serious injury or illness of a person that required notice to Comcare under section 35	0	0
Dangerous incident that required notice to Comcare under section 35	1	0
Internal investigations conducted	13	7
Investigations conducted under Part 10 of the WHS Act	0	0
Notices given to RBA under section 90 (provisional improvement notices)	0	0
Notices given to RBA under section 191 (improvement notices)	0	0
Notices given to RBA under section 195 (prohibition notices)	0	0
Directions given to RBA under section 198 (non-disturbance notices)	0	0

Source: RBA.

The Reserve Bank is a Licensed Authority under the *Safety, Rehabilitation and Compensation Act 1988*. This licence requires the Bank to report to the Safety, Rehabilitation and Compensation Commission each year on WHS, workers' compensation and rehabilitation matters as they affect the Bank. Compliance with the relevant legislation – and the conditions of the Bank's licence as a Licensed Authority – was validated during the period by external audits of the Bank's safety, compensation and rehabilitation arrangements. The Commission subsequently confirmed that the Bank retained the highest rating for its prevention, claims management and rehabilitation practices in each area for 2022/23.

In 2022/23, the Australian Postal Corporation provided claims management and rehabilitation services to the Bank, along with reconsideration services and representation in the Administrative Appeals Tribunal or Federal Court, when necessary.

Employment arrangements and remuneration

The positions of Governor and Deputy Governor are designated as Principal Executive Offices in terms of the *Remuneration Tribunal Act 1973*, which provides for the Remuneration Tribunal to determine the applicable remuneration for these positions. Within the parameters determined by the Remuneration Tribunal, the Reserve Bank Board Remuneration Committee, comprising three non-executive members, makes recommendations on remuneration for these positions for approval of the Reserve Bank Board, which is the 'employing body' for the positions. In accordance with provisions of the *Reserve Bank Act 1959*, neither the Governor nor the Deputy Governor takes part in decisions of the Reserve Bank Board relating to the determination or application of any terms or conditions on which either of them holds office.

Employment arrangements that apply to Bank employees vary according to their occupation and level of seniority. Executive and managerial employees are engaged under Individual Employment Agreements. Non-managerial employees are covered by a Workplace Agreement.

The approach to salary increases in the Workplace Agreement was aligned to the growth in the private sector Wage Price Index in the year to the June quarter of 2022. It was agreed that the Performance Pay Scheme would cease, with a one-off 2 per cent salary increase in September 2022 to compensate employees for the scheme's removal. A Reward Increase Scheme is used to recognise increased work experience and enhanced technical and core capabilities, with consideration given to where an employee is paid relative to market data for their role. This approach is consistent with that set out in the government's Public Sector Workplace Bargaining Policy and the Australian Public Service Commission's Performance Bonus Guidance.

The annual remuneration review completed in September 2022 resulted in the majority of employees receiving a salary increase of 2.7 per cent plus a 2 per cent salary increase to buy out the performance pay arrangements. Around 36 per cent of employees received a reward increase to their salary, at an average value of 5.4 per cent. Included in these reward increases were 47 employees who progressed to a higher career stage, recognising their work experience, enhanced technical and core capabilities, and strong alignment to the Bank's values. Reward increases help aid retention and ensure salaries remain competitive and in line with market benchmarks. The Bank uses surveys such as the Financial Institutions Remuneration Group, Aon Hewitt and Mercer for remuneration and benefit benchmarking.

In early October 2022, the Australian Government announced a new Public Sector Interim Arrangement with an operating period of September 2022 to August 2023. This new arrangement encouraged government agencies to provide an annual remuneration increase of 3 per cent during the operational period. As a result, all Reserve Bank employees received a further 0.3 percentage point salary increase in October 2022.

The distribution of remuneration paid to Bank executives and other senior employees on an accrual basis is set out in the tables below. The provision of this information is consistent with similar information provided by other Commonwealth entities.

Remuneration of Key Management Personnel

Remuneration received in 2022/23($)[a]

		Short-term benefits			Post-employment benefits	Other long-term benefits			
Name	Position title	Base salary[1]	Bonuses	Other benefits and allowances[2]	Superannuation contributions[3]	Long service leave[4]	Other long-term benefits	Termination benefits	Total remuneration[5,6]
Reserve Bank Executives									
Philip Lowe	Governor	974,602	–	9,210	123,054	40,599	–	–	1,147,465
Michele Bullock	Deputy Governor	701,739	–	9,210	92,291	25,073	–	–	828,313
Michelle McPhee	Assistant Governor, Business Services	516,503	–	40,006	94,975	56,474	–	–	707,958
Susan Woods	Assistant Governor, Corporate Services	559,268	–	40,006	61,406	26,694	–	–	687,374
Luci Ellis	Assistant Governor, Economic	495,997	–	40,006	91,973	32,356	–	–	660,332
Christopher Kent	Assistant Governor, Financial Markets	516,072	–	39,521	102,502	55,220	–	–	713,315
Brad Jones[b]	Assistant Governor, Financial System	491,631	–	38,246	54,001	24,391	–	–	608,269
Non-Executive Members of the Reserve Bank Board									
Mark Barnaba	Member – Reserve Bank Board	103,035	–	–	–	–	–	–	103,035
	Chair – Reserve Bank Board Audit Committee	29,776	–	–	–	–	–	–	29,776
Wendy Craik[c]	Member – Reserve Bank Board	67,741	–	–	7,113	–	–	–	74,854
Ian Harper	Member – Reserve Bank Board	79,760	–	–	8,375	–	–	–	88,135
Carolyn Hewson	Member – Reserve Bank Board	79,760	–	–	8,375	–	–	–	88,135
Steven Kennedy[d]	Member – Reserve Bank Board	–	–	–	–	–	–	–	–
Iain Ross[e]	Member – Reserve Bank Board	12,019	–	–	1,262	–	–	–	13,281
Carol Schwartz	Member – Reserve Bank Board	79,760	–	–	8,375	–	–	–	88,135
Alison Watkins	Member – Reserve Bank Board	88,135	–	–	–	–	–	–	88,135
	Member – Reserve Bank Board Audit Committee	12,741	–	–	–	–	–	–	12,741

Name	Position title	Short-term benefits			Post-employment benefits	Other long-term benefits			
		Base salary[1]	Bonuses	Other benefits and allowances[2]	Superannuation contributions[3]	Long service leave[4]	Other long-term benefits	Termination benefits	Total remuneration[5,6]
Non-Executive Members of the Payments System Board									
Wayne Byres[(d),(f)]	Member – Payments System Board	–	–	–	–	–	–	–	–
Gina Cass-Gottlieb[(g)]	Member – Payments System Board	–	–	–	–	–	–	–	–
Scott Farrell	Member – Payments System Board	62,660	–	–	6,579	–	–	–	69,239
John Lonsdale[(d),(h)]	Member – Payments System Board	–	–	–	–	–	–	–	–
Deborah Ralston	Member – Payments System Board	62,660	–	–	6,579	–	–	–	69,239
Greg Storey	Member – Payments System Board	62,660	–	–	6,579	–	–	–	69,239
Catherine Walter[(i)]	Member – Payments System Board	10,987	–	–	1,154	–	–	–	12,141
External Appointments to the Reserve Bank Board Audit Committee[(j)]									
Sandra Birkensleigh	Member – Reserve Bank Board Audit Committee	11,530	–	–	1,211	–	–	–	12,741
Rahoul Chowdry	Member – Reserve Bank Board Audit Committee	11,530	–	–	1,211	–	–	–	12,741

(a) Remuneration of Key Management Personnel are in relation to the Reserve Bank of Australia entity only.

(b) Commenced 19 July 2022.

(c) Retired from the Reserve Bank Board on 6 May 2023.

(d) The Secretary to the Treasury, as a member of the Reserve Bank Board, and the Chair of APRA, as a member of the Payments System Board, are not remunerated.

(e) Appointed to the Reserve Bank Board on 7 May 2023.

(f) Retired from the Payments System Board on 30 October 2022.

(g) Ms Gina Cass-Gottlieb is not remunerated as a member of the Payments System Board following her appointment as Chair of the ACCC.

(h) Appointed to the Payments System Board on 1 November 2022.

(i) Retired from the Payments System Board on 2 September 2022.

(j) External appointments to the Reserve Bank Board Audit Committee are not Key Management Personnel of the Reserve Bank of Australia but have been included for consistency of disclosure alongside the reported remuneration of Non-Executive Members of the Reserve Bank Board who are also members of the Reserve Bank Board Audit Committee.

Name	Position title	Short-term benefits			Post-employment benefits	Other long-term benefits			
		Base salary[1]	Bonuses	Other benefits and allowances[2]	Superannuation contributions[3]	Long service leave[4]	Other long-term benefits	Termination benefits	Total remuneration[5,6]

Notes

1. The 'Base salary' column is prepared on an accrual basis and includes gross fees or salary earned while working plus annual leave accrued and the cost of revaluing accrued leave entitlements in the case of Reserve Bank Executives.
2. The 'Other benefits and allowances' column includes benefits that form part of an individual's remuneration package. This includes, for eligible members of staff, motor vehicle benefits, car parking and health benefits plus the related fringe benefits tax on these benefits.
3. The 'Superannuation contributions' column is calculated as: contribution amounts for individuals who are eligible for a defined contribution arrangement in a defined contribution scheme; and for individuals who are in a defined benefit arrangement, an amount equal to 15.4 per cent of superannuable salary plus any employer productivity contributions.
4. The 'Long service leave' column is calculated as long service leave accrued plus the cost of revaluing accrued leave entitlements.
5. Total remuneration does not include non-superannuation post-employment benefits, which are included in the reported total remuneration of Key Management Personnel in the notes to the financial statements.
6. Reported total remuneration for the positions of Governor and Deputy Governor differs from the remuneration determined by the Remuneration Tribunal by the net accrual of leave and the revaluation amount of accrued leave entitlements. In addition, the reported base salary of the Governor was, on an accrual basis, higher than the prior year due in part to the reduction in the daily rate of pay in 2021/22 to account for there being an additional fortnightly pay period during 2021/22 (which occurs each 11 years). This was to ensure the cash salary paid to the Governor in 2021/22 was consistent with the annual rate determined by the Remuneration Tribunal.

Remuneration of Senior Executives

Remuneration received in 2022/23($)[(a)]

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Total remuneration bands	Number of senior executives	Average base salary[1]	Average bonuses	Average other benefits and allowances[2]	Average superannuation contributions[3]	Average long service leave[4]	Average other long-term benefits	Average termination benefits	Average total remuneration
$0 to $220,000	8	86,051	–	12,371	14,726	4,846	–	–	117,994
$270,001 to $295,000	1	156,604	–	38,306	54,697	34,609	–	–	284,216
$320,001 to $345,000	2	229,531	–	38,306	42,945	23,628	–	–	334,410
$345,001 to $370,000	1	265,944	–	38,306	46,835	16,058	–	–	367,143
$370,001 to $395,000	6	277,719	–	36,354	49,918	21,234	–	–	385,225
$395,001 to $420,000	7	288,649	–	38,237	53,397	23,065	–	–	403,348
$420,001 to $445,000	8	315,128	–	38,245	55,172	23,957	–	–	432,502
$445,001 to $470,000	1	322,366	–	38,306	59,971	33,494	–	–	454,137
$470,001 to $495,000	5	348,266	–	38,306	59,959	36,813	–	–	483,344
$495,001 to $520,000	1	395,338	–	38,306	46,975	15,982	–	–	496,601
$520,001 to $545,000	1	438,963	–	38,306	48,093	8,767	–	–	534,129
$545,001 to $570,000	4	417,687	–	38,197	63,698	37,356	–	–	556,938
$570,001 to $595,000	1	432,362	–	38,306	64,655	50,808	–	–	586,131
$620,001 to $645,000	2	477,269	–	38,063	77,002	38,657	–	–	630,991
$770,001 to $795,000	2	314,513	–	381,041	53,501	34,278	–	–	783,333

(a) Each row shows an average figure based on the number of individuals within each remuneration band based on total remuneration earned; a Senior Executive for the purpose of this table is a member of staff holding a position of Head of Department or Deputy Head of Department (or equivalent).

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Total remuneration bands	Number of senior executives	Average base salary[1]	Average bonuses	Average other benefits and allowances[2]	Average superannuation contributions[3]	Average long service leave[4]	Average other long-term benefits	Average termination benefits	Average total remuneration

Notes

1. The 'Base salary' column is prepared on an accrual basis and includes gross salary earned while working plus annual leave accrued and the cost of revaluing accrued leave entitlements.
2. The 'Other benefits and allowances' column includes benefits that form part of an individual's remuneration package. This includes, for eligible members of staff, motor vehicle benefits, car parking and health benefits plus the related fringe benefits tax on these benefits. For staff located inter-state or overseas, this may also include allowances and accommodation benefits plus the related fringe benefits tax on these benefits.
3. The 'Superannuation contributions' column is calculated as: contribution amounts for individuals who are eligible for a defined contribution arrangement in a defined contribution scheme; and for individuals who are in a defined benefit arrangement, an amount equal to 15.4 per cent of superannuable salary plus any employer productivity contributions.
4. The 'Long service leave' column is calculated as long service leave accrued plus the cost of revaluing accrued leave entitlements.

Remuneration of Other Highly Paid Staff

Remuneration received in 2022/23($)[(a)]

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
Total remuneration bands	Number of other highly paid staff	Average base salary[1]	Average bonuses	Average other benefits and allowances[2]	Average superannuation contributions[3]	Average long service leave[4]	Average other long-term benefits	Average termination benefits	Average total remuneration
$240,000 to $245,000	20	186,685	–	13,901	33,338	8,792	–	–	242,716
$245,001 to $270,000	67	185,964	139	25,738	32,227	9,300	–	2,555	255,923
$270,001 to $295,000	40	203,100	301	28,597	36,010	13,118	–	–	281,126
$295,001 to $320,000	24	225,560	–	17,132	37,546	14,117	–	10,238	304,593
$320,001 to $345,000	8	214,601	–	68,269	35,476	13,832	–	–	332,178
$345,001 to $370,000	3	218,437	–	87,503	39,203	11,836	–	–	356,979
$395,001 to $420,000	2	304,778	–	15,993	50,705	36,769	–	–	408,245
$420,001 to $445,000	2	175,860	–	147,720	30,055	6,492	–	65,954	426,081
$470,001 to $495,000	1	217,020	–	220,027	41,478	12,866	–	–	491,391
$595,001 to $620,000	1	171,279	–	394,065	33,287	9,355	–	–	607,986
$695,001 to $720,000	1	236,375	–	397,448	46,820	24,862	–	–	705,505
$795,001 to $820,000	1	187,465	–	572,645	33,436	7,737	–	–	801,283
$895,001 to $920,000	1	221,668	–	631,288	39,357	17,277	–	–	909,590

(a) Each row shows an average figure based on the number of individuals within each remuneration band based on total remuneration earned.

Notes

1. The 'Base salary' column is prepared on an accrual basis and includes gross salary earned while working plus annual leave accrued and the cost of revaluing accrued leave entitlements.
2. The 'Other benefits and allowances' column includes benefits that form part of an individual's remuneration package. This includes, for eligible members of staff, motor vehicle benefits and health benefits plus the related fringe benefits tax on these benefits. For staff located interstate or overseas, this may also include allowances and accommodation benefits plus the related fringe benefits tax on these benefits.
3. The 'Superannuation contributions' column is calculated as: contribution amounts for individuals who are eligible for a defined contribution arrangement in a defined contribution scheme; and for individuals who are in a defined benefit arrangement, an amount equal to 15.4 per cent of superannuable salary plus any employer productivity contributions.
4. The 'Long service leave' column is calculated as long service leave accrued plus the cost of revaluing accrued leave entitlements.

3.3 Risk Management

To achieve its strategic objectives and policy goals, the Reserve Bank needs to clearly and effectively manage risk. Accordingly, the Bank uses a Risk and Compliance Management Framework to identify and manage enterprise-wide and emerging risks in line with the Bank's risk appetite. This framework is overseen by the Risk Management Committee.

Objectives and governance structure

The Reserve Bank, like any organisation, cannot achieve its objectives without taking some risk. To help manage risk, the Bank has implemented the 'three lines model':

- The 'first line' are departments – as 'risk owners', departments are responsible for evaluating their risk environment, putting in place appropriate controls and ensuring these controls are implemented effectively.
- The 'second line' is Risk and Compliance Department – it provides additional expertise, monitoring and challenge, particularly in areas where the inherent risks are higher.
- The 'third line' is Audit Department – it provides independent assurance and advice.

The Bank identifies, assesses and manages risk at both an enterprise ('top-down') and business ('bottom-up') level. Risks are managed to a level that is consistent with the Bank's risk appetite, as articulated by the Bank's management. The Bank supports and promotes the development and maintenance of an active risk management culture that acknowledges the need for careful analysis and management of risk in all business processes.

Oversight of the Bank's arrangements for risk management is undertaken by the Risk Management Committee (RMC). The RMC is chaired by the Deputy Governor and comprises: the Assistant Governors for Business Services, Corporate Services and Financial Markets groups; the Chief Risk Officer; the Chief Financial Officer; the Chief Information Officer; the Heads of the Audit, Human Resources and Information departments; and the General Counsel. The RMC meets at least six times each year and informs the Executive Committee and the Reserve Bank Board Audit Committee of its activities.

The RMC is responsible for ensuring the proper assessment and effective management of all the risks faced by the Reserve Bank, with the exception of those arising directly from its monetary and financial stability policies and payments policy functions. These risks remain the responsibility of the Governor, the Reserve Bank Board and the Payments System Board. The risks associated with the Bank's ownership of Note Printing Australia Limited (NPA) are overseen by the Reserve Bank Board, while the risks of operating NPA are overseen by the NPA Board and management.

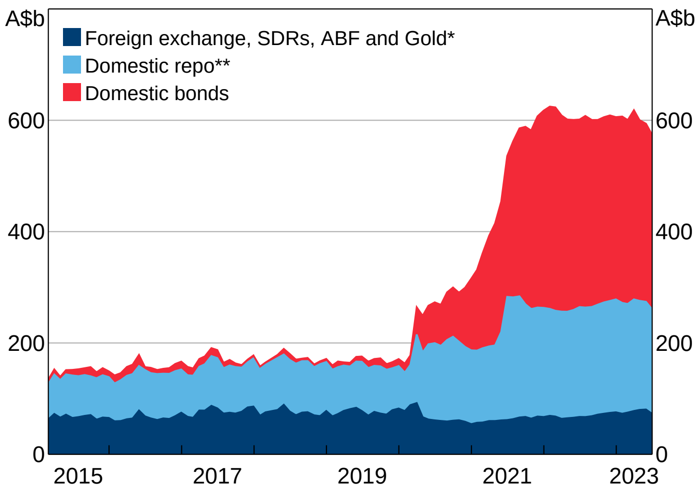
The RMC is assisted in its responsibilities by Risk and Compliance Department (which is headed by the Chief Risk Officer). The Department also assists individual business areas manage their risk and compliance environment effectively within a framework that is consistent across the Bank. It monitors risk and performance associated with the Bank's activities in financial markets and supports the business areas by implementing Bank-wide control frameworks covering fraud, bribery and corruption, business continuity and compliance-related risks. The Chief Risk Officer reports directly to the Deputy Governor and the Reserve Bank Board Audit Committee.

Audit Department undertakes a risk-based audit program to provide independent assurance that risks are identified and that key controls to mitigate these risks are well designed, implemented and working effectively. The Head of Audit Department reports to the Deputy Governor and the Reserve Bank Board Audit Committee. Audit Department's work is governed by the Audit Department Charter, which is approved by the Audit Committee.

Portfolio risks

The Reserve Bank holds domestic and foreign currency denominated financial instruments to support its operations in financial markets, in pursuit of its policy objectives. These instruments account for the majority of the Bank's assets and expose its balance sheet to financial risks. The primary responsibility for managing these risks rests with Financial Markets Group. Risk and Compliance Department monitors these risks and assesses compliance with the approved risk framework. Within this framework, compliance with financial management guidelines and developments in portfolio risks are reported to the RMC.

Composition of RBA Settled Portfolio



* SDRs refer to Special Drawing Rights, and ABF refers to investments in the Asian Bond Fund.

** Domestic repo is valued based on cash lent under repo. Other assets are valued at market value.

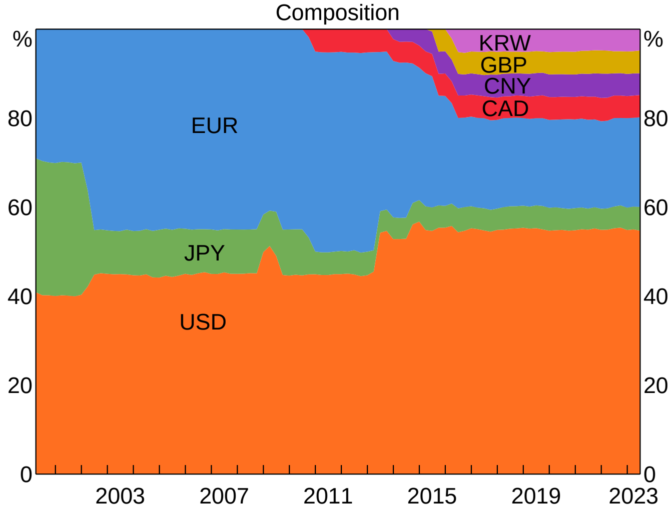
Source: RBA.

Exchange rate risk

The Bank is exposed to exchange rate risk, as some of its assets are denominated in foreign currency while most of its liabilities are denominated in Australian dollars. Foreign currency assets consist of outright foreign exchange holdings, assets funded by foreign exchange swaps, Special Drawing Rights (see Chapter 2.5 International Financial Cooperation) and units in the Asian Bond Fund (an investment that is managed externally by the Bank for International Settlements). Outright foreign exchange holdings remain the largest component of foreign currency assets. As these assets are held for policy purposes, the Bank does not seek to eliminate or hedge the associated foreign exchange exposure. However, the Bank mitigates some of this risk by diversifying these assets across various currencies. The foreign portfolio has target shares of 55 per cent in US dollars (USD), 20 per cent in euros (EUR) and 5 per cent each in Japanese yen (JPY), Canadian dollars (CAD), UK pound sterling (GBP), Chinese renminbi (CNY) and South Korean won (KRW). These shares have been unchanged since 2016. The portfolio composition reflects the Bank's risk appetite and desired liquidity. Some limited deviation from target currency shares is permitted to simplify management and minimise transaction costs.

Foreign Portfolio

Composition



* Excludes assets funded by foreign exchange swaps.

Source: RBA.

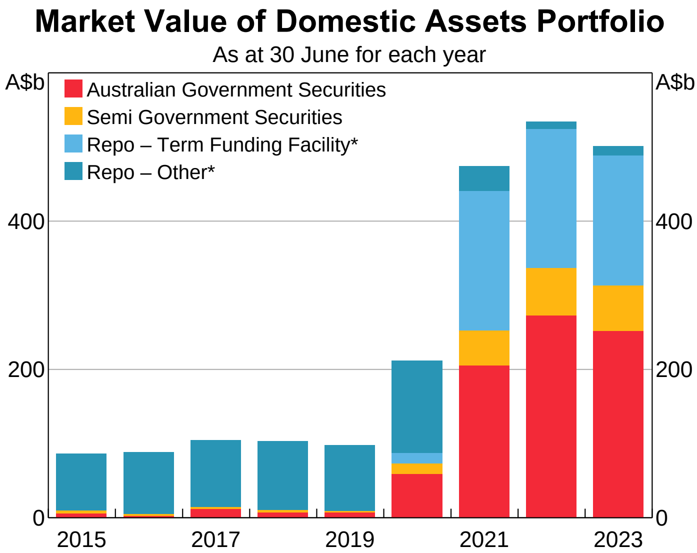
The Australian dollar value of the Bank's outright foreign exchange holdings increased modestly over 2022/23 owing to an overall depreciation of the Australian dollar against the currencies held. Based on the size of the outright foreign exchange portfolio as at 30 June 2023, a 10 per cent appreciation of the Australian dollar would result in a mark-to-market loss of $4.2 billion, which is little changed from the previous year.[1]

Interest rate risk

The value of the Bank's financial assets is also exposed to movements in market interest rates. Interest rate risk on the Bank's portfolio declined over 2022/23, reflecting a fall in the remaining maturity of assets on the Bank's balance sheet. However, interest rate risk on the domestic portfolio remains at a historically high level because of the large increase in outright bond holdings and outstanding Term Funding Facility (TFF) repos since early 2020.

Total holdings of domestic securities decreased by $33 billion over 2022/23 to $501 billion. Domestic securities held outright decreased by $23 billion to $314 billion, while the value of repurchase agreements (repos) decreased by $10 billion to $188 billion.

[1] Based on the Reserve Bank's total foreign exchange reserves exposure (including outright holdings of foreign exchange, Special Drawing Rights, gold and the Asian Bond Fund) as at 30 June 2023, a 10 per cent appreciation of the Australian dollar would result in a mark-to-market loss of $5.8 billion, up slightly from the previous year.

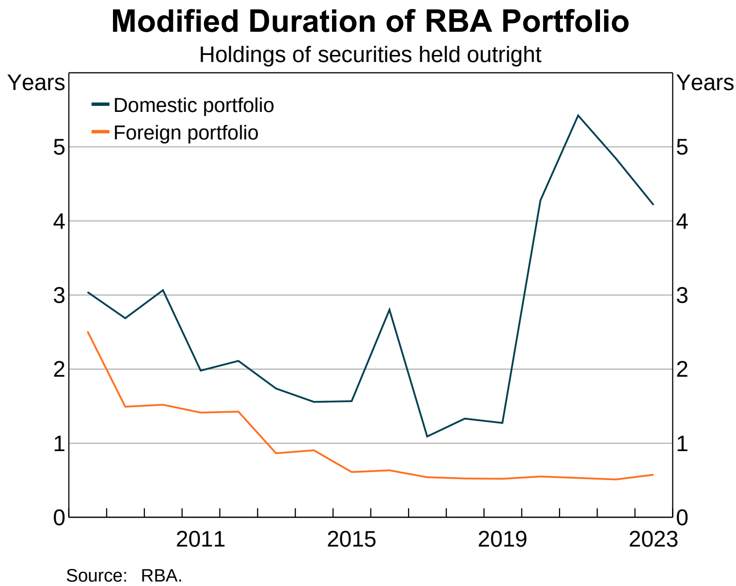


* Domestic repo is valued based on cash lent under repo.

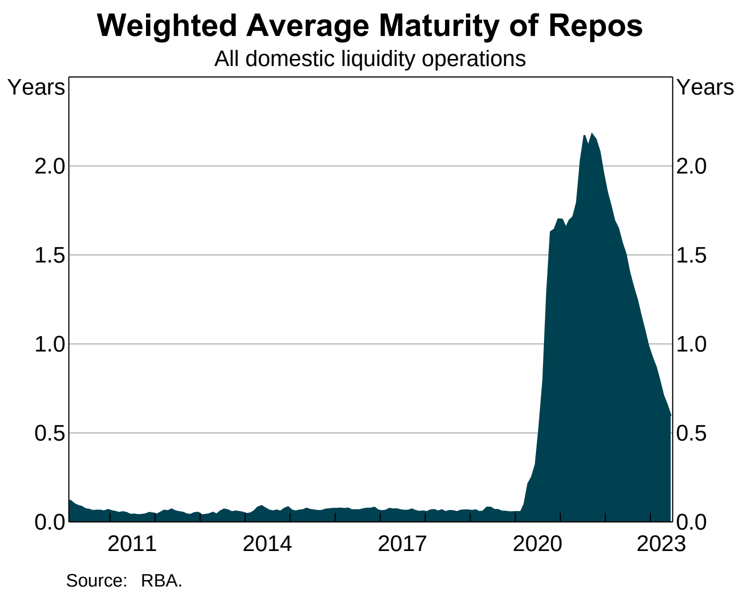
Source: RBA.

The expansion in securities held outright between early 2020 and early 2022 was a result of the Reserve Bank's policy actions to support the Australian economy during the COVID-19 pandemic. These included purchases of Australian Government and state and territory securities in the secondary market to address dysfunction in the government bond market, support the three-year yield target and as part of the bond purchase program (which focused on the 5–10 year segment of the yield curve). The Bank ceased all bond purchases under these programs in February 2022. Over the past year, assets held outright have declined, principally as some of the purchases made during the pandemic began to mature but also due to lower valuations as bond yields have risen.

The interest rate sensitivity of outright holdings in the domestic portfolio, as measured by modified duration, decreased from around five years to 4.2 years over 2022/23. The Bank's current approach is to hold these bonds until maturity, rather than selling them prior to that, in accordance with a decision of the Reserve Bank Board in May 2023. Under the current approach, the return the Bank will earn on these bonds will be determined by the yield on each bond at the time of purchase and will not change with valuation gains or losses that result from fluctuations in yields (see Chapter 3.4 Earnings, Distribution and Capital).



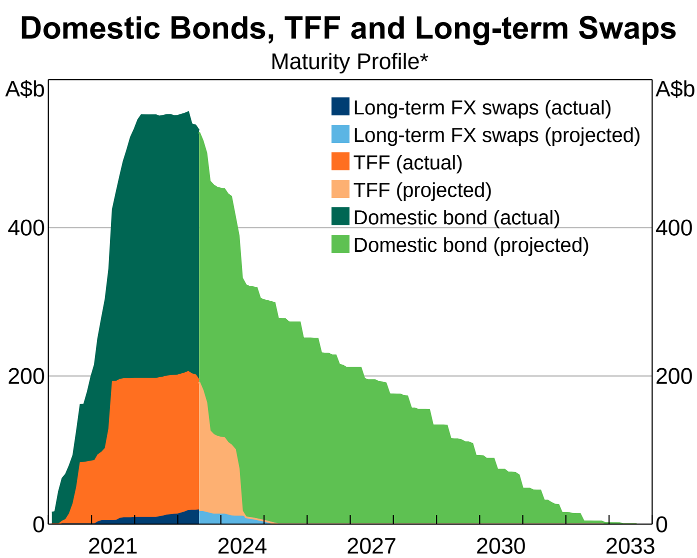
The $10 billion decline in the value of repos over the past year was driven by the maturing of repos extended as part of the TFF. Under the TFF, the Bank provided three-year funding to authorised deposit-taking institutions (ADIs) under repurchase transactions between April 2020 and June 2021. The average term of all outstanding repos decreased over 2022/23, from 18 months to seven months, as the remaining term to maturity of outstanding repos under the TFF decreased.



The Bank's foreign portfolio is comprised of assets denominated in the seven reserve currencies. Each asset portfolio is managed relative to a benchmark portfolio, with duration targets that reflect the Bank's long-term appetite for interest rate risk and return. These targets are reviewed periodically. During 2022/23, duration targets were unchanged in all seven asset benchmark portfolios. The current duration targets are:

18 months for the CNY and KRW portfolios; six months for the EUR, CAD and USD portfolios; three months for the GBP portfolio; and less than three months for the JPY portfolio. The low levels of duration in the foreign portfolio have protected the Bank from the large increase in interest rates in many foreign markets over 2022/23. Some limited variation in actual portfolio duration from these duration targets is permitted, to reduce transaction costs and provide scope for staff to enhance portfolio returns. The weighted-average benchmark duration target for the Bank's total foreign portfolio was unchanged over 2022/23 at 6.75 months.

The Bank is also exposed to interest rate risk owing to a maturity mismatch between assets and liabilities. This risk has increased substantially since 2020, when the Bank implemented its policy response to the pandemic – the TFF and bond purchase program caused Exchange Settlement (ES) account balances to increase significantly. ES balances then continued to rise as the Bank increased gross foreign exchange reserves by entering into long-term foreign exchange swaps that lend AUD against USD and JPY. These swaps have maturities of up to three years and are used to fund the Bank's commitments to the International Monetary Fund (IMF) (see Chapter 2.2 Operations in Financial Markets). Interest paid on ES balances, as well as deposits held by the Australian Government and its agencies, is based on an overnight rate that reflects the Bank's monetary policy settings. This rate increased by 325 basis points over 2022/23 as the Reserve Bank Board tightened monetary policy. Historically, this interest cost has been broadly offset by interest earnings on the domestic asset portfolio, which is mostly comprised of short-term repos earning close to the overnight cash rate. However, changes in the composition of the Bank's balance sheet in recent years mean earnings on most of the Bank's current asset holdings are now fixed; TFF repos earn a fixed rate over three-year terms, government bond holdings earn a fixed yield if held to maturity and long-term foreign exchange swaps attract a fixed rate on the AUD provided under swap. The mismatch in maturity between much of the Bank's domestic assets and liabilities is expected to persist until these fixed-rate assets mature. Banknotes on issue have remained a constant share of liabilities over the year, at 16 per cent, and carry no interest cost to the Bank.



* Assumes no further bond, TFF or long-term FX swap activity as of 30 June 2023.

Source: RBA.

Credit risk

Credit risk is the potential for financial loss arising from the default of a debtor or issuer, or from a decline in asset values following a deterioration in credit quality. The Bank manages its credit exposure by applying a strict set of eligibility criteria to its holdings of financial assets and to counterparties with which it is willing to transact.

The Bank is exposed to very little issuer credit risk on its outright holdings of domestic securities as it invests only in securities issued by the Australian Government or by state and territory government borrowing authorities. The Bank is exposed to a small amount of counterparty credit risk on domestic assets that are held under repo. The Bank would face a loss only if a counterparty failed to repurchase securities sold to the Bank under repo *and* the market value of the securities fell below the agreed repurchase amount. The Bank manages this exposure by requiring these securities to meet certain eligibility criteria and by applying an appropriate margin to the securities, which reduces the risk profile faced by the Bank. The required margin is maintained throughout the term of the repo through daily margining.

Alongside the establishment of the TFF in March 2020, the Bank relaxed constraints on certain ADIs posting eligible self-securitised asset-backed securities (ABS) – called 'self-securitisations' – as collateral.[2] Previously, only ADIs with access to the Committed Liquidity Facility were permitted to post self-securitisations as collateral under the Bank's standing facilities. However, under the TFF, any eligible self-securitisation could be presented as collateral. Following this adjustment to the policy, ADIs' use of self-securitisations as collateral increased significantly. These securities are related to the counterparty presenting them as collateral in a repo, implying that a default by the counterparty may be associated with a decline in the value of the securities held as collateral. However, this risk is mitigated because the issuing trust is bankruptcy remote,[3] the securities must be rated AAA and the Bank applies a relatively high margin. Unlike other types of securities accepted as collateral in the Bank's operations, these securities are not typically traded in the market as they are held by ADIs solely for the purpose of accessing central bank liquidity. Risk and Compliance Department typically values these securities based on a pricing model that references the public ABS market. When the TFF was established, the Bank froze prices of eligible self-securitisations until early 2023 for the purpose of valuing collateral accepted under repo. This was to ensure that modelled prices were not unduly affected by potential volatility in public ABS arising from the pandemic. Self-securitisation prices were unfrozen in March 2023.

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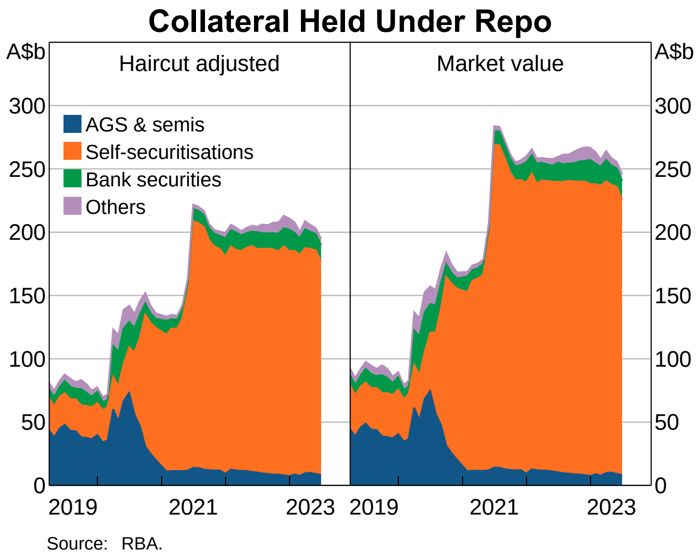
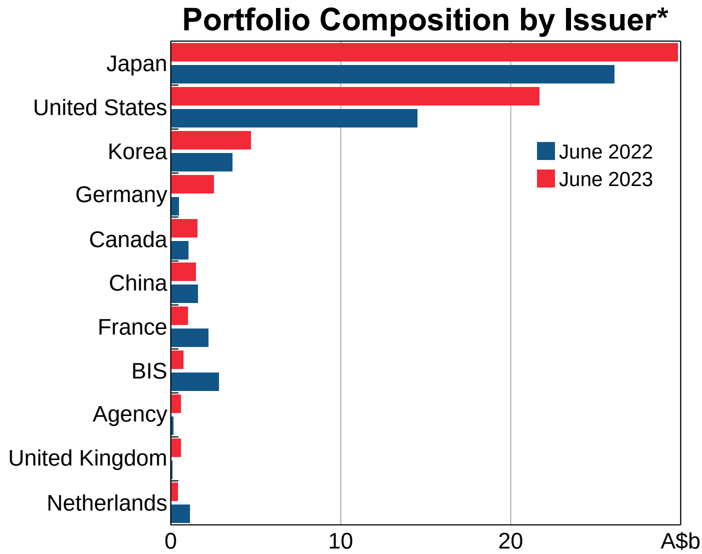
[2] ABS are debt securities issued by a trust that are backed by a pool of assets such as residential mortgages. Investors that purchase the securities receive income funded by the principal and interest payments from the pool of assets. Self-securitisations are a type of ABS. A distinguishing feature of self-securitisations is that notes issued from the trust are typically not sold to the public; rather, they are held by the ADI that issued them to use as collateral to access central bank liquidity. The Bank accepts securities issued by eligible self-securitisations as collateral.

[3] That is, the assets sold into the trust are not at risk if the counterparty that sold those assets into the trust becomes bankrupt.



Counterparties to the Bank's dealings in policy operations in the domestic market must be: members of RITS; subject to an appropriate level of regulation; and able to settle transactions within the Austraclear system. Certain counterparties must also demonstrate a material connection to the bond and/or repo markets and be creditworthy to be eligible. Repo transactions with the Bank are governed by a Global Master Repurchase Agreement.

Investments in the Bank's foreign currency portfolio are typically confined to highly rated and liquid securities, as well as deposits with foreign central banks. The majority of the Bank's outright holdings are securities issued by the national governments of the United States, Germany, France, the Netherlands, Japan, Canada, the United Kingdom, China and South Korea, with modest holdings of securities issued by highly rated supranational institutions and government-owned agencies. Gross holdings of JPY-denominated assets remained the largest share of the Bank's foreign currency issuer exposures at 30 June 2023. The majority of these assets are funded under short-term foreign exchange swaps between JPY and other currencies in the Bank's portfolio. When the cost of hedging currency risk under short-term foreign exchange swaps is taken into account, yields on short-dated Japanese investments have generally been higher than those available in the other currencies in the Bank's portfolio (see Chapter 2.2 Operations in Financial Markets). A limit on the size of exposures to individual currencies serves to mitigate concentration risk.



* Includes assets held outright, funded by foreign exchange swaps, and held under repurchase agreements.

Source: RBA.

The Bank holds a portion of its foreign currency portfolio in short-term repos. This exposes the Bank to the small amount of residual credit risk that is inherent in repos, as noted above. The Bank manages this risk by requiring 2 per cent over-collateralisation, which is maintained through two-way margining in the local currency, and by accepting only high-quality and liquid securities as collateral. Credit exposure on foreign repos is further managed by imposing limits on individual counterparty exposures and by requiring execution of a Global Master Repurchase Agreement (or Master Repurchase Agreement where appropriate) with each counterparty.

The Bank undertakes foreign exchange and gold swaps as part of its policy operations, and as a means of enhancing returns on the foreign currency portfolio. The Bank commenced transacting in long-term foreign exchange swaps in February 2021 to manage existing and future foreign currency commitments to the IMF. The size of this foreign exchange swap position continued to increase during 2022/23 due to transactions with the IMF that increased Australia's holdings of Special Drawing Rights. These transactions involved swapping Australian dollars into USD or JPY for terms of up to three years. IMF commitments were previously funded from foreign currency reserves held outright.

Credit risk on foreign exchange and gold swaps is managed by transacting only with counterparties that meet strict eligibility criteria, including the requirement to have executed with the Reserve Bank an International Swaps and Derivatives Association agreement with a credit support annex. Exposures generated by movements in market exchange and interest rates and gold prices are managed through daily two-way margining in Australian dollars.

In addition to gold swaps, the Bank undertakes some limited lending of its gold holdings. This lending is either fully collateralised or with borrowers that have government support. As at 30 June 2023, 3 tonnes of gold, valued at $0.3 billion, was on loan.

Operational risk

The Reserve Bank faces a diverse range of operational risks arising from its responsibilities as Australia's central bank. The Bank's risk appetite is defined as the amount of risk that the Bank is prepared to accept when pursuing its strategic goals and can be expressed on a scale that ranges from 'high appetite' to 'no appetite'. For example, the Bank has a high risk appetite for the exploration and expansion of analysis and decisions to effectively support decision-making, but no risk appetite for employees to engage in acts of fraud or corruption.

The Bank's Risk Management Policy, which captures its risk appetite across its activities, was updated in August 2023 to capture learnings from a service outage in 2022 (see below).[4] The policy aims to ensure that we manage risk to the best of our ability to enable the successful achievement of the Bank's objectives.

The most significant operational risks the Bank is exposed to arise from:

- the management of its people and culture, including safety and wellbeing, talent, and risk culture
- transacting in financial markets to implement monetary policy
- maintaining the infrastructure to facilitate real-time interbank payment and settlement services through RITS and the Fast Settlement Service
- providing banking facilities for government entities, including the Australian Taxation Office, Medicare and Centrelink
- the provision of safe, secure and reliable Australian banknotes.

The Bank's activities are highly dependent on information technology (IT) systems, and the Bank's risk management and control framework supports an ongoing focus on managing the risks associated with complex IT systems. The IT Department collaborates with relevant business areas to facilitate the monitoring, assessment and management of IT-related risks and ensures IT-related initiatives are consistent with the Bank's Corporate Plan. This work is supported by ongoing evaluation of industry developments, to ensure the Bank's systems and procedures remain robust and conform to current IT standards.

The Bank has a strong focus on the security of its technology and operational systems. Cyber resilience is a key operational risk and this is managed by staff at all levels of the Bank. Protecting digital assets from cybersecurity threats is a priority for the Bank, alongside providing a high-quality IT service. The Bank remains committed to a mature implementation of the Australian Signals Directorate Information Security Manual and relevant security standards, introducing innovative security technologies and proactively searching for emerging threats to continually meet the Bank's strategic cyber resilience objectives. The Bank continues to work with peer central banks, the Australian Government and industry participants to increase the cyber resilience of national and international financial systems.

The Bank invests in significant security controls and risk assurance functions, which are supported by a regular assessment regime. The Bank receives regular independent assurance of its compliance with security strategies endorsed by the Australian Signals Directorate and maintains independent certification for the ISO 27001 global standard for Information Security Management.

Following a service outage in late 2022, the Bank commissioned two independent external reviews. One of these considered the technical factors that contributed to the outage. This review identified a range of improvements to strengthen the control environment around the management of technology infrastructure.

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[4] See RBA (2023), 'Risk Management Policy', August.

The other considered a broader range of factors that impacted on the Bank's ability to operate RITS as a highly available and resilient service, including: the operating framework, processes, roles and responsibilities; people and culture; and risk management and governance. This review acknowledged both the strong culture of risk awareness at the Bank and the steps taken over recent years to uplift risk frameworks and arrangements. However, it identified further action to effectively implement, embed and uplift the Bank's risk management practices.[5] Work is now underway to address the recommendations from this review.

During the past year, the Bank continued to direct substantial resources towards the delivery or completion of several large and complex multi-year projects. The most significant of these is the renovation of the Head Office at 65 Martin Place, Sydney. There are also several large IT projects underway to improve the Bank's resilience and security. Successfully completing and embedding these projects will ensure high-quality services are maintained for the Bank's clients and the Australian public. Project risks are managed to ensure that adequate resources are available, nominated project deadlines are met and change management is effective. Project steering committees play an important role in overseeing the management of these risks.

The Bank manages risks related to the handling of confidential and sensitive information to ensure there are no unintended disclosures. While the primary focus is on ensuring sufficient controls exist to prevent a breach occurring, the risk and control framework also seeks to ensure the Bank can respond appropriately should a breach occur.

The Bank does not tolerate dishonest or fraudulent behaviour and is committed to deterring and preventing such behaviour. It takes a very serious approach to cases, or suspected cases, of fraud. All staff involved in financial dealing have well-defined limits to their authority to take risks or otherwise commit the Bank. These arrangements are further enhanced by the separation of front-, back- and middle-office functions, where staff involved in trading, settlement and reconciliation activity remain physically apart and have separate reporting lines. For non-trading activities, several layers of fraud control are in place. A clear decision-making hierarchy, separation of duties and physical controls over systems and information have been established and are subject to regular review. The Bank requires all staff to undertake fraud awareness training periodically. The Bank has arrangements in place for staff and members of the public to report any concerns anonymously. All concerns are fully investigated. During 2022/23, there were no reported instances of fraud by employees.

The Bank remains committed to maintaining and strengthening a workplace culture in which employees uphold the highest standards of behaviour. The Code of Conduct sets out requirements of the Bank's employees and others who are involved in its activities. The Bank has arrangements in place for staff to report concerns about breaches of the Code of Conduct, including channels through which concerns can be reported anonymously.

The effective management of compliance risk is central to the Bank's activities. Supporting this, staff complete regular training on areas such as privacy and workplace health and safety. Risk and Compliance Department collaborates with all business areas to ensure compliance risks are being managed effectively. It also keeps the RMC informed about the level of compliance in key areas.

Notwithstanding these measures, events can occur from time to time that may lead to service disruption or to financial or other costs. Timely reports on incidents and 'near misses' are provided to the RMC. These reports outline the circumstances (including impact and cause) and identify areas where new controls may be needed, where existing controls should be strengthened or where more significant innovation efforts might be well placed.

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[5] Deloitte (2023), 'Independent Review of the October 2022 Reserve Bank Information and Transfer System (RITS) Outage – Final', April.

The Bank continued to act as the administrator of the Guarantee of State and Territory Borrowing until the final security under this scheme reached maturity in early-May 2023. A total of $429.6 million in fees was collected for the guarantees of state and territory borrowing since the scheme commenced in 2009, with $0.6 million collected in 2022/23.

Business resilience

The resilience of critical business function is a strategic priority for the Reserve Bank. The Bank's main objectives in managing its operational resilience are to ensure the safety and wellbeing of staff, to take reasonable steps to minimise the likelihood and impact of disruptions to critical operations, and to keep key stakeholders informed of developments that may impact on the Bank's critical operations and ability to achieve its strategic objectives. The Bank undertakes ongoing testing of its business resilience arrangements to ensure it remains responsive to potential disruptions.

Another major consideration is to maintain business resilience during the renovation of the Bank's Head Office. There is ongoing and extensive communication with staff to ensure they are aware of their roles and responsibilities during the project, and to ensure business contingency response arrangements reflect the change in location of staff during the renovation. The RMC receives regular updates on this project to ensure operational risks are managed effectively.

3.4 Earnings, Distribution and Capital

In 2022/23, the Reserve Bank recorded an accounting loss of $6 billion, mainly due to negative underlying earnings resulting from the higher domestic cash rate and valuation losses from a further rise in bond yields. With the balance in the unrealised profits reserve (UPR) and Reserve Bank Reserve Fund (RBRF) fully depleted from absorbing large losses last year, the accounting loss was added to accumulated losses.

The Bank was in a negative equity position of $17.7 billion on 30 June 2023, compared with $12.4 billion a year earlier. The Reserve Bank Board's judgement continues to be that negative equity does not affect the Bank's ability to operate effectively or perform its functions, but that it is important that the Bank's equity is restored over time. This can be achieved through the Bank retaining its profits over the years ahead.

Earnings and distribution

The Reserve Bank's earnings come from two sources:

- underlying earnings, which includes net interest and fee income less operating costs
- valuation gains or losses on its holdings of government bonds and foreign exchange.

The Bank earns interest on most of its assets but, historically, has paid no interest on a large proportion of its liabilities, namely banknotes on issue. With the substantial increase in Exchange Settlement (ES) balances since the COVID-19 pandemic, the Bank's net interest earnings were negative in 2022/23. This reflects that most of the Bank's domestic assets earn fixed interest rates (at the much lower interest rates that prevailed when those assets were acquired), while the Bank's interest-bearing liabilities (mainly ES balances) are paid a floating interest rate linked to the cash rate. This is expected to remain the case for a few more years, and at least until funds loaned under the Term Funding Facility (TFF) are fully repaid in June 2024.

Valuation gains and losses result from movements in exchange rates or changes in the market yields on securities held outright:

- A depreciation of the Australian dollar or a decline in market yields results in valuation gains.
- An appreciation of the Australian dollar or a rise in market yields leads to valuation losses.

These gains and losses are realised only when the underlying asset is sold or matures.

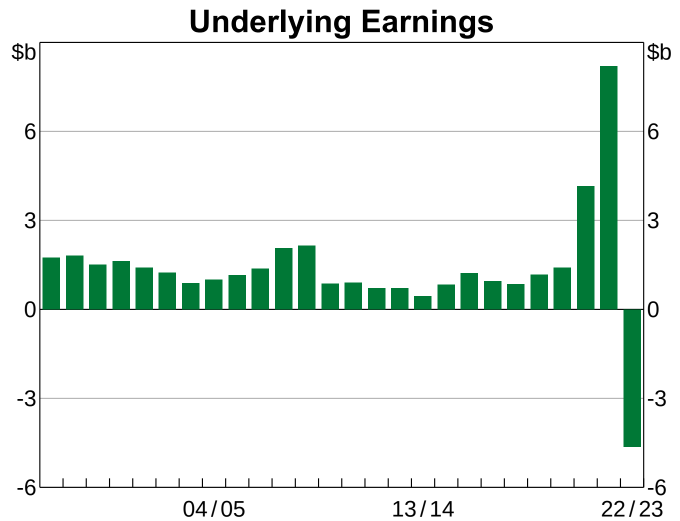
Valuation gains and losses are volatile, as both exchange rates and market interest rates can fluctuate in wide ranges over time.

In 2022/23, the Bank's accounting loss of $6 billion comprised the following:

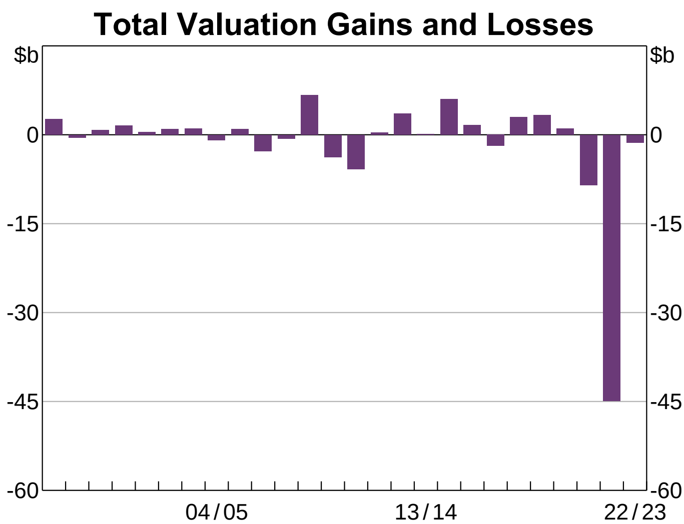
- underlying earnings of –$4.6 billion (compared with $8.2 billion in 2021/22); as noted above, this net expense is because the Bank currently pays a higher interest rate on ES balances than it earns on its portfolio of assets

- unrealised valuation losses of $1.8 billion, mainly reflecting that a rise in bond yields in Australia and abroad was only partially offset by the depreciation of the Australian dollar over the year
- realised valuation gains of $0.4 billion.

With the balance in the UPR and RBRF fully depleted from absorbing large losses last year, the 2022/23 accounting loss was added to accumulated losses on the Bank's balance sheet.



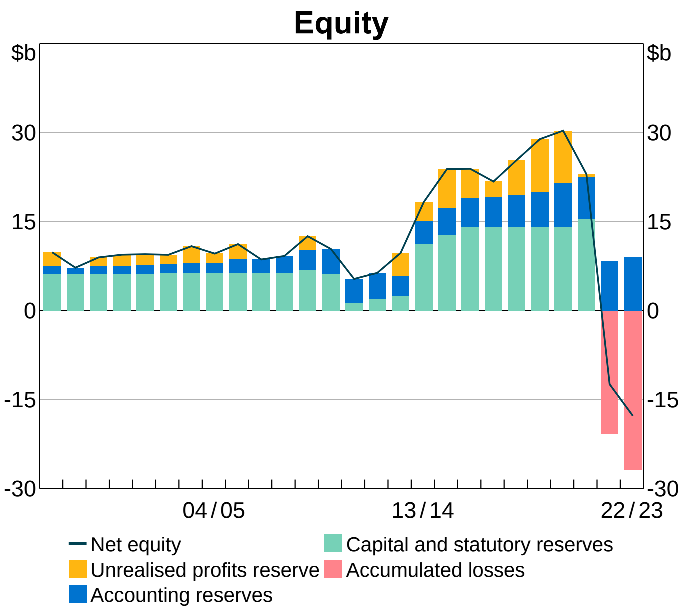
Source: RBA.



Source: RBA.

Capital and reserves

The Reserve Bank was in a negative equity position of $17.7 billion as at 30 June 2023, as accumulated losses on its balance sheet exceeded the combined balance of its other reserves. The Reserve Bank Board's judgement remains that negative equity does not affect the Bank's ability to operate effectively or perform its functions, but that it is important that the Bank's equity is restored over time.



Source: RBA.

For several years, the Board has maintained a formal framework for determining the target balance in the RBRF, which is essentially the Bank's capital. Capital was assigned to market risk arising from the Bank's portfolio of foreign and domestic securities. A small amount of capital was also assigned to credit risk arising from the very small exposures to commercial banks that are not collateralised. The target RBRF balance is not a minimum level of capital, but rather a benchmark for the Board to consider when providing advice to the Treasurer regarding the Bank's capital and dividends. As at 30 June 2023, the RBRF target was $23.2 billion, compared with an actual balance of nil (and accumulated losses recorded elsewhere on the balance sheet of $26.8 billion).

Restoring the Bank's equity can be achieved by the Bank retaining its profits over the years ahead (see below). The Board has communicated its strong expectation to the Australian Government that future distributable earnings would be applied, in full, to offsetting the accumulated losses and restoring the balance of the RBRF to the Board's target. In response, the Treasurer has endorsed the Board's general approach to restoring the equity position over time, while noting any retention of earnings remains at the discretion of the Treasurer in terms of the *Reserve Bank Act 1959*.

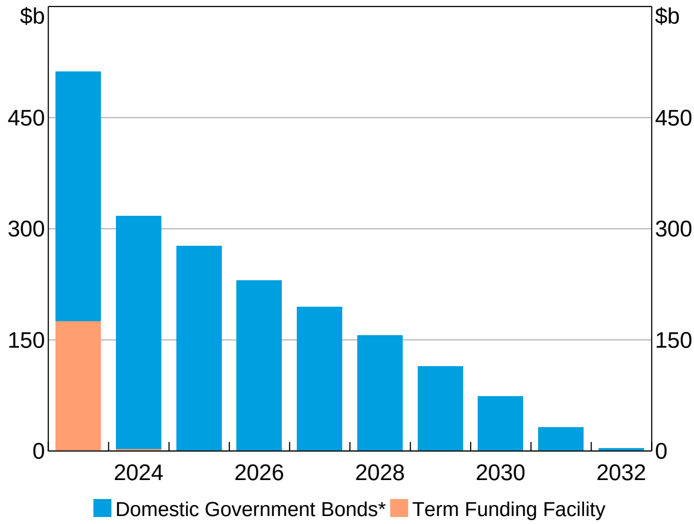
Restoring the Bank's equity

Most of the Bank's domestic bonds are now carried on the balance sheet at a discount to their face value, so that capital gains are expected to be realised as these bonds mature. This will add to the Bank's distributable earnings in future periods. Nevertheless, the Bank's future earnings remain highly uncertain, due to the mismatch between the fixed returns on most of its assets and the variable rate paid on a large portion of its liabilities, notably ES balances. This is especially so in the next financial year, before the bonds purchased to support the three-year yield target mature and funds lent under the TFF are repaid.

Below are four scenarios to illustrate how the Bank's future earnings and net equity position could vary with different assumed policy rate paths. For all scenarios, the cash rate is projected to evolve in line with the market expectations to June 2024 (using overnight index swap rates in late-June 2023), with the margin between the cash rate target and the ES rate assumed constant at its current level of 10 basis points. The projections beyond 2024 assume the ES rate converges to either 1½ per cent, 2½ per cent, 3½ per cent or 4½ per cent.

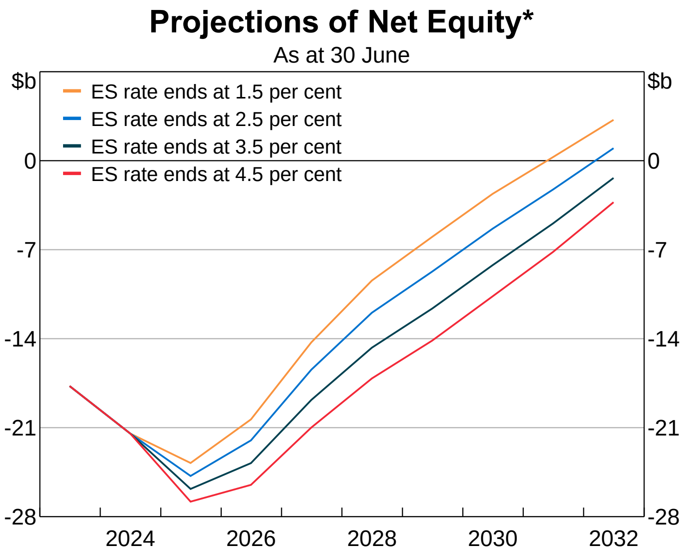
Domestic Fixed Interest Assets

As at 30 June



* Total face value held, assuming all domestic government bonds are held to maturity.

Source: RBA.



* Assuming future distributable earnings will first be applied to offsetting accumulated losses and then to restoring the RBRF to target. In accordance with the Reserve Bank Act, such transfers are to be formally determined by the Treasurer each year.

Source: RBA.

Details of the composition and distribution of the Reserve Bank's profits are presented in the table below.

Composition and Distribution of Reserve Bank Profits

$ million

	Composition of profits[a]				Distribution of profits				
					Transfer to/from(–)				
Financial Year	Underlying earnings	Realised gains or losses (–)[b]	Unrealised gains or losses (–)	Accounting profit or loss (–)	Unrealised profits reserves	Asset revaluation reserves	Reserve Bank Reserve Fund	Dividend payable	Accumulated losses
1997/98	1,750	966	1,687	4,403	1,687	–558	548	2,726	–
1998/99	1,816	2,283	–2,773	1,326	–2,349	–1	–	3,676	–
1999/00	1,511	–708	1,489	2,292	1,489	–	–	803	–
2000/01	1,629	1,200	320	3,149	320	–5	–	2,834	–
2001/02	1,400	479	–11	1,868	–11	–10	–	1,889	–
2002/03	1,238	1,157	–222	2,173	–222	–2	133	2,264	–
2003/04	882	–188	1,261	1,955	1,261	–	–	694	–
2004/05	997	366	–1,289	74	–1,289	–	–	1,363	–
2005/06	1,156	4	933	2,093	933	–17	–	1,177	–
2006/07	1,381	72	–2,846	–1,393	–2,475	–3	–	1,085	–
2007/08	2,068	614	–1,252	1,430	27	–	–	1,403	–
2008/09	2,150	4,404	2,252	8,806	2,252	–	577	5,977	–
2009/10	866	–128	–3,666	–2,928	–2,248	–	–680	–	–
2010/11	897	–1,135	–4,651	–4,889	–23	–	–4,866	–	–
2011/12	710	405	–39	1,076	–20	–	596	500	–
2012/13	723	–135	3,725	4,313	3,725	–	588	–	–
2013/14	9,242[c]	790	–640	9,392	–640	–3	8,800	1,235	–
2014/15	832	2,622	3,434	6,888	3,434	–	1,570	1,884	–
2015/16	1,223	3,389	–1,729	2,883	–1,729	–	1,390	3,222	–
2016/17	960	322	–2,179	–897	–2,179	–4	–	1,286	–

	Composition of profits[a]				Distribution of profits				
					Transfer to/from(–)				
Financial Year	Underlying earnings	Realised gains or losses (–)[b]	Unrealised gains or losses (–)	Accounting profit or loss (–)	Unrealised profits reserves	Asset revaluation reserves	Reserve Bank Reserve Fund	Dividend payable	Accumulated losses
2017/18	845	–176	3,178	3,847	3,178	–	–	669	–
2018/19	1,167	412	2,970	4,549	2,970	–106	–	1,685	–
2019/20	1,399	1,168	–79	2,488	–79	–	–	2,567	–
2020/21	4,157	–240	–8,249	–4,332	–8,249	–1	1,247	2,671	–
2021/22	8,198	–353	–44,545	–36,700	–502	4	–15,366	–	–20,836
2022/23	–4,631	448	–1,769	–5,952	–	–	–	–	–5,952

(a) As originally published.

(b) Excludes gains or losses realised from the sale of fixed assets that had been held in asset revaluation reserves.

(c) Includes the Commonwealth grant of $8,800 million.

Source: RBA.

Governor Philip Lowe (fourth from left) and Emma Costello, Chief Financial Officer (right), sign the Reserve Bank's Financial Statements in the presence of the Auditor-General for Australia Grant Hehir (third from left), Bola Oyetunji, Group Executive Director, Financial Statements Audit Services Group, Australian National Audit Office (second from left) and Anthony Dickman, Reserve Bank Secretary (left)

PART 4

Financial Statements

Financial Statements: Statement of Assurance

In the opinion of the Governor, as the accountable authority of the Reserve Bank of Australia (RBA), and the Chief Financial Officer, the financial statements for the year ended 30 June 2023 present fairly the Reserve Bank's financial position, financial performance and cash flows, comply with the accounting standards and any other requirements prescribed by the rules made under section 42 of the *Public Governance, Performance and Accountability Act 2013* and have been prepared from properly maintained financial records. These financial statements were approved by a resolution of the Reserve Bank Board on 5 September 2023.

Philip Lowe
Governor and Chair, Reserve Bank Board

Emma Costello
Chief Financial Officer

6 September 2023

Financial Statements: Statement of Financial Position

Statement of Financial Position – as at 30 June 2023

Reserve Bank of Australia and Controlled Entity

	Note	2023 $M	2022 $M
Assets			
Cash and cash equivalents	6	664	482
Australian dollar investments	1(b), 15	504,363	538,142
Foreign currency investments	1(b), 15	83,705	66,497
Gold	1(d), 15	7,406	6,772
Property, plant and equipment	1(e), 8	619	744
Other assets	7	1,345	1,137
Total assets		598,102	613,774
Liabilities			
Deposits	1(b), 9	497,790	513,757
Distribution payable to the Commonwealth	1(h), 3	–	–
Australian banknotes on issue	1(b)	101,285	102,345
Other liabilities	10	16,755	10,115
Total liabilities		615,830	626,217
Net (Liabilities)/Assets		**(17,728)**	**(12,443)**
Equity			
Reserves:			
– Unrealised profits reserve	1(g)	–	–
– Asset revaluation reserves	1(g), 5	8,045	7,525
– Superannuation reserve	1(g)	975	828
– Reserve Bank Reserve Fund	1(g)	–	–
Accumulated Losses	1(g)	(26,788)	(20,836)
Capital	1(g)	40	40
Total Equity		**(17,728)**	**(12,443)**

The above statement should be read in conjunction with the accompanying Notes.

Financial Statements: Statement of Comprehensive Income

Statement of Comprehensive Income – for the year ended 30 June 2023

Reserve Bank of Australia and Controlled Entity

	Note	2023 $M	2022 $M
Net interest income	2	(4,252)	8,458
Fees and commission income	2	225	376
Other income	2	168	25
Net gains/(losses) on securities and foreign exchange	2	(1,321)	(44,898)
General administrative expenses	2	(516)	(470)
Other expenses	2	(256)	(191)
Net Profit/(Loss)		(5,952)	(36,700)
Gains/(losses) on items that may be reclassified to profit or loss:			
– Gold		634	750
		634	750
Gains/(losses) on items that will not be reclassified to profit or loss:			
– Property		(141)	(6)
– Superannuation		147	484
– Shares in international and other institutions		27	24
		33	502
Other Comprehensive Income		**667**	**1,252**
Total Comprehensive Income		**(5,285)**	**(35,448)**

The above statement should be read in conjunction with the accompanying Notes.

Financial Statements: Statement of Distribution

Statement of Distribution – for the year ended 30 June 2023

Reserve Bank of Australia and Controlled Entity

	Note	2023 $M	2022 $M
Net profit/(loss)		(5,952)	(36,700)
Transfer from unrealised profits reserve		–	502
Transfer from asset revaluation reserves		–	(4)
Earnings available for distribution		(5,952)	(36,202)
Distributed as follows:			
Transfer (from)/to Reserve Bank Reserve Fund		–	(15,366)
Transfer to accumulated losses		(5,952)	(20,836)
Payable to the Commonwealth	3	–	–
		(5,952)	(36,202)

The above statement should be read in conjunction with the accompanying Notes.

Financial Statements: Statement of Changes in Equity

Statement of Changes in Equity – for the year ended 30 June 2023

Reserve Bank of Australia and Controlled Entity

	Note	Earnings available for distribution	Unrealised profits reserve	Asset revaluation reserves	Superannuation reserve	Reserve Bank Reserve Fund	Accumulated losses	Capital	Total equity
		$M	$M	$M	$M	$M	$M	$M	$M
Balance as at 30 June 2021		–	502	6,753	344	15,366	–	40	23,005
Net Profit/(Loss)	1(h)	(36,198)	(502)						(36,700)
Gains/(losses) on:									
– Gold	1(d), 5			750					750
– Shares in international and other institutions	1(b), 5			24					24
– Property	1(e), 5			(6)					(6)
– Superannuation	1(j)				484				484
Other comprehensive income				768	484				1,252
Total comprehensive income for 2021/22									(35,448)
Transfer from asset revaluation reserves	1(g), 3	(4)		4					–
Transfer from Reserve Bank Reserve Fund		15,366				(15,366)			–
Transfer to accumulated losses		20,836					(20,836)		–
Transfer to distribution payable to the Commonwealth	1(h), 3	–							–

	Note	Earnings available for distribution	Unrealised profits reserve	Asset revaluation reserves	Superannuation reserve	Reserve Bank Reserve Fund	Accumulated losses	Capital	Total equity
		$M	$M	$M	$M	$M	$M	$M	$M
Balance as at 30 June 2022		–	–	7,525	828	–	(20,836)	40	(12,443)
Net Profit/(Loss)	1(h)	(5,952)	–						(5,952)
Gains/(losses) on:									
– Gold	1(d), 5			634					634
– Shares in international and other institutions	1(b), 5			27					27
– Property	1(e), 5			(141)					(141)
– Superannuation	1(j)				147				147
Other comprehensive income				520	147				667
Total comprehensive income for 2022/23									(5,285)
Transfer from asset revaluation reserves	1(g), 3	–		–					–
Transfer from Reserve Bank Reserve Fund		–				–			–
Transfer to accumulated losses		5,952					(5,952)		–
Transfer to distribution payable to the Commonwealth	1(h), 3	–							–
Balance as at 30 June 2023		–	–	8,045	975	–	(26,788)	40	(17,728)

The above statement should be read in conjunction with the accompanying Notes.

Financial Statements: Cash Flow Statement

For the purposes of this statement, cash includes overnight settlement balances due from other banks.

Cash Flow Statement – for the year ended 30 June 2023

Reserve Bank of Australia and Controlled Entity

	Note	2023 Inflow/(outflow) $M	2022 Inflow/(outflow) $M
Cash flows from operating activities			
Interest received		10,364	8,046
Interest paid		(13,317)	(146)
Net fee income received		93	270
Net payments for investments		20,250	(110,603)
Net cash collateral received		309	325
Other		(407)	(439)
Net cash from operating activities	6	17,292	(102,547)
Cash flows from investment activities			
Net payments for property, plant and equipment		(67)	(45)
Net payments for computer software		(10)	(12)
Other		0	0
Net cash from investment activities		(77)	(57)
Cash flows from financing activities			
Distribution to the Commonwealth	3	–	(2,671)
Net movement in deposit liabilities		(15,967)	98,181
Net movement in banknotes on issue		(1,060)	6,860
Other		(6)	(5)
Net cash from financing activities		(17,033)	102,365
Net increase/(decrease) in cash		182	(239)
Cash at beginning of financial year		482	721
Cash at end of financial year	6	664	482

The above statement should be read in conjunction with the accompanying Notes.

Financial Statements: Notes to and Forming Part of the Financial Statements

Reserve Bank of Australia and Controlled Entity

Note 1 – Accounting Policies

The RBA reports its consolidated financial statements in accordance with the *Reserve Bank Act 1959* and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). These financial statements for the year ended 30 June 2023 are a general purpose financial report prepared under Australian Accounting Standards (AAS) and accounting interpretations issued by the Australian Accounting Standards Board, in accordance with the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*, which is issued pursuant to the PGPA Act. The RBA is classified as a for-profit public sector entity for the purposes of financial disclosure. These financial statements comply with International Financial Reporting Standards. Unless otherwise stated in Note 1(p), the RBA has not 'early adopted' any new accounting standards or amendments to current standards that apply from 1 July 2023 in preparing these financial statements.

All amounts in these financial statements are expressed in Australian dollars, the functional and presentational currency of the RBA. All revenues and expenses are brought to account on an accruals basis.

Going concern

These financial statements are prepared on a going concern basis.

As at 30 June 2023, the RBA's liabilities exceeded its assets by $17.7 billion ($12.4 billion at 30 June 2022). The net liability position reflects:

- unrealised valuation losses recorded on the RBA's holding of Australian dollar government bonds, which resulted from the significant rise in bond yields since 2021/22 (these bonds were purchased as part of the RBA's response to the COVID-19 pandemic, including under the Bond Purchase Program and as part of achieving a target for the yield on the three-year Australian Government bond)
- negative net interest income as increases in the domestic cash rate during 2022/23 resulted in the floating interest rate paid on most of the Bank's liabilities, namely Exchange Settlement balances, becoming higher than the fixed interest rate earned on the Bank's domestic assets (including funds provided under the Term Funding Facility in 2019/20 and 2020/21, through reverse repurchase agreements with a three-year term and at a fixed interest rate of 10 or 25 basis points).

The Governor and Reserve Bank Board are of the view that the RBA will continue to operate effectively, and in accordance with its functions and objectives set out in the Reserve Bank Act and in the *Statement on the Conduct of Monetary Policy*.

The RBA's liabilities are guaranteed by the Australian Government under section 77 of the Reserve Bank Act. As a central bank, the RBA also has the ability to create liquidity to meet its liabilities as and when they fall due and has substantial liabilities (in the form of banknotes on issue) that have a zero funding cost.

Additional information on the Bank's capital is provided in Chapter 3.4 Earnings, Distribution and Capital.

(a) Consolidation

The financial statements show information for the economic entity only; this reflects the consolidated results for the parent entity, the RBA, and its wholly owned subsidiary, Note Printing Australia Limited (NPA). The results of the parent entity do not differ materially from the economic entity and have therefore not been separately disclosed.

NPA was incorporated as a wholly owned subsidiary of the RBA on 1 July 1998.

Note Printing Australia Limited Balance Sheet

	2023 $M	2022 $M
Assets	195.0	172.9
Liabilities	52.5	43.4
Equity	142.5	129.5

The assets, liabilities and results of NPA have been consolidated with the accounts of the parent entity in accordance with AASB 10 – *Consolidated Financial Statements*. All internal transactions and balances have been eliminated on consolidation. These transactions include items relating to the purchase of Australian banknotes, lease of premises and the provision of premises and security services.

(b) Financial instruments

A financial instrument is defined as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The RBA accounts for its financial instruments in accordance with AASB 9 – *Financial Instruments* and reports these instruments under AASB 7 – *Financial Instruments: Disclosures* and AASB 13 – *Fair Value Measurement*.

The RBA brings its securities and foreign exchange transactions to account on a trade date basis. Deposits, repurchase agreements and gold swaps are brought to account on settlement date.

Financial assets

Australian dollar securities

Australian dollar securities, except those held under reverse repurchase agreements, are measured at fair value through profit or loss, as they are held to implement monetary policy and may be sold or lent, typically for short terms, under repurchase agreements. The securities are valued at market bid prices on balance date; valuation gains or losses are taken to profit. Interest earned on securities is accrued as revenue.

Reverse repurchase agreements

In carrying out operations to manage domestic liquidity and foreign reserves, the RBA enters into reverse repurchase agreements in Australian dollar and foreign currency securities. Reverse repurchase agreements were also used to provide funding via the Term Funding Facility.

A reverse repurchase agreement involves the purchase of securities with an undertaking to reverse this transaction at an agreed price on an agreed future date. As a reverse repurchase agreement provides the RBA's counterparties with cash for the term of the agreement, the RBA treats it as an asset by recording a cash receivable. Reverse repurchase agreements are measured at amortised cost. Interest earned is accrued over the term of the agreement and recognised as revenue.

RBA open repurchase agreements are available to assist eligible financial institutions manage their liquidity after normal business hours. An RBA open repurchase agreement is an Australian dollar reverse repurchase agreement without an agreed maturity date. Interest on open repurchase agreements is accrued daily and paid monthly.

Gold borrowed under gold swaps

Gold swaps are available to assist with domestic liquidity management and to enhance the return on the RBA's gold holdings.

Gold swaps involving the purchase of gold include an undertaking to reverse this transaction at an agreed price on an agreed future date. As these gold swaps provide the RBA's counterparty with cash for the term of the agreement, the RBA treats it as an asset by recording a cash receivable. Gold swaps are measured at amortised cost in accordance with AASB 9. The difference in agreed gold prices for the first and second legs is accrued over the term of the swap and recognised as interest income. Gold borrowed under a swap agreement is not recognised on the RBA's balance sheet, as the predominant risk and reward of ownership, including exposure to any movement in the market price of gold, remains with the counterparty.

Foreign government securities

Foreign government securities, except those held under reverse repurchase agreements, are measured at fair value through profit or loss, as they are available to be traded in managing the portfolio of foreign reserves. These securities are valued at market bid prices on balance date and valuation gains or losses are taken to profit. Interest earned on securities is accrued as revenue.

Foreign deposits

Some foreign currency reserves are invested in deposits with central banks and the Bank for International Settlements (BIS), while small working balances are also maintained with a small number of commercial banks. Deposits are measured at amortised cost. Interest is accrued over the term of deposits.

Foreign currency swaps

The RBA uses foreign currency swaps to assist domestic liquidity management and in managing foreign reserve assets and Australia's foreign currency commitments as a member of the International Monetary Fund (IMF). A foreign currency swap is the simultaneous purchase and sale of one currency against another currency for a specified maturity. The cash flows are the same as borrowing one currency for a certain period and lending another currency for the same period. The pricing of the swap therefore reflects the interest rates applicable to these transactions. Interest rates are implicit in the swap contract but interest itself is not paid or received. Foreign currency swaps are measured at fair value through profit or loss.

Bond futures

The RBA uses bond futures contracts on overseas exchanges to manage interest rate risk on its portfolio of foreign assets. Bond futures positions are measured at fair value through profit or loss with valuation gains or losses taken to net profit. Futures positions are reported within 'Foreign currency investments'.

Special Drawing Rights

Special Drawing Rights (SDR) are an international reserve asset created by the IMF to supplement the official foreign reserves of its member countries. It is a potential claim on the freely usable currencies of IMF members. The SDR is not a currency, but its value is based on a basket of five currencies – the US dollar, the euro, the Chinese renminbi, the Japanese yen, and the British pound sterling. The RBA's SDR holdings are translated into Australian dollar equivalents at the rate prevailing on balance date. Valuation gains or losses are taken to net profit.

Asian Bond Fund 2 (ABF2)

Through its participation in the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) Asian Bond Fund, the RBA invests in a number of non-Japan Asian debt markets. This investment comprises units in ABF2, which invests in local currency-denominated bonds issued by sovereign and quasi-sovereign issuers in EMEAP markets. ABF2 is measured at fair value through profit or loss and is valued on balance date at the relevant unit price of the fund, with valuation gains or losses taken to profit. ABF2 is reported within 'Foreign currency investments'.

Shareholding in Bank for International Settlements

Shares in the BIS are owned exclusively by the central banks and monetary authorities that are its members, including the RBA. The RBA has made an election to designate its shareholding in the BIS at fair value through other comprehensive income, as permitted under AASB 9. The shareholding is measured at fair value and valuation gains or losses are transferred directly to the revaluation reserve for 'Shares in international and other institutions' (Note 5). An uncalled portion of this shareholding is disclosed as a contingent liability in Note 11. Dividends are recognised as revenue in net profit, when declared.

Financial liabilities

Deposit liabilities

Deposit liabilities are measured at amortised cost (Note 9). Interest is accrued over the term of deposits and is paid periodically or at maturity. Interest accrued on deposits not yet paid is included in Note 10.

Australian banknotes on issue

Banknotes on issue are a financial liability recorded at face value.

The RBA pays interest on working balances of banknotes held by banks under cash distribution arrangements (see Note 4).

Costs related to materials used in the production of banknotes are included in 'Other expenses' in Note 2.

Repurchase agreements

A repurchase agreement involves the sale of securities with an undertaking to repurchase them on an agreed future date at an agreed price. Securities sold and contracted for repurchase under repurchase agreements are retained on the balance sheet and reported within the relevant investment portfolio (see 'Australian dollar securities' and 'Foreign government securities', above). The counterpart obligation to repurchase the securities is reported in 'Other liabilities' (Note 10) and measured at amortised cost. The difference between the sale and purchase price is accrued over the term of the agreement and recognised as interest expense.

Gold loaned under gold swaps

Gold swaps involving the sale of gold include an undertaking to reverse this transaction at an agreed price on an agreed future date. Gold sold under gold swaps is retained on the balance sheet and reported within gold holdings (Note 1(d)). The counterpart obligation to repurchase the gold is reported in 'Other liabilities' (Note 10) and measured at amortised cost. The difference in agreed gold prices for each leg is accrued over the term of the swap and recognised as interest expense.

(c) Foreign exchange translation

Assets and liabilities denominated in foreign currency are converted to Australian dollar equivalents at the relevant market exchange rate on balance date in accordance with AASB 121 – *The Effects of Changes in Foreign Exchange Rates*. Valuation gains or losses on foreign currency are taken to net profit. Interest revenue and expenses and revaluation gains and losses on foreign currency investments are converted to Australian dollars using exchange rates on the date they are accrued or recognised.

(d) Gold

Gold holdings (including gold sold under gold swaps or on loan to other institutions) are valued at the Australian dollar equivalent of the 3:00 pm fix in the London gold market on balance date. Valuation gains or losses on gold are transferred to the asset revaluation reserve for gold.

In addition to gold swaps (Note 1(b)), the RBA also lends gold to institutions that participate in the gold market under gold loan agreements. Similar to gold swaps, gold provided under a loan is retained on the balance sheet. Interest is accrued over the term of the loan and is paid at maturity. The interest receivable on gold loans is accounted for in accordance with AASB 9.

(e) Property, plant and equipment

The RBA accounts for property, plant and equipment it owns in accordance with AASB 116 – *Property, Plant and Equipment* and AASB 13. Property, plant and equipment held under lease arrangements, including overseas and interstate representative offices and certain computer hardware, are accounted for under AASB 16 – *Leases.*

Expenditure, revaluation adjustments and depreciation of property, plant and equipment, including leased assets, are included in Note 8.

Property

The RBA measures its property at fair value. The RBA's Australian properties are formally valued biennially by an independent valuer, with the most recent valuation conducted in 2022/23; overseas properties are independently valued on a triennial basis, with the most recent valuation conducted in 2021/22. Between obtaining independent valuations, carrying values are reviewed by management to ensure that they remain appropriate. Reflecting their specialised nature, fair value for the RBA's Business Resumption Site and National Banknote Site is based on depreciated replacement cost. Valuation gains (losses) are generally transferred to (absorbed by) the asset revaluation reserve of each respective property. Any part of a valuation loss that exceeds the balance in the relevant asset revaluation reserve is expensed. Subsequent valuation gains that offset losses that were previously treated as an expense are recognised as income in net profit.

Annual depreciation is calculated on a straight-line basis using assessments of the remaining useful life of the relevant building.

Plant and equipment

Plant and equipment is valued at cost less accumulated depreciation. Annual depreciation is calculated on a straight-line basis using the RBA's assessment of the remaining useful life of individual assets.

Standard useful life for each class of depreciable asset

	Years
Buildings	15–50
Fit-out	5–10
Computer hardware	4
Motor vehicles	5
Plant and other equipment	4–20

Leased assets

Leased assets are measured at cost, which is equivalent to the lease liability (see Note 1(l)) adjusted by any initial direct costs, less accumulated depreciation. Annual depreciation is calculated on a straight-line basis using the length of the lease term.

(f) Computer software

Computer software is reported in accordance with AASB 138 – *Intangible Assets*. Computer software is recognised at cost less accumulated amortisation and impairment adjustments, if any (see Note 7). Amortisation of computer software is calculated on a straight-line basis over the estimated useful life of the relevant asset, usually for a period of between four and six years (see Note 7). The useful life of payments systems and core banking software may be for a period of between 10 and 15 years, reflecting the period over which future economic benefits are expected to be realised from these assets.

(g) Capital and reserves

The capital of the Reserve Bank is established by the Reserve Bank Act.

The Reserve Bank Reserve Fund (RBRF) is also established by the Reserve Bank Act and is regarded essentially as capital. The RBRF is a reserve maintained to provide for events that are contingent and not foreseeable, including to cover losses from falls in the market value of the RBA's holdings of Australian dollar and foreign currency investments that cannot be absorbed by its other resources. The RBRF also provides for other risks such as operational risk. In accordance with the Reserve Bank Act, this reserve is funded only by transfers from net profits, as determined by the Treasurer, after consulting the Reserve Bank Board (see Note 1(h)). The Board assesses the adequacy of the balance of the RBRF each year (see Chapter 3.4 Earnings, Distribution and Capital).

The RBA's equity also includes a number of other reserves.

Unrealised gains and losses on foreign exchange, foreign securities and Australian dollar securities are recognised in net profit. Such gains or losses are not available for distribution and are transferred to the unrealised profits reserve, where they remain available to absorb future unrealised losses or become available for distribution if gains are realised when assets are sold or mature.

The balance of the superannuation reserve represents accumulated remeasurement gains or losses on the RBA's defined benefit superannuation obligations (Note 1(j)).

Balances of asset revaluation reserves reflect differences between the fair value of non-traded assets and their cost. These assets are: gold; property held outright; and shares in international and other institutions. Valuation gains on these assets are not distributable unless an asset is sold and these gains are realised.

Accumulated losses represent losses, as calculated under section 30 of the Reserve Bank Act (see Note 1(h)), which could not be absorbed by the RBRF.

(h) Net profits

Net profits of the RBA are dealt with in the following terms by section 30 of the Reserve Bank Act:

1. Subject to subsection (2), the net profits of the Bank in each year shall be dealt with as follows:
   - aa. such amount as the Treasurer, after consultation with the Reserve Bank Board, determines is to be set aside for contingencies; and
   - a. such amount as the Treasurer, after consultation with the Reserve Bank Board, determines shall be placed to the credit of the Reserve Bank Reserve Fund; and
   - b. the remainder shall be paid to the Commonwealth.
2. If the net profit of the Bank for a year is calculated on a basis that requires the inclusion of unrealised gains on assets during the year, the amount to which subsection (1) applies is to be worked out as follows:
   - a. deduct from the net profit an amount equal to the total of all amounts of unrealised gains included in the net profit; and
   - b. if an asset in respect of which unrealised gains were included in the net profit for a previous year or years is realised during the year – add to the amount remaining after applying paragraph (a) the total amount of those unrealised gains.

Where the application of subsection (2) above results in an accumulated loss position within the unrealised profits reserve, such losses are first absorbed by other components of net profit and then by the Reserve Bank Reserve Fund, to the extent possible; remaining losses are reflected in accumulated losses (Note 1(g)).

(i) Provisions for employee benefits entitlements

In accordance with AASB 119 – *Employee Benefits*, the RBA records provisions for certain employee benefit entitlements, including accrued annual and long service leave and post-employment health insurance benefits. These provisions reflect the present value of the estimated future cost to meet those entitlements, including any applicable fringe benefit or payroll taxes and, in the case of leave entitlements, future leave accrual and superannuation contributions to the extent that any leave is assumed to be taken during service. The estimated future cost of these entitlements is discounted to its present value using yields on highly rated Australian dollar-denominated corporate bonds. Leave provisions are calculated using assumptions for length of employee service, leave utilisation and future salary. The provision for post-employment health insurance benefits is estimated using assumptions about the length of employee service, longevity of retired employees and future movements in health insurance costs. This post-employment benefit ceased to be available for new employees appointed after 30 June 2013.

Further details on employee benefit provisions are included in Note 10.

(j) Superannuation funds

The RBA includes in its Statement of Financial Position an asset or liability representing the position of its defined benefit superannuation funds measured in accordance with AASB 119. Movements in the superannuation asset or liability are reflected in the Statement of Comprehensive Income. Remeasurement gains and losses are transferred to the superannuation reserve.

Details of the superannuation funds and superannuation expenses are included in Note 14.

(k) Committed Liquidity Facility

The RBA has at times made available a Committed Liquidity Facility (CLF) to eligible authorised deposit-taking institutions (ADIs). Any fees received from providing the CLF are recognised as fee income in net profit. Additional information on the CLF is provided in Note 11.

(l) Lease liabilities

Lease liabilities are measured at the present value of the remaining lease payments (see Note 10). The lease liability is subsequently remeasured where there is a change in the lease term or future lease payments. Lease payments in relation to new leases with a lease term of 12 months or less and leases for low-value assets are expensed on a straight-line basis over the lease term.

(m) Revenue from contracts with customers

In the course of its operations, the RBA enters into contracts for the provision of goods and services. These include: contracts for the provision of banking and payment services to the Australian Government, overseas central banks and official institutions; the provision of the CLF for participating ADIs (see Note 1(k)); and, in the case of the RBA's subsidiary, banknote and security products to overseas central banks.

Revenue is recognised on a gross basis at the point the contracted performance obligation is satisfied, as required by AASB 15 – *Revenue from Contracts with Customers*. In the case of banking and payment services, revenue is recognised upon the completion of the provision of service. Revenue from the sale of banknote and security products is recognised at the point at which the product is accepted, and CLF fee income is recognised over the period the facility is provided.

Where the right to consideration for the completion of the performance obligation under the contract becomes unconditional, a receivable is recognised in the Statement of Financial Position; a contract asset is recorded when this right remains conditional (see Note 7). Where a performance obligation under a contract remains unsatisfied, but consideration has been received, the RBA reports this as an unearned contract liability (see Note 10).

(n) Rounding

Amounts in the financial statements are rounded to the nearest million dollars unless otherwise stated.

(o) Comparative information

Certain comparative information may be reclassified where required for consistency with the current year presentation.

(p) Application of new or revised Australian Accounting Standards

In 2022/23, one amending standard (AASB 2021-2 – *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*) has been adopted earlier than the application date for the RBA of 1 July 2023. This amending standard requires the disclosure of material rather than significant accounting policies and clarifies what is considered a change in accounting policy compared with a change in accounting estimate. Application of this amending standard had no material impact on these financial statements.

New Australian Accounting Standards and amendments made to existing standards that apply to the RBA's financial statements in the current and future financial years are not expected to result in a material impact on disclosures.

Note 2 – Net Profit

Net Profit

	Note	2023 $M	2022 $M
Net interest income			
Interest income	1(b), 4	10,672	8,869
Interest expense	1(b), 4	(14,924)	(411)
		(4,252)	8,458
Fees and commissions income			
Committed Liquidity Facility	1(k), 1(m)	44	228
Banking services	1(m)	138	110
Payment services	1(m)	43	38
		225	376
Other income	1(b), 1(m)	168	25
Net gains/(losses) on securities and foreign exchange			
Foreign investments	1(b)	(73)	(703)
Australian dollar securities	1(b)	(4,360)	(45,964)
Foreign currency	1(b)	3,112	1,769
		(1,321)	(44,898)
General administrative expenses			
Salaries, wages and on-costs		(304)	(260)
Net gains/(losses) on employee provisions		1	24
Superannuation costs	1(j)	(28)	(64)
Depreciation of property, plant and equipment	1(e), 8	(53)	(55)
Amortisation of computer software	1(f), 7	(20)	(20)
Premises and equipment		(90)	(78)
Other		(22)	(17)
		(516)	(470)
Other expenses			
Banking service fees		(120)	(91)
Materials used in banknote and security products		(72)	(64)
Other		(64)	(36)
		(256)	(191)
Net Profit/(Loss)		**(5,952)**	**(36,700)**

Net losses on Australian dollar securities in the prior year largely reflect unrealised valuation losses from the significant rise in bond yields during 2021/22. See Chapter 3.4 Earnings, Distribution and Capital for additional analysis on the drivers of these losses.

Note 3 – Distribution Payable to the Commonwealth

Section 30 of the Reserve Bank Act requires that the net profits of the RBA, less amounts transferred to the RBRF as determined by the Treasurer, shall be paid to the Commonwealth (see Note 1(h)). Also under section 30, unrealised profits are not available for distribution. Instead, they are transferred to the unrealised profits reserve where they remain available to absorb future valuation losses or are realised when relevant assets are sold or mature. Unrealised losses are, in the first instance, absorbed within the unrealised profits reserve where they are offset against unrealised profits accumulated from previous years. If such losses exceed the balance of the unrealised profits reserve, the amount by which they do so is initially charged against other components of net profit and then the RBRF, to the extent of the available balance in this reserve. Any remaining loss is transferred to accumulated losses.

In 2022/23, the RBA recorded an accounting loss of $5,952 million. With both the unrealised profits reserve and the RBRF fully depleted by the prior year's losses, the accounting loss was transferred to accumulated losses. No dividend was payable to the Commonwealth.

Distribution Payable to the Commonwealth

	2023 $M	2022 $M
Opening balance	–	2,671
Distribution to the Commonwealth	–	(2,671)
Transfer from Statement of Distribution	–	–
As at 30 June	–	–

Note 4 – Interest Income and Interest Expense

Interest Income and Interest Expense

Analysis for the year ended 30 June 2023

	Average balance $M	Interest $M	Average annual interest rate Per cent
Interest income			
Foreign currency investments	71,305	1,153	1.6
Australian dollar investments	531,588	9,469	1.8
Overnight settlements	687	19	2.8
Cash collateral provided	859	25	2.9
Gold loans	457	1	0.1
Gold borrowed under gold swaps	66	3	3.9
Loans, advances and other	41	2	3.6
	605,003	10,672	1.8
Interest expense			
Exchange Settlement balances	447,551	12,603	2.8
Deposits from governments	63,168	1,899	3.0
Deposits from overseas institutions	2,701	54	2.0
Banknote holdings of banks	3,517	103	2.9
Foreign currency repurchase agreements	3,757	127	3.4
Australian dollar repurchase agreements	5,288	133	2.5
Gold loaned under gold swaps	554	(2)	(0.3)
Cash collateral received	253	7	2.8
	526,789	14,924	2.8
Net interest margin			**(0.7)**
Analysis for the year ended 30 June 2022			
Interest income	595,103	8,869	1.5
Interest expense	495,535	411	0.1
Net interest margin			**1.4**

Interest income for 2022/23 includes $1,042 million calculated using the effective interest method for financial assets not at fair value through profit or loss ($336 million in 2021/22). Interest expense for 2022/23 includes $14,924 million calculated using the effective interest method for financial liabilities not at fair value through profit or loss ($411 million in 2021/22).

Note 5 – Asset Revaluation Reserves

The composition of the RBA's asset revaluation reserves (Note 1(g)) is shown below.

Asset Revaluation Reserves

	Note	2023 $M	2022 $M
Gold	1(d)	7,278	6,644
Shares in international and other institutions	1(b), 7	518	491
Property	1(e), 8	249	390
As at 30 June		8,045	7,525

Note 6 – Cash and Cash Equivalents

Cash and Cash Equivalents

	2023 $M	2022 $M
Cash	54	41
Overnight settlements	610	441
As at 30 June	664	482

Cash and cash equivalents include net amounts of $610 million owed to the RBA for overnight clearances of financial transactions through the payments system ($441 million at 30 June 2022). Other cash and cash equivalents include NPA's bank deposits.

Cash and cash equivalents exclude Australian and foreign short-term investments held to implement monetary policy or as part of Australia's foreign reserve assets. These investments are disclosed as Australian dollar investments and foreign currency investments, respectively; further detail is disclosed in Note 15.

Reconciliation of Net Cash Used in Operating Activities to Net Profit

	Note	2023 $M	2022 $M
Net Profit		(5,952)	(36,700)
Net loss on overseas investments	2	73	703
Net loss on Australian dollar securities	2	4,360	45,964
Net (gain) on foreign currency	2	(3,112)	(1,769)
Depreciation of property, plant and equipment	2	53	55
Amortisation of computer software	2	20	20
Net payments for investments		20,250	(110,603)
(Increase) in interest receivable		(50)	(827)
Increase in interest payable		1,349	268
Cash collateral received		309	325
Other		(8)	17
Net cash used in operating activities		17,292	(102,547)

Note 7 – Other Assets

Other Assets

	Note	2023 $M	2022 $M
Shareholding in Bank for International Settlements	1(b)	561	534
Superannuation asset	1(j), 14	592	433
Computer software	1(f)	73	83
Other		119	87
As at 30 June		1,345	1,137

At 30 June 2023, the gross book value of the RBA's computer software amounted to $203.3 million and the accumulated amortisation on these assets was $130.7 million ($197.0 million and $114.4 million, respectively, at 30 June 2022). During 2022/23, there were $6.3 million in net additions to computer software ($4.1 million in 2021/22) and $20.0 million in amortisation expense ($20.2 million in 2021/22). The RBA had contractual commitments of less than $0.1 million as at 30 June 2023 for the acquisition of computer software ($0.8 million at 30 June 2022).

Other assets include receivables of $34.6 million at 30 June 2023 ($24.1 million at 30 June 2022).

There were no contract assets at 30 June 2023 (Note 1(m)).

Note 8 – Property, Plant and Equipment

Property, Plant and Equipment

	Land and buildings $M	Plant and equipment $M	Leased assets $M	Total $M
Gross Book Value as at 30 June 2022	**603**	**382**	**30**	**1,015**
Accumulated depreciation	(15)	(243)	(13)	(271)
Net Book Value	**588**	**139**	**17**	**744**
Additions	56	12	1	69
Depreciation expense	(16)	(31)	(6)	(53)
Net gain/(loss) recognised in Net Profit	–	0	–	0
Net gain/(loss) recognised in Other Comprehensive Income	(141)	–	–	(141)
Disposals	–	(0)	0	(0)
Net additions to net book value	(101)	(19)	(5)	(125)
Gross Book Value as at 30 June 2023	**488**	**375**	**32**	**895**
Accumulated depreciation	(1)	(255)	(20)	(276)
Net Book Value	**487**	**120**	**12**	**619**

The net book value of the RBA's property, plant and equipment includes $91.4 million of work in progress ($48.7 million at 30 June 2022). The carrying amount of leased assets at 30 June 2023 includes $9.9 million in property and $2.3 million in plant and equipment ($12.7 million and $4.5 million, respectively, at 30 June 2022).

As at 30 June 2023, the RBA had contractual commitments of $167.4 million for acquisitions relating to its property, plant and equipment ($220.0 million at 30 June 2022), of which $57.8 million are due within one year ($88.5 million at 30 June 2022). Included within these contractual commitments is an amount of $156.9 million ($207.8 million at 30 June 2022) that relates to the refurbishment of the RBA's Head Office in Sydney, of which $47.3 million is due within one year ($77.5 million at 30 June 2022).

Note 9 – Deposits

Deposits

	2023 $M	2022 $M
Exchange Settlement balances	409,436	420,211
Australian Government	86,769	89,595
State governments	9	37
Foreign governments, foreign institutions and international organisations	1,576	3,914
Other depositors	0	0
As at 30 June	497,790	513,757

Note 10 – Other Liabilities

Other Liabilities

	Note	2023 $M	2022 $M
Provisions			
Provision for annual and other leave	1(i)	32	31
Provision for long service leave	1(i)	57	51
Provision for post-employment benefits	1(i)	74	78
Other		3	2
		166	162
Other			
Securities sold under agreements to repurchase	1(b)	6,844	7,893
Payable for unsettled purchases of securities	1(b)	5,797	143
Gold loaned under gold swaps	1(b)	1,088	–
Foreign currency swap liabilities	1(b)	1,141	1,572
Interest accrued on deposits	1(b)	1,623	271
Other		96	74
		16,589	9,953
Total Other Liabilities as at 30 June		16,755	10,115

The RBA's provision for its post-employment benefits was $4.0 million lower in 2022/23, largely due to a rise in discount rates used to measure the estimated future cost of providing these benefits in present value terms. Benefits of $4.7 million were paid out of the provision for post-employment benefits in 2022/23. The balance of the provision will change if assumptions about the length of employee service, the longevity of retired employees, future costs of providing benefits, or discount rates vary.

Other provisions include amounts for workers compensation.

Other liabilities include contract liabilities of $13.9 million in lease liabilities ($18.9 million in 2021/22). Interest on lease liabilities was $0.2 million in 2022/23 ($0.2 million in 2021/22).

Note 11 – Contingent Assets and Liabilities

Committed Liquidity Facility

Since 1 January 2015, the RBA has provided a CLF to eligible ADIs as part of Australia's implementation of the Basel III liquidity standards. The CLF provides ADIs with a contractual commitment to funding under repurchase agreements with the RBA, subject to certain conditions. It was established to ensure that ADIs are able to meet their liquidity requirements under Basel III. The CLF was originally made available to ADIs in Australia because the supply of high-quality liquid assets (HQLA) was lower in Australia than is typical in other major economies (in other countries, these liquidity requirements are usually met by banks' HQLAs on their balance sheet). While the RBA administers the CLF, the Australian Prudential Regulation Authority (APRA) determines which institutions have access to the facility and the limits available. Any drawdown must meet certain conditions, including: APRA does not object to the drawdown; and the RBA assesses that the ADI has positive net worth. Accordingly, the potential funding under the CLF is disclosed as a contingent liability; repurchase agreements associated with providing funding are disclosed as a contingent asset. If an ADI drew on the CLF, the funds drawn would be shown as a deposit liability of the RBA, and the counterpart repurchase agreement as an Australian dollar investment.

In September 2021, APRA and the RBA assessed that there was sufficient HQLA for locally incorporated ADIs to meet their liquidity requirements without the need to utilise the CLF. Accordingly, the CLF was reduced to zero as at 1 January 2023. There was therefore no undrawn commitment at 30 June 2023 ($65 billion for 12 ADIs at 30 June 2022).

APRA has stated that the CLF will remain available should it be needed in the future to meet shortfalls in the availability of HQLA.

Bank for International Settlements

The RBA has a contingent liability for the uncalled portion of its shares held in the BIS amounting to $72.4 million at 30 June 2023 ($69.6 million at 30 June 2022).

Insurance

The RBA carries its own insurance risks except when external insurance cover is considered to be more cost effective or is required by legislation.

Performance guarantees

In the course of providing services to its customers, the RBA provides performance guarantees to third parties in relation to customer activities. Such exposure is not material and has not given rise to losses in the past.

Similarly, the RBA has provided a performance guarantee for pension payments to members of the Reserve Bank of Australia UK Pension Scheme in relation to a UK insurer. This exposure is not material. Further detail is provided in Note 14.

Note 12 – Key Management Personnel

The key management personnel of the RBA are the Governor and Deputy Governor, non-executive members of the Reserve Bank Board, non-executive members of the Payments System Board and the Assistant Governors, who are the senior leaders responsible for planning, directing and controlling the activities of the RBA. There were 20 of these positions in 2022/23 (unchanged from 2021/22). A total of 22 individuals occupied these positions for all or part of the financial year (20 in 2021/22).

The positions of Governor and Deputy Governor are designated as Principal Executive Offices in terms of the *Remuneration Tribunal Act 1973*, which provides for the Remuneration Tribunal to determine the applicable remuneration for these positions. Within the parameters determined by the Remuneration Tribunal, the Reserve Bank Board Remuneration Committee, comprising three non-executive members, makes a recommendation on remuneration for these positions for the approval of the Board, which is the 'employing body' for the positions. In accordance with provisions of the Reserve Bank Act, neither the Governor nor the Deputy Governor takes part in decisions of the Reserve Bank Board relating to the determination or application of any terms or conditions on which either of them holds office. In July 2022, the Remuneration Tribunal determined that, effective 1 July 2022, an adjustment of 2.75 per cent would be made to the remuneration of offices in its jurisdiction, including those of the Governor and Deputy Governor. Consistent with this, the Board resolved on 2 August 2022 to set the remuneration rate for the position of Governor at $1,090,400 (superannuable salary of $795,992) and that for the Deputy Governor at $817,800 (superannuable salary of $596,994). No performance payments were made to any individual while occupying these positions in 2022/23.

Fees for non-executive members of the Reserve Bank Board and the Payments System Board are determined by the Remuneration Tribunal. The Governor determines the rates of remuneration of the Assistant Governors. Remuneration levels for employees are externally benchmarked, with remuneration aimed to be market competitive and designed to attract and retain appropriately skilled people.

The disclosure of key management personnel remuneration is based on AASB 124 – *Related Party Disclosures*, as shown below. The figures are disclosed on an accruals basis and show the full cost to the consolidated entity; they include all leave and fringe benefits tax charges.

Key Management Personnel Remuneration

	2023 $	2022 $
Short-term employee benefits	5,282,585	5,007,991
Post-employment benefits	785,893	797,946
Other long-term employee benefits	201,931	56,471
Termination benefits	–	–
Total compensation[(a)]	**6,270,409**	**5,862,408**

(a) Within the group of key management personnel, 18 individuals (18 in 2021/22) were remunerated and included in this table; the four key management personnel that are not remunerated are the individuals who either held the position of Secretary to the Treasury, as a member of the Reserve Bank Board, or the Chair of APRA, as a member of the Payments System Board, and Ms Gina Cass-Gottlieb, who is a member of the Payments System Board and Chair of the Australian Competition and Consumer Commission.

Short-term benefits include salary and, for relevant executives, lump-sum performance payments and motor vehicle, car parking and health benefits (including any fringe benefits tax on these benefits).

Post-employment benefits include superannuation and, in the case of relevant executives, an estimate of the cost to provide health benefits in retirement. Other long-term employee benefits include long service leave and annual leave, as well as the effect of revaluing accrued leave entitlements in accordance with AASB 119 (see Note 10).

There were no loans to Board members or other key management personnel during 2022/23 and 2021/22. Transactions with Board member-related entities and key management personnel that occurred in the normal course of the RBA's operations were incidental and conducted on terms no more favourable than similar transactions with other employees or customers, and at arms-length; any vendor relationships with such entities complied with the RBA's procurement policy.

Note 13 – Auditor's Remuneration

Auditor's Remuneration

	2023 $	2022 $
Fees paid or payable to the statutory auditor (Australian National Audit Office) for audit services	540,000	441,091

KPMG has been contracted by the Australian National Audit Office (ANAO) to provide audit services for the external audit of the RBA and the RBA's subsidiary, NPA. The increase in 2022/23 largely reflects fees for audit services relating to the financial statements previously performed by another auditor not associated with the external audit.

During 2022/23, KPMG earned additional fees of $123,794 for non-audit services that were separately contracted by the RBA ($52,019 in 2021/22). These fees included professional services provided to the RBA.

Note 14 – Superannuation Funds

The RBA sponsors RB Super, which is a hybrid plan, with a mix of defined benefit members, defined contribution members and pensioners. Current and future benefits are funded by member and RBA contributions and the existing assets of the scheme. Defined benefit members receive a defined benefit in accordance with RB Super's plan rules. Most members have unitised accumulation balances, which comprise employer contributions and members' personal contributions plus earnings on these contributions. Defined benefit membership was closed to new RBA employees from 1 August 2014. From that date, new employees have been offered defined contribution superannuation. The RBA does not have a role in directly operating or governing RB Super and has no involvement in the appointment of the RB Super Trustees.

The RBA also sponsored the UK Pension Scheme, which was a closed defined benefit scheme subject to relevant UK regulation. This Scheme was wound up in September 2022.

Funding valuation

An independent actuarial valuation of RB Super is conducted every three years. The most recent review was completed for the financial position as at 30 June 2020 using the Attained Age Funding method (the valuation for the financial position as at 30 June 2023 will be completed shortly). Accrued benefits were determined as the value of the future benefits payable to members (allowing for future salary increases), discounted by the expected rate of return on assets held to fund these benefits. At the time of this review, the surplus was $313 million. On the same valuation basis, the RB Super surplus as at 30 June 2023 amounted to $735 million. The RBA maintained its contribution rate to fund defined benefit obligations at 18.3 per cent of salaries in 2022/23, consistent with the actuary's recommendation.

Accounting valuation

For financial statement purposes, disclosures required by AASB 119 are provided only for RB Super, as the UK Pension Scheme is not material.

Actuarial assumptions

Principal Actuarial Assumptions for the AASB 119 Valuation of RB Super

	2023 Per cent	2022 Per cent
Discount rate (gross of tax)[(a)]	5.8	5.5
Future salary growth	3.0	3.0
Future pension growth	3.0	3.0

(a) Based on highly rated Australian dollar-denominated corporate bond yields.

Maturity analysis

The weighted average duration of the defined benefit obligation for RB Super is 16 years (17 years at 30 June 2022).

Expected Maturity Profile for Defined Benefit Obligations of RB Super

	2023 Per cent	2022 Per cent
Less than 5 years	20	19
Between 5 and 10 years	18	18
Between 10 and 20 years	29	29
Between 20 and 30 years	19	19
Over 30 years	14	15
Total	100	100

Risk exposures

Key risks from the RBA's sponsorship of the RB Super defined benefit plan include investment, interest rate, longevity, salary and pension risks.

Investment risk is the risk that the actual future return on plan assets will be lower than the assumed rate.

Interest rate risk is the exposure of the defined benefit obligations to adverse movements in interest rates. A decrease in interest rates will increase the present value of these obligations.

Longevity risk is the risk that RB Super members live longer, on average, than actuarial estimates of life expectancy.

Salary risk is the risk that higher than assumed salary growth will increase the cost of providing a salary-related pension.

Pension risk is the risk that pensions increase at a faster rate than assumed, thereby increasing the cost of providing them.

The table below shows the estimated change in the defined benefit obligation resulting from movements in key actuarial assumptions. These estimates change each assumption individually, holding other factors constant; they do not incorporate any correlations among these factors.

Change in Defined Benefit Obligation

	2023 $M	2022 $M
Change in defined benefit obligation from an increase of 0.25 percentage points in:		
– Discount rate (gross of tax)	(51)	(54)
– Future salary growth	10	10
– Future pension growth	43	44
Change in defined benefit obligation from a decrease of 0.25 percentage points in:		
– Discount rate (gross of tax)	55	57
– Future salary growth	(9)	(10)
– Future pension growth	(41)	(42)
Change in defined benefit obligation from an increase in life expectancy of one year	30	31

Asset Distribution

Distribution of RB Super's assets used to fund members' defined benefits at 30 June

	Per cent of fund assets	
	2023	2022
Cash and short-term securities	1	2
Fixed interest and indexed securities	10	9
Australian equities	28	27
International equities	26	27
Property	10	10
Private equity	10	10
Infrastructure	10	10
Alternative strategies	5	5
Total	100	100

AASB 119 Reconciliation

The table below contains a reconciliation of the AASB 119 valuation of RB Super. These details are for the defined benefit component only, as the RBA faces no actuarial risk on defined contribution balances and these balances have no effect on the measurement of the financial position of RB Super.

AASB 119 Reconciliation

	2023 $M	2022 $M
Opening balances:		
Net market value of assets	1,571	1,581
Accrued benefits	(1,138)	(1,604)
Opening superannuation asset/(liability)	**433**	**(23)**
Change in net market value of assets	131	(10)
Change in accrued benefits	28	467
Change in superannuation asset/(liability)	**159**	**456**
Closing balances:		
Net market value of assets	1,702	1,571
Accrued benefits	(1,110)	(1,138)
Closing superannuation asset/(liability)	**592**	**433**
Interest income	85	56
Benefit payments	(54)	(49)
Return on plan assets	82	(36)
Contributions from RBA to defined benefit schemes	17	19
Change in net market value of assets	**131**	**(10)**
Current service cost	(24)	(44)
Interest cost	(66)	(58)
Benefit payments	54	49

	2023 $M	2022 $M
Gains/(losses) from change in demographic assumptions	–	–
Gains/(losses) from change in financial assumptions	66	524
Gains/(losses) from change in other assumptions	(2)	(4)
Change in accrued benefits	**28**	**467**
Current service cost	(24)	(44)
Net interest (expense)/income	20	(2)
Productivity and superannuation guarantee contributions	(13)	(11)
Superannuation (expense)/income included in profit or loss	(17)	(57)
Actuarial remeasurement gain/(loss)	**147**	**484**
Superannuation (expense)/income included in Statement of Comprehensive Income	**130**	**426**

The components of this table may not add due to rounding.

Note 15 – Financial Instruments and Risk

As the central bank of Australia, the RBA is responsible for implementing monetary policy, facilitating the smooth functioning of the payments system and managing Australia's foreign reserve assets. Consequently, the RBA holds a range of financial assets, including government securities, repurchase agreements and foreign currency swaps. With regard to financial liabilities, the RBA issues Australia's banknotes and takes deposits from its customers, mainly the Australian Government and eligible financial institutions. The RBA also provides banking services and operates Australia's high-value payments and interbank settlement systems.

Financial risk

The RBA is exposed to a range of financial risks that reflect its policy and operational responsibilities. These risks include market risk, liquidity risk and credit risk. See Chapter 2.2 Operations in Financial Markets and Chapter 3.3 Risk Management for information on the RBA's management of these financial risks. The RBA's approach to managing financial risk is set out in the Risk Appetite Statement available on the RBA website.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. In the RBA's case, market risk comprises foreign exchange risk and interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or cash flows of the RBA's foreign currency assets and liabilities will fluctuate because of movements in exchange rates. The RBA's net foreign currency exposure as at 30 June 2023 was $55.8 billion ($52.6 billion as at 30 June 2022). An appreciation in the Australian dollar would result in valuation losses, while a depreciation would lead to valuation gains. The overall level of foreign currency exposure is determined by policy considerations. Foreign currency risk can be mitigated to a limited extent by holding assets across a diversified portfolio of currencies. The RBA holds foreign reserves in seven currencies – the US dollar, euro, Japanese yen, Canadian dollar, Chinese renminbi, UK pound sterling and South Korean won.

The RBA also undertakes foreign currency swaps to assist its daily domestic liquidity management and in managing foreign reserve assets and Australia's foreign currency commitments as a member of the IMF. These instruments carry no foreign exchange risk.

Concentration of foreign exchange

The RBA's net holdings of foreign exchange (excluding SDRs and Asian Bond Fund 2) were distributed as follows as at 30 June.

Concentration of Foreign Exchange

	Per cent of foreign exchange	
	2023	2022
US dollar	55	55
Euro	20	20
Japanese yen	5	5
Canadian dollar	5	5
Chinese renminbi	5	5
UK pound sterling	5	5
South Korean won	5	5
Total foreign exchange	100	100

Sensitivity to foreign exchange risk

The sensitivity of the RBA's profit and equity to a movement of +/–10 per cent in the value of the Australian dollar exchange rate as at 30 June is shown below. These figures are generally reflective of the RBA's exposure over the financial year.

Sensitivity to Foreign Exchange Risk

	2023 $M	2022 $M
Change in profit/equity due to a 10 per cent:		
– appreciation in the reserves-weighted value of the A$	(5,149)	(4,812)
– depreciation in the reserves-weighted value of the A$	6,294	5,881

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate because of movements in market interest rates. The RBA faces interest rate risk because most of its assets are financial assets that have a fixed income stream, such as Australian dollar and foreign currency securities. The price of such securities falls when market interest rates rise, and it rises if market rates fall. Interest rate risk increases with the maturity of a security. Interest rate risk on foreign assets is controlled through limits on the duration of these portfolios.

Sensitivity to interest rate risk

The figures below show the effect on the RBA's profit and equity of a movement of +/–1 percentage point in interest rates, given the level, composition and modified duration of the RBA's foreign currency and Australian dollar securities as at 30 June. The decrease in interest rate risk on Australian dollar securities is primarily due to the decline in the duration of the RBA's holdings of bonds issued by the Australian Government and the state and territory borrowing authorities. These bonds were largely acquired in prior years under the bond purchase program and are now one year closer to their maturity.

Sensitivity to Interest Rate Risk

	2023 $M	2022 $M
Change in profit/equity due to movements of +/–1 percentage point across yield curves:		
– Foreign currency securities	–/+319	–/+282
– Australian dollar securities	–/+13,218	–/+16,313

Liquidity risk

Liquidity risk is the risk that the RBA will not have the resources required at a particular time to meet its obligations to settle its financial liabilities. As the ultimate source of liquidity in Australian dollars, the RBA can create liquidity in unlimited amounts in Australian dollars at any time. A small component of the RBA's liabilities is in foreign currencies, namely foreign repurchase agreements and, at times, obligations to repurchase gold sold under gold swap agreements.

Liquidity risk may also be associated with the RBA, in extraordinary circumstances, being forced to sell a financial asset at a price less than its fair value. The RBA manages this risk by holding a diversified portfolio of highly liquid Australian dollar and foreign currency assets.

The analysis of portfolio maturity in the table that follows is based on the RBA's contracted portfolio as reported in the RBA's Statement of Financial Position. All financial instruments are shown at their remaining term to maturity, which is equivalent to the repricing period. Other liabilities include amounts outstanding under repurchase agreements and obligations to repurchase gold sold under gold swap agreements. Foreign currency swaps reflect the gross contracted amount of the RBA's outstanding foreign currency swap positions.

Maturity Analysis – as at 30 June 2023

	Balance sheet total $M	Contracted maturity $M On demand	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specified maturity $M	Weighted average effective rate %
Assets								
Cash and cash equivalents	664	51	610	–	–	–	3	3.7
Australian dollar investments								
Securities held outright	311,897	–	229	22,191	151,968	137,509	–	4.1
Securities purchased under repurchase agreements	190,242	–	76,978	108,314	2,900	–	2,050	0.5
Accrued interest	2,224	–	944	1,274	6	–	–	n/a
	504,363							
Foreign currency investments								
Balance with central banks	12,288	11,457	831	–	–	–	–	0.3
Securities held outright	63,219	–	21,944	14,288	16,619	175	10,193	2.9
Securities purchased under repurchase agreements	7,143	–	7,143	–	–	–	–	4.7
Deposits and cash collateral provided	936	–	936	–	–	–	–	2.6
Accrued interest	119	–	96	23	–	–	–	n/a
	83,705							
Gold holdings on loan	279	–	279	–	–	–	–	0.1
Gold holdings	7,127	–	–	–	–	–	7,127	n/a
Property, plant & equipment	619	–	–	–	–	–	619	n/a
Other assets	1,345	–	41	11	8	–	1,285	n/a
Total assets	**598,102**	**11,508**	**110,031**	**146,101**	**171,501**	**137,684**	**21,277**	**2.7**

	Balance sheet total $M	Contracted maturity $M					No specified maturity $M	Weighted average effective rate %
		On demand	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Liabilities								
Deposits	497,790	415,583	82,207	–	–	–	–	4.0
Australian banknotes on issue	101,285	–	–	–	–	–	101,285	0.1
Cash collateral received and other liabilities	16,755	–	16,499	85	6	1	164	1.7
Total liabilities	**615,830**	**415,583**	**98,706**	**85**	**6**	**1**	**101,449**	**3.3**
Equity	(17,728)							
Total balance sheet	**598,102**							
Swaps								
Australian dollars								
– Contractual outflow	(5)	–	(5)	–	–	–	–	n/a
– Contractual inflow	17,015	–	4,016	2,758	10,241	–	–	n/a
	17,010	–	4,011	2,758	10,241	–	–	
Foreign currency								
– Contractual outflow	(37,839)	–	(24,614)	(2,984)	(10,241)	–	–	n/a
– Contractual inflow	20,829	–	20,603	226	–	–	–	n/a
	(17,010)	–	(4,011)	(2,758)	(10,241)	–	–	

Maturity Analysis – as at 30 June 2022

	Balance sheet total $M	Contracted maturity $M					No specified maturity $M	Weighted average effective rate %
		On demand	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets								
Cash and cash equivalents	482	39	441	–	–	–	2	0.6
Australian dollar investments								
Securities held outright	334,797	–	2,763	16,321	140,145	175,568	–	3.4
Securities purchased under repurchase agreements	201,123	–	10,574	12,367	175,265	–	2,917	0.2
Accrued interest	2,222	–	548	1,245	429	–	–	n/a
	538,142							
Foreign currency investments								
Balance with central banks	13,592	12,705	887	–	–	–	–	0.1
Securities held outright	47,997	–	18,248	9,230	13,307	106	7,106	1.3
Securities purchased under repurchase agreements	3,864	–	3,864	–	–	–	–	0.9
Deposits and cash collateral provided	975	0	975	–	–	–	–	1.9
Accrued interest	69	–	50	19	–	–	–	n/a
	66,497							
Gold holdings on loan	510	–	170	340	–	–	–	0.1
Gold holdings	6,262	–	–	–	–	–	6,262	n/a
Property, plant & equipment	744	–	–	–	–	–	744	n/a
Other assets	1,137	–	31	9	1	0	1,096	n/a
Total assets	**613,774**	**12,744**	**38,551**	**39,531**	**329,147**	**175,674**	**18,127**	**2.0**

	Balance sheet total $M	Contracted maturity $M					No specified maturity $M	Weighted average effective rate %
		On demand	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Liabilities								
Deposits	513,757	427,672	86,085	–	–	–	–	0.8
Australian banknotes on issue	102,345	–	–	–	–	–	102,345	0.0
Cash collateral received and other liabilities	10,115	–	9,086	327	540	2	160	0.4
Total liabilities	**626,217**	**427,672**	**95,171**	**327**	**540**	**2**	**102,505**	**0.7**
Equity	(12,443)							
Total balance sheet	**613,774**							
Swaps								
Australian dollars								
– Contractual outflow	(56)	–	(56)	–	–	–	–	n/a
– Contractual inflow	8,889	–	331	2,285	6,273	–	–	n/a
	8,833	–	275	2,285	6,273	–	–	
Foreign currency								
– Contractual outflow	(34,760)	–	(25,976)	(2,511)	(6,273)	–	–	n/a
– Contractual inflow	25,927	–	25,701	226	–	–	–	n/a
	(8,833)	–	(275)	(2,285)	(6,273)	–	–	

Credit risk

Credit risk is the potential for financial loss arising from an issuer or counterparty defaulting on its obligations to repay principal, make interest payments due on an asset, or settle a transaction. The RBA's credit exposure is managed under a framework designed to contain credit risk within its very low appetite for such risk. Credit risk is controlled by holding securities issued by a limited number of highly rated governments, government-guaranteed agencies and supranational organisations, and holding high-quality collateral under reverse repurchase agreements.

The RBA held no impaired assets at 30 June 2023 or 30 June 2022.

The RBA's maximum exposure to credit risk for each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

The RBA's maximum credit risk exposure to derivative financial instruments is:

1. *Foreign exchange swaps* – As at 30 June 2023, the RBA was under contract to purchase $20.8 billion of foreign currency ($25.9 billion at 30 June 2022) and sell $37.8 billion of foreign currency ($34.8 billion at 30 June 2022). As of that date, there was a net unrealised gain of $0.9 billion on these swap positions included in net profit ($0.5 billion unrealised gain at 30 June 2022).
   The RBA has a credit exposure from foreign exchange swaps because of the risk that a counterparty might fail to deliver the second leg of a swap, a sum that would then have to be replaced in the market, potentially at a loss. To manage credit risk on both foreign exchange and gold swaps (see 'Gold exchanged under gold swap agreements' below), the RBA exchanges collateral with counterparties under terms specified in credit support annexes (CSAs), which cover the potential cost of replacing the swap position in the market if a counterparty fails to deliver. The RBA's CSAs specify that only Australian dollar cash is eligible as collateral. Under CSAs, either party to the agreement may be obliged to deliver collateral with interest paid or received on a monthly basis. At 30 June 2023, the RBA held $0.9 billion of collateral ($0.7 billion of collateral was held at 30 June 2022) and provided $0.2 billion of collateral ($0.3 billion provided at 30 June 2022).

2. *Bond futures* – As at 30 June 2023, the amount of credit risk on margin accounts associated with bond futures contracts held by the RBA was approximately $3.2 million with unrealised losses of $2.6 million on those contracts (as at 30 June 2022, the RBA did not hold any bond futures contracts).

Assessment of expected credit loss under AASB 9

The RBA assesses its financial assets carried at amortised cost, mainly its reverse repurchase agreements, gold swaps and foreign currency-denominated balances held with other central banks, for any deterioration in credit quality that could result in losses being recorded. The RBA's assessment is done on an individual exposure basis and takes account of: the counterparties with which balances are held; the collateral, if any, held against exposures and the terms upon which collateral is margined; and the remaining terms to maturity of such exposures. Based on the assessment at 30 June 2023, the provision for expected credit losses was immaterial (immaterial at 30 June 2022).

Collateral held under reverse repurchase agreements

Cash invested under reverse repurchase agreements in overseas markets is secured against government securities or securities issued by US agencies; the RBA takes and maintains collateral to the value of 102 per cent of the cash invested.

Cash invested under Australian dollar reverse repurchase agreements is secured by securities issued by Australian governments, supranational organisations, banks, and various corporate and asset-backed securities. The RBA holds collateral equivalent to the amount invested plus a margin according to the risk profile of the collateral held. If the current value of collateral falls by more than a predetermined amount, the counterparty is required to provide additional collateral to restore this margin; the thresholds are specified in the legal agreement that governs these transactions. The management of collateral and cash associated with tri-party repurchase agreements is conducted through a third party, in this case the Australian Securities Exchange. The terms and requirements of tri-party repurchase agreements are broadly consistent with bilateral agreements and the RBA manages the risk in a similar way. The RBA does not sell or re-pledge securities held as collateral under reverse repurchase agreements.

Collateral provided under repurchase agreements

At 30 June 2023, the carrying amount of securities sold and contracted for purchase under repurchase agreements was $6.8 billion ($7.9 billion at 30 June 2022). Terms and conditions of repurchase agreements are consistent with those for reverse repurchase agreements disclosed above.

Gold exchanged under gold swap agreements

Credit exposure from gold swaps is managed under CSAs the RBA has established with its swap counterparties, which cover both gold swaps and foreign exchange swaps. Australian dollar cash collateral is exchanged to cover the potential cost of replacing swap positions in the market if a counterparty fails to meet their obligations. The potential cost is assessed as the net costs of replacing all outstanding swap positions covered by the CSA.

As at 30 June 2023, $1.1 billion of gold was sold and contracted for purchase under gold swap agreements (none at 30 June 2022). There was no gold purchased and contracted for sale under gold swap agreements at 30 June 2023 or 30 June 2022.

Concentration of credit risk

As noted, the RBA operates to minimise its credit risk exposure through comprehensive risk management policy guidelines. The following table indicates the concentration of credit risk in the RBA's investment portfolio at 30 June.

Concentration of Credit Risk

	Risk rating of security/ issuer[(a)]	Risk rating of counterparties[(a)]	Per cent of Investments[(b)]	
			2023	2022
Australian dollar investments				
Holdings of Australian Government Securities	Aaa	n/a	41.5	43.8
Holdings of semi-government securities	Aaa	n/a	2.7	2.7
	Aa	n/a	7.7	7.7
Securities purchased under reverse repurchase agreements	Aaa	Aa	22.0	22.4
	Aaa	A	5.1	5.9
	Aaa	Baa	1.3	1.3
	Aaa	Other[(c)]	0.2	0.2
	Aa	Aaa	0.3	–
	Aa	Aa	0.5	0.7
	Aa	A	0.9	0.8
	Aa	Baa	0.2	0.3
	A	Aaa	0.1	–
	A	Aa	0.2	0.3
	A	A	0.8	0.6
	A	Baa	0.2	0.2
	Baa	A	0.1	0.1
Securities sold under repurchase agreements	Aaa	Aa	0.3	0.6
	Aaa	A	0.2	0.1
Foreign investments				
Holdings of securities	Aaa	n/a	4.8	3.2
	Aa	n/a	1.0	0.7
	A	n/a	3.6	2.8
	Other	n/a	–	0.3
Securities purchased under reverse repurchase agreements	Aaa	Aa	0.6	0.4
	Aaa	A	0.6	0.0
	Aa	A	–	0.2
Securities sold under repurchase agreements	Aaa	Aa	0.3	0.4
	Aaa	A	0.2	0.2
	Aaa	Baa	0.1	–
Deposits	n/a	Aaa	0.2	0.4

	Risk rating of security/ issuer(a)	Risk rating of counterparties(a)	Per cent of Investments(b)	
			2023	2022
	n/a	A	1.9	1.9
	n/a	Other(c)	0.1	0.1
Other	n/a	Aa	0.3	0.2
	n/a	A	0.2	–
	n/a	Baa	0.1	–
Other assets			1.7	1.5
			100.0	100.0

(a) Average of the credit ratings of the three major rating agencies, where available.

(b) Exposures below 0.1 per cent are not shown.

(c) This category includes counterparties that are not rated.

Note 16 – Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. This is the quoted market price if one is available. The RBA's financial assets measured at fair value include its holdings of Australian dollar securities, foreign government securities, bond futures, foreign currency swap contracts and its shareholding in the BIS. Non-financial assets carried on the balance sheet at fair value include the RBA's property and gold holdings. Other than derivatives, there are no financial liabilities measured at fair value.

AASB 13 requires financial and non-financial assets and liabilities measured at fair value to be disclosed according to their position in the fair value hierarchy: valuation for Level 1 is based on quoted prices in active markets for identical assets; for Level 2, valuation is based on quoted prices or other observable market data not included in Level 1; Level 3 includes inputs to valuation other than observable market data.

The table below presents the RBA's assets and liabilities measured and recognised at fair value and their classification within the fair value hierarchy at 30 June 2023.

Fair Value Hierarchy – as at 30 June 2023

	Fair Value			Amortised	
	Level 1 $M	Level 2 $M	Level 3 $M	Cost $M	Total $M
As at 30 June 2023					
Financial assets					
At fair value through profit or loss					
– Australian dollar securities	310,440	2,875	–	n/a	313,315
– Foreign government securities	51,439	7,722	–	n/a	59,161
– Foreign currency swaps	459	625	–	n/a	1,084
At fair value through other comprehensive income					
– Shares in international and other institutions	–	–	561	n/a	561
At amortised cost	n/a	n/a	n/a	215,208	215,208
	362,338	11,222	561	215,208	589,329
Non-financial assets					
– Land and buildings	–	–	487	10	497
– Gold holdings	7,406	–	–	n/a	7,406
– Other	–	–	–	870	870
	7,406	–	487	880	8,773
Total assets	**369,744**	**11,222**	**1,048**	**216,088**	**598,102**
Financial liabilities					
At fair value through profit or loss					
– Foreign currency swaps	0	231	–	n/a	231
Not at fair value through profit or loss	n/a	n/a	n/a	615,412	615,412
	0	231	–	615,412	615,643

	Fair Value Level 1 $M	Level 2 $M	Level 3 $M	Amortised Cost $M	Total $M
Non-financial liabilities	n/a	n/a	n/a	187	187
Total liabilities	**–**	**231**	**–**	**615,599**	**615,830**

Fair Value Hierarchy – as at 30 June 2022

	Fair Value Level 1 $M	Level 2 $M	Level 3 $M	Amortised Cost $M	Total $M
As at 30 June 2022					
Financial assets					
At fair value through profit or loss					
– Australian dollar securities	332,829	3,693	–	n/a	336,522
– Foreign government securities	40,911	5,582	–	n/a	46,493
– Foreign currency swaps	0	1,331	–	n/a	1,331
At fair value through other comprehensive income					
– Shares in international and other institutions	–	–	534	n/a	534
At amortised cost	n/a	n/a	n/a	220,798	220,798
	373,740	10,606	534	220,798	605,678
Non-financial assets					
– Land and buildings	–	–	588	12	600
– Gold holdings	6,772	–	–	n/a	6,772
– Other	–	–	–	724	724
	6,772	–	588	736	8,096
Total assets	**380,512**	**10,606**	**1,122**	**221,534**	**613,774**
Financial liabilities					
At fair value through profit or loss					
– Foreign currency swaps	–	856	–	n/a	856
Not at fair value through profit or loss	n/a	n/a	n/a	625,168	625,168
	–	856	–	625,168	626,024
Non-financial liabilities	n/a	n/a	n/a	193	193
Total liabilities	**–**	**856**	**–**	**625,361**	**626,217**

The RBA's Level 2 financial instruments include foreign currency swaps priced with reference to an active market yield or rate, but which have been interpolated to reflect maturity dates. Prices for some Australian dollar and foreign currency-denominated securities are derived from markets that are not considered active.

Level 3 assets include the RBA's shareholding in the BIS and its property (excluding leased property, which is recorded at amortised cost). The shareholding in the BIS is valued using the net asset value, as published in annual financial statements of the BIS, less a discount of 30 per cent. The discount applied is based on a Hague Arbitral Tribunal decision on compensation paid to former private shareholders in 2002, which remains the latest repurchase conducted by the BIS. Fair values of the RBA's property incorporate factors such as net market income and capitalisation rates, for property valued using an income capitalisation or a discounted cash flow approach, and depreciation rates for property valued using a depreciable replacement cost methodology.

Australian dollar securities valued at $562 million at 30 June 2022 were transferred from Level 2 to Level 1 during the year, as prices for these bonds are derived from markets that are now considered active. Foreign government securities valued at $1,229 million at 30 June 2022 were transferred from Level 1 to Level 2, as prices for these bonds are derived from markets that are now considered less active.

Movements in the fair value of the RBA's property during the financial year are detailed in Note 8. Fair value changes in the RBA's shareholdings in international and other institutions reflect valuation movements recognised in Other Comprehensive Income.

Note 17 – Subsequent Events

Unless otherwise disclosed in these financial statements, there are no events subsequent to 30 June 2023 to be disclosed.

Financial Statements: Independent Auditor's Report

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Opinion

In my opinion, the financial statements of the Reserve Bank of Australia and its subsidiary (together the Consolidated Entity) for the year ended 30 June 2023:

(a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Consolidated Entity as at 30 June 2023 and its financial performance and cash flows for the year then ended.

The financial statements of the Consolidated Entity, which I have audited, comprise the following as at 30 June 2023 and for the year then ended:

- Statement of Assurance;
- Statement of Financial Position;
- Statement of Comprehensive Income;
- Statement of Distribution;
- Statement of Changes in Capital and Reserves;
- Cash Flow Statement and
- Notes to and Forming Part of the Financial Statements comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Consolidated Entity in accordance with the relevant ethical requirements for financial statement audits conducted by me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter	How the audit addressed the matter

Valuation of Australian dollar and foreign currency investments
 	
Refer to note 1 'Accounting Policies' and note 15 'Financial Instruments and Risk'
 	
Valuation of Australian dollar and foreign currency investments is a key audit matter due to their significant size relative to the Reserve Bank of Australia's statement of financial position ($588,068m as at 30 June 2023) and the complexity inherent in auditing a wide range of investments which use different valuation methodologies.
 	
The portfolio of investments primarily comprises Australian dollar securities, foreign currency securities, repurchase agreements, deposits with other central banks, and foreign currency swap contracts. All investments are measured at fair value except for reverse repurchase agreements and deposits which are measured at amortised cost.
	To audit the valuation of Australian dollar and foreign currency investments, I performed the following audit procedures:
	
	• tested the design, implementation and operating effectiveness of key controls over the accurate recording of the purchase and sale of investments, including Information Technology General Controls (ITGCs) on the Reserve Bank of Australia's investment trading system;
	
	• tested the design, implementation and operating effectiveness of key controls over valuation of investments, including ITGCs on the Reserve Bank of Australia's securities valuation system;
	
	• tested the design, implementation and operating effectiveness of key controls relevant to the ongoing monitoring of the collateralisation of repurchase agreements, including those established as part of the Term Funding Facility; and
	
	• tested year end valuations of Australian dollar and foreign currency securities using the following procedures:
	
	    • checked all year end valuations of Australian dollar and foreign government securities and foreign currency swaps against independent pricing sources;
	
	    • tested the year-end valuations of all foreign currency swaps using independent publicly available information;
	
	    • checked whether all reverse repurchase agreements were collateralised in line with the Reserve Bank of Australia's policy. As part of this, for a sample of securities held as collateral I agreed valuations to independent pricing sources; and
	
	    • requested and obtained independent confirmation from other central banks regarding the value of deposits held with them.

Other information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information, and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact I have nothing to report in this regard

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Consolidated Entity, the Governor is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under the Act The Governor is also responsible for such internal control as the Governor determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the financial statements, the Governor is responsible for assessing the ability of the Consolidated Entity to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason The Governor is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit I also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority,
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion My conclusions are based on the audit evidence obtained up to the date of my auditor's report However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern,
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation, and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report I am responsible for the direction, supervision and performance of the Consolidated Entity audit I remain solely responsible for my audit opinion

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Accountable Authority, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office

Grant Hehir

Auditor-General

Canberra

6 September 2023

PART 5

Indexes

5.1 Statutory Reporting Requirements Index

The Reserve Bank Annual Report 2022/23 complies with the reporting requirements of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), rules made under the PGPA Act and other applicable legislation.

To assist readers locate this information, the index of statutory reporting requirements identifies where relevant information can be found in this annual report.

PGPA Act Rule References

PGPA Rule Reference	Part of Report, page number	Description	Requirement
17BE	*Contents of annual report*		
17BE(a)	Governance and Accountability, 11	Details of the legislation establishing the body	Mandatory
17BE(b)(i)	Our Role, 7–10	A summary of the objects and functions of the entity as set out in legislation	Mandatory
17BE(b)(ii)	Annual Performance Statement for 2022/23, 59–74	The purposes of the entity as included in the entity's corporate plan for the reporting period	Mandatory
17BE(c)	Governance and Accountability, 22	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers	Mandatory
17BE(d)	Governance and Accountability, 24	Directions given to the entity by the Minister under an Act or instrument during the reporting period	If applicable, mandatory
17BE(e)	Governance and Accountability, 24	Any government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(f)	Not applicable	Particulars of non-compliance with: a. a direction given to the entity by the Minister under an Act or instrument during the reporting period; or b. a government policy order that applied in relation to the entity during the reporting period under section 22 of the Act	If applicable, mandatory
17BE(g)	Annual Performance Statement for 2022/23, 59–74	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the rule	Mandatory
17BE(h), 17BE(i)	Governance and Accountability, 24	A statement of significant issues reported to the Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with finance law and action taken to remedy non-compliance	If applicable, mandatory
17BE(j)	Governance and Accountability, 11	Information on the accountable authority, or each member of the accountable authority, of the entity during the reporting period	Mandatory
17BE(k)	Operational Structure, 49-56	Outline of the organisational structure of the entity (including any subsidiaries of the entity)	Mandatory

PGPA Rule Reference	Part of Report, page number	Description	Requirement
17BE(ka)	Our People, 153	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: a. statistics on full-time employees; b. statistics on part-time employees; c. statistics on gender; d. statistics on staff location	Mandatory
17BE(l)	Management of the Reserve Bank, 145–146	Outline of the location (whether or not in Australia) of major activities or facilities of the entity	Mandatory
17BE(m)	Governance and Accountability, 11–24	Information relating to the main corporate governance practices used by the entity during the reporting period	Mandatory
17BE(n), 17BE(o)	Governance and Accountability, 24	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than $10,000 (inclusive of GST): a. the decision-making process undertaken by the accountable authority to approve the entity paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company; and b. the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions	If applicable, mandatory
17BE(p)	Governance and Accountability, 24	Any significant activities and changes that affected the operation or structure of the entity during the reporting period	If applicable, mandatory
17BE(q)	Governance and Accountability, 24	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the entity	If applicable, mandatory
17BE(r)	Governance and Accountability, 24	Particulars of any reports on the entity given by: a. the Auditor-General (other than a report under section 43 of the Act); or b. a Parliamentary Committee; or c. the Commonwealth Ombudsman; or the Office of the Australian Information Commissioner	If applicable, mandatory
17BE(s)	Not applicable	An explanation of information not obtained from a subsidiary of the entity and the effect of not having the information on the annual report	If applicable, mandatory
17BE(t)	Governance and Accountability, 21-22	Details of any indemnity that applied during the reporting period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs)	If applicable, mandatory
17BE(taa)	Governance and Accountability, 13–15, Reserve Bank Board, 33–39 and Our People 160–162	The following information about the audit committee for the entity: a. a direct electronic address of the charter determining the functions of the audit committee;	Mandatory

PGPA Rule Reference	Part of Report, page number	Description	Requirement
		b. the name of each member of the audit committee; c. the qualifications, knowledge, skills or experience of each member of the audit committee; d. information about each member's attendance at meetings of the audit committee; e. the remuneration of each member of the audit committee	
17BE(ta)	Our People, 163–165	Information about executive remuneration	Mandatory
17BF	*Disclosure requirements for government business enterprises*		17BF
17BF(1)(a)(i)	Not applicable	An assessment of significant changes in the entity's overall financial structure and financial conditions	If applicable, mandatory
17BF(1)(a)(ii)	Not applicable	An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial conditions	If applicable, mandatory
17BF(1)(b)	Not applicable	Information on dividends paid or recommended	If applicable, mandatory
17BF(1)(c)	Not applicable	Details of any community service obligations the government business enterprise has including: a. an outline of actions taken to fulfil those obligations; and b. an assessment of the cost of fulfilling those obligations	If applicable, mandatory
17BF(2)	Not applicable	A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise	If applicable, mandatory

Legislative References

Legislative Reference	Part of Report, page number	Description	Requirement
Public Governance, Performance and Accountability Act 2013			
43(4)	Financial Statements, 189–238	Annual Financial Statements and Auditor-General's report	Mandatory
Work Health and Safety Act 2011 Schedule 2 Part 4			
4(2)(a)	Our People, 157–158	Health, safety and welfare initiatives	Mandatory
4(2)(b)	Our People, 157–158	Health and safety outcomes	Mandatory
4(2)(c)	Our People, 158	Statistics of notifiable incidents	Mandatory
4(2)(d)	Our People, 158	Investigations conducted	Mandatory

Legislative Reference	Part of Report, page number	Description	Requirement
Environment Protection and Biodiversity Conservation Act 1999			
516A(6)(a)	Management of the Reserve Bank, 146–149	Report on implementation of ecologically sustainable development principles	Mandatory
516A(6)(b)	Not applicable.	Identify how any outcomes specified for the Reserve Bank in an Appropriations Act contribute to ecologically sustainable development	Mandatory
516A(6)(c)	Management of the Reserve Bank, 146–149	Effect of the Reserve Bank's activities on the environment	Mandatory
516A(6)(d)	Management of the Reserve Bank, 146–149	Measures to minimise the impact of the Reserve Bank's activities	Mandatory
516A(6)(e)	Management of the Reserve Bank, 146–149	Mechanisms for reviewing/increasing effectiveness of measures	Mandatory
Equal Employment Opportunity (Commonwealth Authorities) Act 1987			
9	Our People, 151–159	Report on development and implementation of the Bank's equal employment opportunity program	Mandatory

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5.5 Abbreviations

A glossary of relevant terms is available on the Reserve Bank website

24/7	24 hours per day, 7 days per week
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ABF2	Asian Bond Fund 2
ABN	Australian Business Number
ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
ADI	authorised deposit-taking institution
AFXC	Australian Foreign Exchange Committee
AGNSW	Art Gallery of New South Wales
AGS	Australian Government Securities
AIF	Automated Information Facility
AM	Member of the Order of Australia
ANAO	Australian National Audit Office
ANU	Australian National University
AO	Officer of the Order of Australia
AOFM	Australian Office of Financial Management
APC	Australian Payments Council
APEC	Asia-Pacific Economic Cooperation
API	Application Programming Interface
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASXFS	ASX Financial Settlements
ATM	automated teller machine
ATO	Australian Taxation Office
AusPayNet	Australian Payments Network
AUSTRAC	Australian Transaction Reports and Analysis Centre
BA	Bachelor of Arts
BCBS	Basel Committee on Banking Supervision (of the BIS)
BIS	Bank for International Settlements
BPA	bulk purchase annuity
BPAY	A payments clearing organisation owned by a group of retail banks
BRS	Business Resumption Site
CAC Act	Commonwealth Authorities and Companies Act 1997 (repealed)
CBDC	Central bank digital currency
CCPs	central counterparties
CEDA	Committee for Economic Development of Australia
CEPAR	Australian Research Council Centre of Excellence in Population Ageing Research
CFR	Council of Financial Regulators
CHESS	Clearing House Electronic Sub-register System
CLF	Committed Liquidity Facility
CME	Chicago Mercantile Exchange Inc.
COVID-19	Coronavirus disease
CPMI	Committee on Payments and Market Infrastructures (of the BIS)
CPRs	Commonwealth Procurement Rules
CRC	Cooperative Research Centre
CS	clearing and settlement
CSA	credit support annex
CSIRO	Commonwealth Scientific and Industrial Research Organisation
EAP	Employee Assistance Program
EDO	Enterprise Data Office
ELA	Emergency liquidity assistance
EMEAP	Executives' Meeting of East Asia-Pacific Central Banks
EFS	Economic and Financial Statistics
eftpos	electronic funds transfer at point of sale

EAF	Executive Accountability Framework
ERG	Employee Resource Group
ES	Exchange Settlement
ESA	Exchange Settlement Account
ESD	ecologically sustainable development
ESG	environmental, social and governance
ESP	Economic Support Payments
FINMA	Swiss Financial Market Supervisory Authority
FMI	financial market infrastructure
FOI	Freedom of Information
FOI Act	Freedom of Information Act 1982
FSAP	Financial Sector Assessment Program (of the IMF)
FSB	Financial Stability Board
FSS	Fast Settlement Service (of RITS)
FTE	full-time equivalent
FX	foreign exchange
G20	Group of Twenty
G-SIB	global systemically important bank
GDP	gross domestic product
GFC	Global Financial Crisis
GFXC	Global Foreign Exchange Committee
GST	Goods and Services Tax
HQLA	high-quality liquid assets
IAT	Incident Assessment Team
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
IPS	Information Publication Scheme
ISDA	International Swaps and Derivatives Association
ISO	International Organization for Standardisation
IT	information technology
KRW	Korean won
LCR	Liquidity Coverage Ratio
LED	light emitting diode
LGBTI	lesbian, gay, bisexual, transgender and intersex
LIBOR	London Inter-Bank Offered Rate
LLB	Bachelor of Laws
LVSS	RITS Low Value Settlement Service
MBA	Master of Business Administration
MFSC	Monetary and Financial Stability Committee (of EMEAP)
MIT	Massachusetts Institute of Technology
MP	member of parliament
NAB	National Australia Bank
NABERS	National Australian Built Environment Ratings System
NAIDOC	National Aborigines and Islanders Day Observance Committee
NBS	National Banknote Site
NGB	Next Generation Banknote
NGFS	Network for Greening the Financial System
NPA	Note Printing Australia Limited
NPP	New Payments Platform
NPPA	NPP Australia Limited
NSW	New South Wales
OECD	Organisation for Economic Co-operation and Development
OAM	Medal of the Order of Australia
OMO	open market operations
OPA	Official Public Account
PEXA	Property Exchange Australia Limited
PFMI	Principles for Financial Market Infrastructures
PGPA Act	Public Governance, Performance and Accountability Act 2013
PGPA Rule	Public Governance, Performance and Accountability Rule 2014
PhD	Doctor of Philosophy
Prospera	Australia Indonesia Partnership for Economic Development
PSM	Public Service Medal
RAP	Reconciliation Action Plan
RBA	Reserve Bank of Australia
RBRF	Reserve Bank Reserve Fund
RDP	Research Discussion Paper
repo	repurchase agreement
RITS	Reserve Bank Information and Transfer System
RMBS	residential mortgage-backed securities
RTGS	real-time gross settlement

R&D	research and development
SAR	Special Administrative Region (of China)
SDR	Special Drawing Right
SEACEN	South East Asian Central Banks
Semis	semi-government securities (Australian state and territory government securities)
SME	Small and medium-sized enterprises
SVF	stored-value facility
TFF	Term Funding Facility
TTBC	Trans-Tasman Council on Banking Supervision
SWIFT	Society for Worldwide Interbank Financial Telecommunication
UK	United Kingdom
UNSW	University of New South Wales
US	United States
WA	Western Australia
WHS	work health and safety
WHS Act	Work Health and Safety Act 2011
WPIT	Welfare Payment Infrastructure Transformation Program (of Services Australia)

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