

Accountability and Communication

Relationship with Government

Section 11 of the *Reserve Bank Act 1959* provides for substantial independence of the Reserve Bank in terms of its monetary and banking policy. The Reserve Bank's independence is accompanied by an obligation to inform the Government of its policies 'from time to time'. The Reserve Bank Act sets out a clear and transparent process for resolving differences of opinion between the Board and the Government on policy matters. Regular discussions between the Governor and the Treasurer (at the date of signing The Hon Chris Bowen MP and formerly The Hon Wayne Swan MP) served to keep the Government informed during the year in review.

Reporting Obligations

The Reserve Bank is a Commonwealth authority. The members of the Reserve Bank Board are the directors of the Bank responsible under the *Commonwealth Authorities and Companies Act 1997* (CAC Act) for the preparation and contents of the annual report. At its meeting on 6 August 2013 the Board resolved that the Chairman sign the annual report and financial statements as at 30 June 2013, and provide them to the Treasurer for presentation to the Parliament, in accordance with the CAC Act.

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 holds twice-yearly public hearings, at which the Bank presents its views on the economy and financial markets and other matters pertaining to the Bank's operations, and responds to questions from Committee members. In 2012/13, the Governor and senior Bank officers attended hearings of this Committee for this purpose in August 2012 and February 2013, on both occasions in Canberra. An additional hearing, also in Canberra, was held in October 2012 in relation to matters concerning Note Printing Australia Limited and Innovia Security Pty Ltd (formerly Securrency International Pty Ltd). The Committee issued its reports on these hearings on 1 November 2012, *Review of the Reserve Bank Annual Report 2011 (Second Report)*, which covered the August 2012 and October 2012 hearings, and on 18 March 2013, *Review of the Reserve Bank Annual Report 2012 (First Report)*, which covered the February 2013 hearing.

The regular twice-yearly appearances before the House of Representatives Standing Committee on Economics, and the quarterly *Statement on Monetary Policy* (see below), are important elements of the arrangements embodied in the understandings between the Governor and the Treasurer (outlined in the fifth *Statement on the Conduct of Monetary Policy*, which was issued in September 2010).

The Reserve Bank made two public written submissions to parliamentary inquiries during the year: a submission in October 2012 to the inquiry into family business in Australia and a submission in April 2013 to the inquiry into the Corporations and Financial Sector Legislation Amendment Bill 2013, both of which were conducted by the Parliamentary Joint Committee on Corporations and Financial Services. The Parliamentary Joint Committee issued its report on family businesses, *Family Businesses in Australia – Different and Significant: Why They Shouldn't be Overlooked*, on 20 March 2013, and its report on the Corporations and Financial Sector

Legislation Amendment Bill 2013 was issued on 15 May 2013. In August 2012, senior officers appeared before the Senate Economics References Committee in Sydney as part of its inquiry into the post-global financial crisis banking sector, which followed lodgement of a submission to the inquiry in May 2012. The Committee issued its report, *The post-GFC Banking Sector*, on 28 November 2012. In November 2012, the Governor gave testimony before a hearing in Canberra of the Parliamentary Joint Committee on the Australian Commission for Law Enforcement Integrity as part of its inquiry into the integrity of overseas Commonwealth law enforcement operations. This followed answers to questions on notice provided by the Bank to the Parliamentary Joint Committee on 1 June 2012. The Bank also made a confidential written submission to this Committee in November 2012. The Committee issued its report on 24 June 2013.

Communication

The Reserve Bank seeks to ensure a high degree of transparency about its activities, goals, decision-making processes and the basis of its policy decisions. Transparency facilitates the accountability of the central bank, in keeping with its operational independence. Importantly, it also increases the effectiveness of policy decisions by promoting more informed decision-making by the wider community.

In addition to the regular announcements about monetary policy decisions of the Reserve Bank Board, the Bank has an active program of communication.

Reserve Bank publications

The quarterly *Statement on Monetary Policy* informs the financial markets, media and general public about the Reserve Bank's views about monetary policy and developments in financial markets. It also provides a basis for the House of Representatives Economics Committee's questioning of the Bank at its regular hearings. The *Statement* contains analysis of conditions in the economy and financial markets, describes the outlook for inflation and economic growth and offers further explanation of recent decisions about the cash rate.

The *Financial Stability Review*, published each March and September, provides a detailed assessment of the condition of Australia's financial system, along with analysis of financial system issues of specific interest. In the past year, these issues included households' mortgage prepayment buffers, the funding composition of Australian banks, Australian banking activity in Asia and the financial conditions of companies servicing the mining sector. The *Review* reports on international regulatory reforms, the Reserve Bank's involvement in these reforms and their potential effects. Additionally, it reports on domestic regulatory issues, including through the Bank's work with the Council of Financial Regulators (CFR), which is the coordinating body for Australia's main financial regulatory agencies. The CFR is a non-statutory body whose role is to contribute to the efficiency and effectiveness of financial regulation and to promote stability of the Australian financial system. Its members share information, discuss regulatory issues and, if the need arises, coordinate responses to potential threats to financial stability. The CFR also advises the Australian Government on Australia's financial regulatory arrangements.

Australia's financial stability policy framework involves clear mandates for financial stability distributed across several of the CFR agencies. The prudential elements of that framework rest with the Australian Prudential Regulation Authority (APRA). The Reserve Bank and APRA published a paper, *Macroprudential Analysis and Policy in the Australian Financial Stability Framework*, during the reporting year, setting out the tools and practices of these two agencies that are designed to support financial stability from a system-wide perspective.

The Reserve Bank's quarterly *Bulletin* contains analysis of a broad range of economic and financial developments as well as aspects of the Bank's operations. *Bulletin* articles over the past year covered topics ranging from

regular articles on bank fees and margins to developments in the markets for foreign exchange and domestic securities. There were articles on the increasingly important economies of China and India, along with developments in mobile payments in developing and advanced economies. Other articles explored the resources boom and structural change in the Australian economy. There were also articles that complemented the *Statement on Monetary Policy* by providing more detail about specific economic developments and measurement issues.

Speeches

During 2012/13 the Governor, Deputy Governor and senior officers gave 42 speeches on various topics and participated in a number of public panel discussions. In addition to explaining current economic and financial conditions, many speeches addressed the longer-term forces shaping the economy, and the challenges associated with adapting to structural change and efforts to raise productivity. There were also speeches devoted to innovation and reform in the payments system along with reflections on financial system stability in the post-crisis environment. Audio files of these speeches, the associated Q&A and panel discussions were published on the Reserve Bank's website to enhance accountability and communication.



1. Governor Glenn Stevens addresses participants at the 2012 RBA/BIS Research Conference, August 2012 **2.** Deputy Governor Philip Lowe speaking at the Australian Business Economists Annual Dinner, December 2012 **3.** Assistant Governor (Economic) Christopher Kent addresses the Structural Change and the Rise of Asia Conference, September 2012 **4.** Assistant Governor (Financial Markets) Guy Debelles speaking at the KangaNews Summit, March 2013 **5.** Assistant Governor (Financial System) Malcolm Edey speaking at the Thomson Reuters Australian Regulatory Summit, May 2013

Research

The Reserve Bank disseminates research conducted by staff in the form of Research Discussion Papers (RDPs) as well as through articles in the quarterly *Bulletin*.

The views expressed in RDPs are those of the authors and do not necessarily represent those of the Reserve Bank. RDPs are published to further the understanding of issues that affect policy and to encourage debate among a broad range of researchers. During 2012/13, 15 RDPs were published on a range of topics including RBA forecasts, the Australian corporate bond market, the demand for cash during the financial crisis and house prices.

In addition, Reserve Bank staff published papers in various journals, including the *Journal of Banking and Finance*, *JASSA: The Finsia Journal of Applied Finance* and the *Economic Record*.

Research undertaken at the Reserve Bank is also frequently presented at external conferences and seminars. Presentations at domestic conferences in 2012/13 included: the CAMA conference on Commodity Price Volatility Past and Present, the 18th Australasian Macroeconomics Workshop and a conference on Implications for the Australian Economy of Strong Growth in Asia, all held in Canberra; the Housing Markets Workshop at the University of Tasmania; the 7th and 8th Workshops on Macroeconomic Dynamics at the University of Sydney and ANU House in Melbourne, respectively; the Melbourne Money and Finance Conference hosted by the Australian Centre for Financial Research; and the Econometric Society Australasian Meeting at Melbourne University.

Papers were also presented by staff at a number of international conferences and workshops, including: the Bank of England Workshop for Heads of Financial Stability; the Southern Workshop in Economics at the University of Victoria, Wellington; the BIS Asian Research Network Conference in Manila; the Chinese Economics Society Annual Conference in Chengdu; the American Real Estate and Urban Economics Association Conference in Jerusalem; and the Bank of Papua New Guinea Seminar in Port Moresby.

The Reserve Bank hosts regular conferences, which foster interaction between academics, central bankers and other economic practitioners. The Bank's annual conference for 2013 was held in August in Sydney, with a focus on liquidity and funding markets. The conference covered a range of issues, including the ways in which private sector institutions are responding to changes in funding markets and their liquidity, the interaction between central banks and funding markets, the macroeconomic and financial stability consequences of these changes and the impact of regulatory change. A volume containing the conference papers and discussions will be published in late 2013.

In December 2012 the Reserve Bank hosted the annual Quantitative Macroeconomics workshop, which featured 10 papers by international and Australian academics and central bankers. Another macroeconomic workshop will be held in December 2013.

The Reserve Bank also hosted a number of academics and central bankers from the Bank of Canada and the Deutsche Bundesbank through the year, who presented seminars and participated in research activities at the Bank during their visits.

Online communication

The Reserve Bank publishes information in both electronic and hard copy formats, though most access to information is online. The website is heavily visited, with over 62 million page views and downloads made during 2012/13, and large spikes in visitation following the release of market-sensitive information. It is now

more than two years since the Bank commenced using Twitter, and the number of subscribers to the website's conventional email alert service has continued to fall (to around 11 500 at the end of June 2013, down from 15 500 two years ago), while the number of followers on Twitter has grown (to 15 200 by the end of June 2013). Visitors to the website also made greater use of the RSS feeds, which allow them to receive alerts about updates to selected data, media releases, speeches, research papers and other documents.

In 2012/13 content relating to banknotes was separated from the main website and developed to form a new Banknotes microsite (www.banknotes.rba.gov.au). This new site focuses on explaining the design, production and security features of Australia's banknotes; more information is provided in the chapter on 'Currency'.

In addition, a dedicated website (www.cfr.gov.au) for the CFR was launched during the year to improve public understanding of its work. It includes information on how the CFR operates and highlights some of the key policy initiatives of the CFR in recent years. The website is also intended to serve as a central platform for information during any period of financial distress, complementing that provided by the individual member agencies.



Michael Andersen, Note Issue Department, receives an award for the Banknotes microsite from Richard Haycock, Chairman, Currency Research, at the 2013 Currency Conference in Athens, June 2013

