

## THE RESERVE BANK BOARD AND GOVERNANCE

### THE ROLE OF THE RESERVE BANK BOARD

Sections 8A and 10 of the *Reserve Bank Act 1959* give the Reserve Bank Board clear responsibility for the RBA's "monetary and banking policy". The relationship of the Board and the government-of-the-day is set out in Section 11. Routinely, the "Government is to be informed, from time to time, of the Bank's monetary and banking policy". In practice this is done in the regular monthly meetings which the Governor, Deputy Governor and senior officers have with the Treasurer shortly after each Board meeting.

The Act itself has not been changed with respect to the mandate for monetary policy but procedures and practices have been augmented over time, in order to keep the RBA's policy-making process

relevant to the evolving environment, and in parallel with developments overseas. In 1996, the responsible Minister, the Treasurer, and the Governor jointly signed the "Statement on the Conduct of Monetary Policy", which confirmed the RBA's independence in making monetary policy, and endorsed the Bank's inflation target. The high profile of the RBA's regular appearances before the House of Representatives Standing Committee on Economics, Finance and Public Administration, and the quarterly *Statements on Monetary Policy*, have reinforced this process.

When the Australian Prudential Regulation Authority was established in 1998, the RBA's role as prudential supervisor of banks passed to it, but responsibility for overall financial system stability was retained. The Treasurer's statement in Parliament

In August 2001, members of the House of Representatives Standing Committee on Economics, Finance and Public Administration visited the RBA. They are pictured in the international dealing room, from right: Christopher Pyne; Tanya Plibersek; Anna Burke; Ian Macfarlane, Governor; Mike Sinclair, Chief Manager, International Department; Kay Hull; David Hawker, Committee Chairman; Margaret Atkin, Committee Secretariat.

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on 2 September 1997 confirmed that the RBA, in addition to monetary policy, was responsible for overall financial system stability and regulation of the payments system.

The *Reserve Bank Act 1959* was amended in 1998 to establish the Payments System Board which is responsible for the RBA's payments system policy and reports separately in its own Annual Report.

#### COMPOSITION OF THE RESERVE BANK BOARD

The Board comprises the Governor, who is Chairman, the Deputy Governor, the Secretary to the Treasury and six external members, appointed by the Treasurer – a total of nine. Details of the current members are set out on pages 92-93. Five members form a quorum for a meeting of the Board.

In terms of Section 17(1) of the *Reserve Bank Act 1959*, members of the Board may not be a director, officer or employee of an authorised deposit-taking institution for the purposes of the *Banking Act 1959*.

#### MEETINGS OF THE RESERVE BANK BOARD

The *Reserve Bank Act 1959* does not stipulate the frequency of Board meetings. For many years the Board's practice has been to meet eleven times each year, on the first Tuesday of each month, except January. Most meetings are held at the Head Office in Sydney. By custom, one meeting each year is held in Melbourne. From time to time, the Board meets in other State capitals.

The number of meetings attended by each member in 2001/02, was:

IJ Macfarlane	11	(11)
SA Grenville	5	(5)
GR Stevens	5	(5)
KR Henry *	10	(11)
JR Broadbent	11	(11)
FP Lowy	9	(11)
DG McGauchie	11	(11)
WJ McKibbin	8	(10)
HM Morgan	10	(11)
RFE Warburton	10	(11)

\*GR Potts attended one meeting in place of KR Henry, in terms of the provisions of section 22 of the *Reserve Bank Act 1959*.

(The figure in brackets is the number of meetings the member was eligible to attend.)

#### AUDIT COMMITTEE

The primary objectives of the Audit Committee are to:

- ensure a high-quality, independent and effective audit process in the RBA;
- assist the Governor and the Board in fulfilling their obligations relating to financial reporting, compliance with laws and regulations, internal control and employee conflicts of interest, business ethics and prevention of fraud; and
- enhance contact between management and the Audit Department.

The Committee also acts, at the request of the Note Printing Australia Limited (NPA) Board, as NPA's Audit Committee.

The Audit Committee is made up of the Deputy Governor as Chairman, a non-executive member of the Reserve Bank Board, JR Broadbent, and an external appointed member, GH Bennett, company director and former National Executive Chairman, KPMG Peat Marwick. During 2001/02, the Committee met on four occasions; SA Grenville chaired the meetings in July and November 2001 and GR Stevens chaired the meetings in February and May 2002. Ms Broadbent attended all four meetings during the year; Mr Bennett attended three.

Minutes of Audit Committee meetings are circulated to the Reserve Bank Board for information, and discussion as appropriate, and a report on the Committee's activities for the year is prepared at the time of the presentation of the annual accounts.

**OBLIGATIONS UNDER THE COMMONWEALTH AUTHORITIES AND COMPANIES (CAC) ACT 1997**

The CAC Act is one of three Acts which deal with the financial management, accountability and audit of Commonwealth agencies, authorities and companies. The CAC Act sets standards of conduct for directors and officers of Commonwealth authorities, with many of these requirements being modelled on comparable areas of the Corporations Law.

The RBA is a Commonwealth authority for the purposes of the CAC Act and, for these purposes, the members of the Reserve Bank Board are the directors of the RBA. As such, they are responsible for the preparation of the RBA's Annual Report and, at the meeting of the Board on 6 August 2002, they resolved that the Chairman sign the Report, and the Financial Statements as at 30 June 2002, transmit them in accordance with the requirements of the CAC Act and arrange publication.

The House of Representatives Standing Committee on Economics, Finance and Public Administration has, in its Standing Orders, an obligation to review the Annual Report of the RBA and also the Annual Report of the Payments System Board.

**REMUNERATION**

Fees of the non-executive members of the Board are determined by the Remuneration Tribunal.

A committee of the RBA non-executive Board members, currently chaired by RFE Warburton, reviews annually the remuneration of the Governor and Deputy Governor in terms of section 24A of the Reserve Bank Act 1959.

**INDEMNITIES**

Under the provisions of Section 27 of the CAC Act, and pursuant to a Board resolution on 3 November 1998, members of the Reserve Bank Board have been indemnified against liabilities incurred arising out

of the proper discharge of their responsibilities, provided that any such liability does not arise from conduct involving a lack of good faith. This indemnity does not extend to claims by the RBA itself or any subsidiary of the RBA. A similar indemnity was extended to the members of the Payments System Board, pursuant to a resolution by the Reserve Bank Board on 3 November 1998.

## RESERVE BANK BOARD



### **Chairman, IJ Macfarlane**

Governor since 18 September 1996  
Present term expires 17 September 2003  
Chairman – Payments System Board  
Board member – Australian Prudential Regulation Authority



### **GR Stevens**

Deputy Governor since 21 December 2001  
Present term expires 20 December 2008



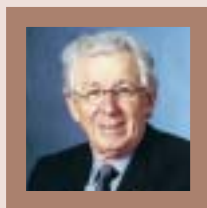
### **KR Henry**

Secretary to the Treasury  
Member since 27 April 2001



### **JR Broadbent**

Member since 7 May 1998  
Present term expires 6 May 2003  
Chairman – Integrated Development Capital Limited  
Director – Coca Cola Amatil Limited  
Director – Special Broadcasting Service  
Director – Westfield America Management Limited  
Director – Westfield Management Limited  
Director – Woodside Petroleum Limited



### **FP Lowy AC**

Member since 27 June 1995  
Present term expires 26 June 2003  
Chairman – Westfield Holdings Limited  
Director – Daily Mail and General Trust PLC (UK)



### **DG McGauchie**

Member since 30 March 2001  
Present term expires 29 March 2006  
Chairman – Telstra Country Wide Advisory Board  
Chairman – Woolstock Australia Limited  
Deputy Chairman – Australian Wool Testing Authority Limited  
Director – Australian Centre for International Agriculture Research  
Director – GrainCorp Limited  
Director – National Foods Limited  
Director – Ridley Corporation Limited  
Director – Telstra Corporation Limited



### **WJ McKibbin**

Member since 31 July 2001

Present term expires 30 July 2006

Professor of International Economics and Convenor of  
Division of Economics, Research School of Pacific & Asian  
Studies – Australian National University

Non-Resident Senior Fellow—The Brookings Institution, USA

President – McKibbin Software Group Inc (USA)

Director – McKibbin Software Group Pty Ltd

Director – EconomicScenarios.com Pty Ltd



### **HM Morgan AC**

Member since 14 August 1996

Present term expires 28 July 2007

Chief Executive Officer – WMC Limited

Director – Alcoa of Australia Limited

Director – Business Council of Australia



### **RFE Warburton**

Member since 22 December 1992

Present term expires 21 December 2002

Chairman – Caltex Australia Limited

Chairman – David Jones Limited

Chairman – AurionGold Limited

Chairman – HIH Claims Support Limited

Director – Note Printing Australia Limited

Director – Nufarm Limited

Director – Southcorp Limited

Director – Tabcorp Holdings Limited



### **Retirement of SA Grenville**

Dr Grenville retired on 30 November 2001 as Deputy Governor of the RBA and Deputy Chairman of the Reserve Bank Board.

Members of the Board, at a meeting on 6 November 2001, paid tribute to Dr Grenville for his outstanding contribution to the Board's deliberations over five years as Deputy Governor and, before that, for four years as Assistant Governor (Economic). He brought to the Board's discussions economic policy expertise of the highest level.

The Board also acknowledged Dr Grenville's outstanding contribution to developing the RBA's involvements and reputation internationally. It had been a major focus of his period as Deputy Governor and built on a longstanding and influential participation in international matters, particularly in Asia, both during his career in the RBA and in a range of international economic organisations.