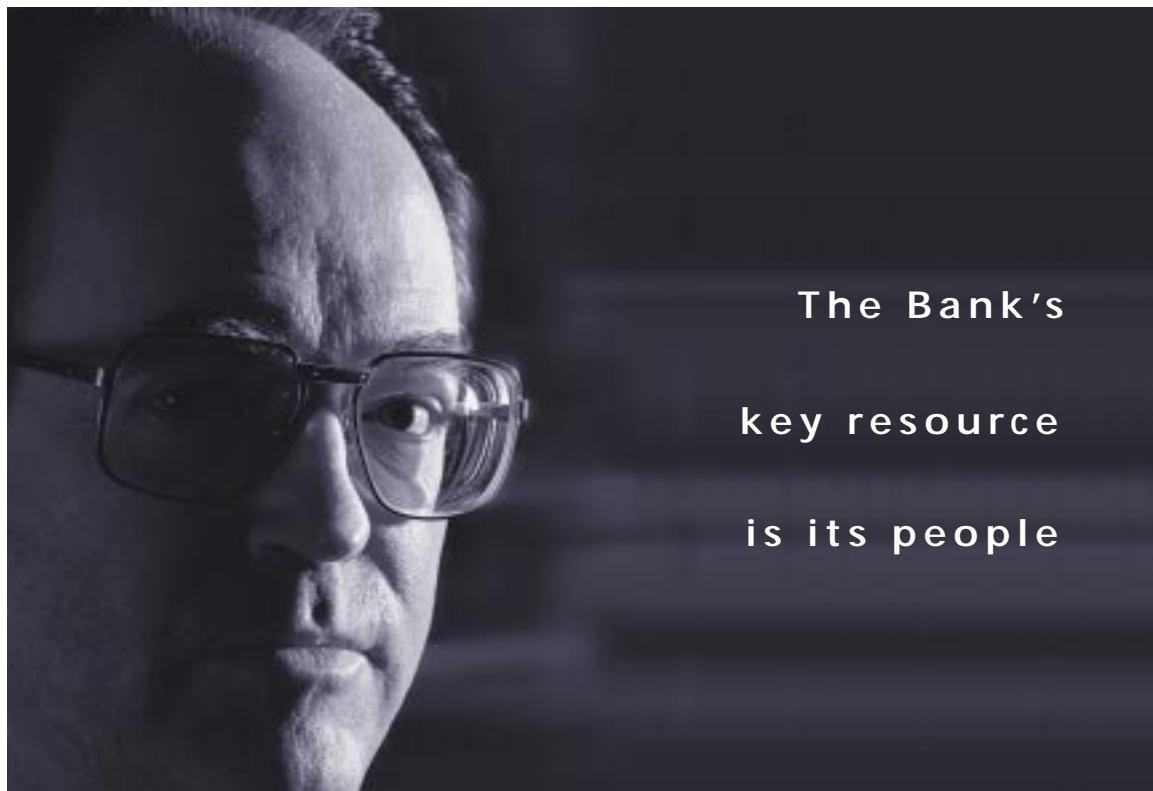


foreword



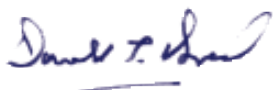
This *Annual Plan* covers the Reserve Bank of New Zealand's 1997/98 financial year, which is the twelve months from 1 July 1997 to 30 June 1998.

As the Reserve Bank's activities affect all New Zealanders, it is important to communicate our intentions. The aim of the Annual Plan is to provide information on the functions the Bank will perform in the year ahead and the resources required to carry out those functions. While this *Annual Plan* is primarily concerned with what we do, we think how we do things is also very important. Accordingly, we have set out *Our Commitment to New Zealanders* and *Our Values* in this document as a guide to the principles that govern our work.

For most of the Reserve Bank's functions, the planned outputs are stable from year to year, and in this respect the next year is no exception. There are, however, a number of significant initiatives planned in the year ahead as the Bank continues to search for better ways of performing its functions. These are set out in the section entitled *The Bank's functions*.

Another function of our *Annual Plan* is to provide reassurance to the public of New Zealand that the Bank's stewardship of resources is sound and that the expertise required to carry out its functions is maintained. The Bank's key resource is its people. The continuing success of the Bank in meeting the goals set for it by the Government depends not on one individual but upon a great many people. We must, and do, attract and retain a pool of people of the very highest calibre. The Bank places considerable emphasis on maintaining and improving its intellectual capital and in the year ahead our efforts will be no less.

The present Reserve Bank of New Zealand Act has been in place for nearly eight years now and is well established. During that period the Bank has been through significant structural change and has achieved considerable reductions in the cost of performing its functions. The challenge before us now is to maintain the productive performance of previous years while continuing to fulfil our functions to a high standard.



Donald T Brash
Governor

the reserve bank

The Bank and its functions

The Reserve Bank of New Zealand is New Zealand's central bank and, as such, it provides banking services to the Government and commercial banks.

The Reserve Bank has three main goals. These are to:

- operate monetary policy to maintain price stability;
- promote the maintenance of a sound and efficient financial system; and
- meet the currency needs of the public.

Under the Reserve Bank of New Zealand Act 1989, the Reserve Bank is required to independently manage monetary policy to maintain overall price stability. Price stability is defined in a separate agreement with the Government as inflation of between 0 and 3 percent annually. Price stability contributes to New Zealand's overall economic success by protecting the value of people's incomes and savings, and by encouraging investment in the nation's productive capacity.

Each of the Bank's functions contributes to the goals set out above. The role and description of each function are set out in the section *The Bank's functions*.

Organisation structure

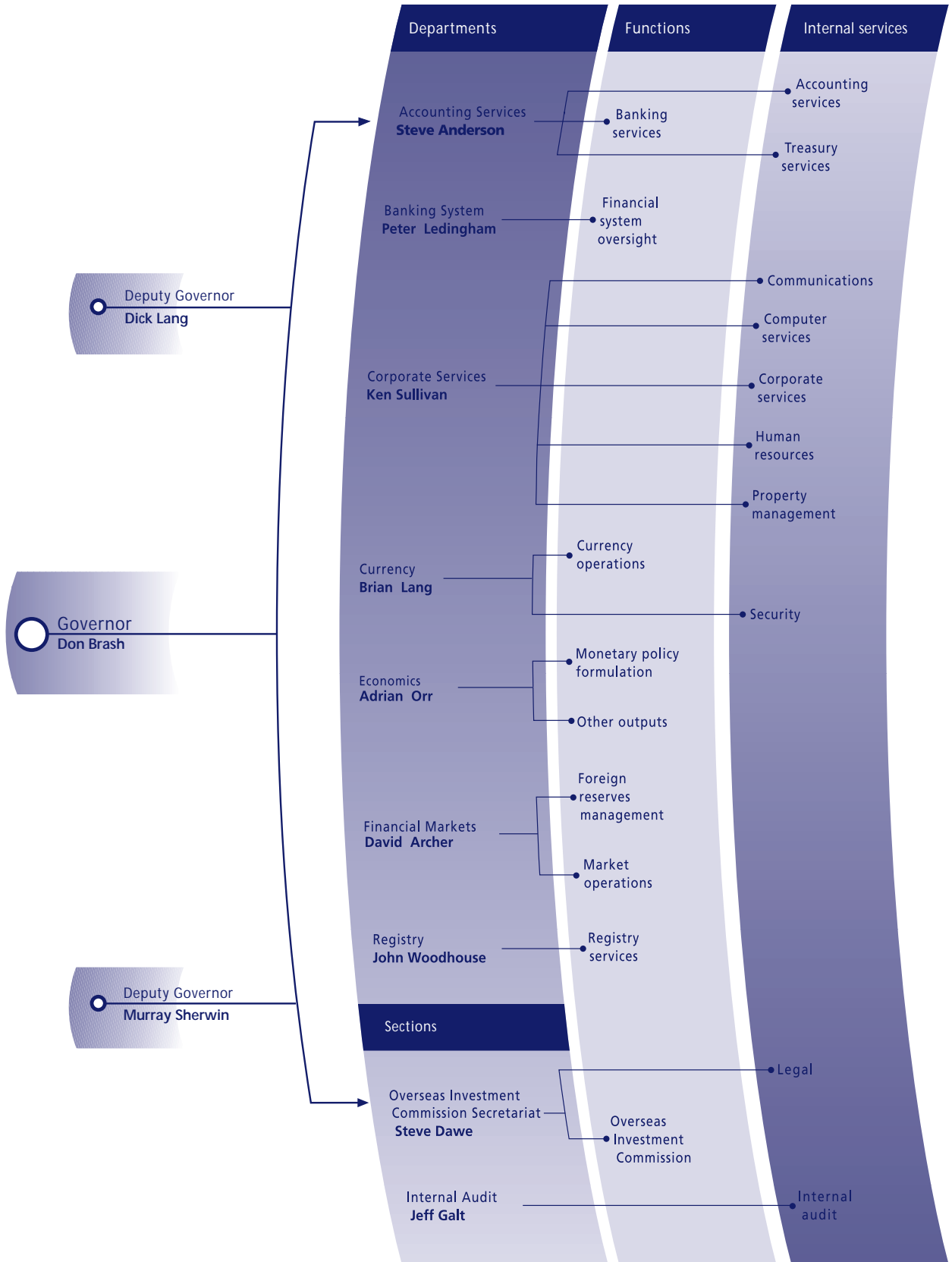
The structure of the Reserve Bank and its relationship to the Bank's functions are shown in the diagram on the facing page.

Management

Each department is headed by a Chief Manager, who reports directly to the Governors (the Governor and two Deputy Governors). Five departments - Banking System, Currency, Economics, Financial Markets and Registry - are responsible for most of the Bank's functions. Of the other departments, Accounting Services contributes directly to a function and provides support services, and Corporate Services provides support services to the other departments. Two smaller units, Internal Audit and the Overseas Investment Commission Secretariat, also report directly to the Governors.

The Board

The Board of the Reserve Bank comprises the three Governors and seven non-executive directors. The Board reviews the Bank's performance and the performance of the Governor in discharging his responsibilities, particularly achievement of the inflation target. Thus the Board differs from most boards in that it is a monitoring body, on behalf of the Treasurer, rather than a decision-making body.



Corporate issues

The outputs to be produced under each function in the next financial year vary little from 1997. Our aim, as usual, is to produce the outputs in a manner which is timely, of appropriate quality and within the limits of our resources. To do this, we need to ensure effective accountability arrangements are in place to monitor outputs and performance. The structural mechanisms we have in place to achieve this are set out in the section *Performance monitoring and control*.

A number of Bank-wide or cross-functional issues have been identified for the next year. These include:

- completion of the implementation of the real-time gross settlement system;
- continuation of the revision of the Bank's disaster recovery plans;
- a review of the Bank's internal performance measures;
- a review of some internal services;
- improved recruitment and assessment measures;
- a redesign of the Bank's computer network architecture and an upgrade of the operating system.

In terms of day-to-day outputs, the Bank's functions have many common features. For example, much of our work will continue to involve preparing reports and formulating policy based on our research and analysis. As in previous years, reports and advice are expected to be of a high technical standard, concise, relevant and easily understood by the intended audience.

People

The quality of our outputs depends critically on the quality and skill of our staff. We place considerable emphasis on ensuring that all staff are appropriately trained and empowered to carry out their work.

The retention of skills and experience crucial to the Bank remains an issue of concern. To this end, the Workforce 2000 project will continue this year with the implementation of a comprehensive set of workforce development strategies. This will enable the Bank to reach its goals of achieving the right combination of staff in terms of skills and experience and provide staff with assistance in developing their careers.

Budgeted operating expenditure

Our Funding Agreement¹ with the Government provides for operating expenditure in the 1997/98 financial year of \$39.2 million. Our budgeted operating expenditure for the same period (excluding the registry function, which is self-funding) is \$34 million. This is \$5.2 million, or 13 percent, below the Funding Agreement limit for the period. This year's consolidated budgeted operating expenditure (i.e. including the registry function) is 2 percent, or \$0.9 million, more than our actual consolidated operating expenditure for 1996/97 and \$1.7 million, or 4 percent, less than our consolidated budget for 1996/97. The increase over last year's actual consolidated operating expenditure is primarily due to increases in operational travel, computer expenses and training. In keeping with the Bank's objective of price stability, our budget does not include any allowance for general price increases.

The proportion of resources consumed by each function is shown in the pie graph. Our most significant area of expenditure is in currency operations, mainly due to the cost of issuing new notes and coins. The most significant expense for most of our functions is personnel costs.

The Reserve Bank has a number of sources of income. With the exception of registry, which is required to be self-funding, the Bank's income is a consequence of its functions rather than a specific objective. Indeed, the Bank is quite explicitly not seeking to maximise its income. Since most of the Bank's income derives from the investment of the funds arising from issuing currency, the simplest way to maximise income would be to increase inflation and, with it, interest rates. This would run directly counter to our primary objective.

The income derived from investing funds arising from issuing currency is usually referred to as seigniorage, and in 1997/98 this is expected to amount to \$137.7 million. Other sources of income are expected to be comparatively minor, and arise essentially from the investment of the Bank's equity in income-earning securities.

In preparing the 1997/98 budget, our major assumption is that the Bank carries out existing functions and operations, and there are no material changes to the balance sheet.

Performance monitoring and control

To ensure standards are met, we will continue to subject our work to rigorous internal peer review, management review and Board review. The Reserve Bank's policies and their implementation also remain under public scrutiny.

The Bank's procedures and practices will continue to be monitored by our Internal Audit group, external auditors and, in the case of the currency function, which has ISO 9002 accreditation, Standards New Zealand.

Total Quality Management and benchmarking initiatives will be maintained from previous years as the Bank continues to seek improvement in the efficiency and effectiveness of its outputs.

Communications

The Bank places a high priority on explaining its activities to the public, and for this reason maintains an energetic communications programme. This is for the following reasons:

- the effectiveness of monetary policy is significantly influenced by public perceptions of the credibility of the Bank's commitment to delivering price stability; and
- the Bank has statutory independence and has a responsibility to provide the public with information on its activities and performance.

Budgeted operating expenses by function 1998



A major element of the Reserve Bank's communications programme in the year ahead is the twice-yearly release of *Monetary Policy Statements* (MPS). In December 1997 and June 1998 the MPS will lay out how the Bank expects inflation to evolve and the Bank's likely stance to ensure price stability. In September 1997 and March 1998 the Bank will also publish *Economic Projections*, which will give a broader outline of how the economy is expected to evolve.

The Reserve Bank will continue to publish brochures outlining our stance on issues of current concern. A booklet entitled *The Reserve Bank of New Zealand Act 1989: our accountability to New Zealanders* is planned, to explain how the Reserve Bank Act and the Policy Targets Agreement combine operational independence and political accountability.

Further enhancement of the Bank's presence on the Internet will occur. The Reserve Bank's web site now reaches more people than the Reserve Bank's written documents. The Internet is fundamental to the Bank's communications strategy, as opposed to an add-on, as originally conceived.

The Bank's public speaking programme, primarily by the Governors, will continue. Almost all of these engagements will be off-the-record, but they remain important for building understanding of the Bank's activities. This is especially so among key audiences, such as exporters, the business community and those concerned for the perceived social costs of achieving and maintaining price stability.

the bank's functions

The following material describes activities carried out by the Reserve Bank under each of its nine functions. Included are:

- a brief outline of the **function** and its purpose;
- a brief **description** of the function, including its outputs and, where appropriate, its basis in legislation;
- **key initiatives** for each function over the coming year;
- **key performance indicators** for each output; and
- **budgeted expenditure** for the 1997/98 year.

Our outputs have many common features. Much of our work involves preparing reports and formulating policy. The quality-related performance criteria for these types of outputs are that reports and advice should be concise, of a high technical standard, understandable by the intended audience, rigorous and relevant.

Many outputs are produced as required, not to a predetermined timetable. Deadlines for these are set on a case-by-case basis.

This *Annual Plan* primarily covers those outputs reaching external audiences. Staff also contribute to the Bank's work by producing material and services for internal use. Generally, these items are not listed in the *Annual Plan* as outputs. However, all internal and service activities are included in the plans of the sections where they are carried out.

Information about the Reserve Bank's recent performance can be found in our 1997 *Annual Report*.

a Monetary policy formulation

Formulating and publicly presenting an ongoing monetary policy strategy to enable the Bank to maintain price stability, in the most efficient manner possible.

Description

Our primary function is to conduct monetary policy to maintain price stability, as directed in section 8 of the Reserve Bank of New Zealand Act 1989 (the Act). The intent of the monetary policy provisions in the Act is to give us a clear and unambiguous objective - price stability - and to provide us with the authority to pursue that outcome.

The Governor of the Reserve Bank is accountable for the Bank's actions in delivering price stability. The current Policy Targets Agreement (PTA), signed by the Minister of Finance and the Governor on 10 December 1996², in accordance with section 9 of the Act, defines price stability as a twelve-monthly inflation rate of between 0 and 3 percent in terms of the Consumers Price Index (CPI), subject to certain qualifications.

² Refer to Appendix 2

Policy framework

The PTA recognises that inflation can be expected to move outside the 0 to 3 percent range in certain circumstances, for example, as a result of major terms of trade shocks, material changes to indirect taxes and government charges, a significant natural disaster, or the direct effect of interest changes on the (interest rate inclusive) CPI. The Reserve Bank therefore publishes an index of ‘underlying inflation’, which represents the CPI after allowing for these special factors. This enables past performance and future intentions, with respect to the target, to be clearly evaluated.

Having been set the target by the Government, the Bank has independence in policy formulation and implementation. There are no hard and fast rules connecting monetary policy actions and outcomes. We must always make judgements regarding how best to achieve the target. Our Act requires us to publicly articulate the nature of those judgements and their rationale. This transparency in policy formulation, coupled with policy independence, is important in enhancing the credibility of policy and, ultimately, its effectiveness in maintaining price stability.

Economic forecasting

Our inflation projections are a central ingredient in the setting of monetary policy. Policy formulation involves assessing whether current monetary conditions are likely to produce inflation outcomes in the middle part of the 0 to 3 percent inflation target range around one to two years ahead. Our approach lays considerable emphasis on reliable projections of inflation and a sound understanding of the way changes in monetary policy settings affect future inflation developments. Considerable resources are focused on reviewing and improving our projection methodology and performance.

The most visible output of monetary policy formulation is the stance taken, as reflected in the settings of the various policy instruments that we employ. In terms of the Bank’s management framework, “monetary policy formulation” covers the research and analysis which supports the advice on the appropriate stance of policy provided to the Governor by our specialist staff, as well as the Governor’s decisions on the stance. The function “market operations” covers the transactions and actions that serve to implement the desired stance.

Communications

We make a wide range of information available to inform the public about our actions and policies, and the reasoning that supports these. Successfully communicating the intended stance of monetary policy to people whose decisions determine economic outcomes is an integral part of good policy. Increased knowledge of, and certainty about, our commitment to the price stability target help shape individuals’ and organisations’ decisions in ways that support achievement of price stability. We therefore communicate through a wide variety of channels. The most important of these is the six-monthly *Monetary Policy Statement*, but our *Economic Projections*, *Reserve Bank Bulletins*, research and discussion papers, speeches, presentations, and meetings with interested groups are all part of the process.

Key initiative for 1997/98

- a) Extend our new forecasting and policy simulation system (FPS) by further developing a set of ancillary models for sectoral information and indicator models for short-run factors.

Performance indicators

Policy target

- Maintain price stability as defined in the Policy Targets Agreement.

Policy framework

- Research to be focused on improving the Bank's understanding of issues related to inflation forecasting.

Economic forecasting

- Inflation forecasts to be the most accurate among those assessed by the New Zealand Institute of Economic Research.
- Advice and analysis to be timely, relevant, honest, understandable, and founded on rigorous research and evidence.
- Statistics to meet users' defined needs and contain no processing errors.

Communications

- Communication of the Bank's analysis and decisions to improve understanding among target groups.

Budgeted operating expenditure

Budgeted operating expenditure for 1997/98 is \$6.42 million. This is an increase of 5 percent (\$0.33 million) over actual expenditure for 1996/97. Actual expenditure was lower than expected in 1996/97 because model development work was capitalised.

b Market operations

Trading, liaising with, and monitoring financial markets for effective implementation of monetary policy, maintenance of the Bank's capacity to intervene in markets to implement exchange rate policy, and in support of the orderly and competitive functioning of financial markets.

Description

Our main outputs under this function are as follows.

Crown cash and debt management

We undertake liquidity management on behalf of the Crown. This keeps banking system liquidity steady around the monetary policy target for settlement banks' cash balances. We also conduct regular government domestic debt tenders and provide advice on the frequency and structure of domestic debt issuance.

Monetary policy implementation - operations

Monetary policy is implemented by adjusting the settlement cash target and, more usually, by issuing public statements that forewarn of potential adjustments. We issue and discount Reserve Bank bills to support and enforce the cash target.

Monetary policy implementation - policy and analysis

Under this output, issues related to the monetary policy implementation framework, financial markets and liquidity management are addressed.

Key initiatives for 1997/98

- a) Implement the financial system liquidity aspects of the new real-time gross settlement system, watching for any monetary policy implications.
- b) Review the skills required for dealing in financial markets and develop a strategy to ensure that the appropriate skill set is maintained.

Performance indicators

Crown cash and debt management

- Forecasts accurate to within \$20 million on four days out of five.
- Operations conducted without material error.
- Advice seen as relevant and rigorous by the Treasury.

Monetary policy implementation - operations

- All operations concluded within pre-determined times and without material error.

Monetary policy implementation - policy and analysis

- Policy advice to be pertinent, timely and informed.
- Analysis to be robust and rigorous and add noticeably to our understanding and approach.
- Reports to be concise and readable.

Budgeted operating expenditure

Budgeted operating expenditure for 1997/98 is \$3.22 million, which is an increase of 13 percent (\$0.38 million) over actual expenditure for 1996/97. The increase is predominantly due to greater personnel and computer-related expenses.

C Financial systems oversight

Registering and supervising banks, promoting the efficiency and soundness of the New Zealand financial system and reducing the damage that could arise from a bank failure or other financial system distress.

Description

The Reserve Bank has a statutory role to register and supervise banks. We carry out this role in a way which encourages individual banks to conduct their business in a prudent manner, and ensures that bank directors, managers and shareholders remain responsible for maintaining the soundness of their institutions, while endeavouring to avoid imposing excessive administrative burdens on them. In addition, we seek to minimise the perception that the Government underwrites the prudential soundness of individual banks. Our responsibility is not to provide a safety net for insolvent institutions, nor to shelter depositors from losses, but to help limit the risk of a bank failure creating more widespread disruption to the financial system. We also advise the Government and work with a variety of interested groups on such matters as payments system and banking law reform. Our main outputs are as follows.

Registering and supervising banks

Applications for bank registration are assessed against policy standards, which are aimed at promoting competition and efficiency as well as the integrity and stability of the banking system. Following registration, we regularly monitor compliance of individual banks with their conditions of registration and the recently introduced public financial disclosure requirements. We also evaluate their financial and prudential performance, and keep ourselves informed on broader developments in the financial system.

Formulating banking supervision policy

Policies are kept under continual review to ensure relevance and consistency with the overall supervision approach and to enhance the effectiveness of market disciplines. We monitor supervision policy initiatives and financial sector developments internationally to assess the policy implications for New Zealand.

Crisis management

We maintain an ability to act swiftly and effectively to minimise disruption to the financial system in the event of financial distress or a crisis affecting registered banks, while minimising financial risk to the Crown.

Reviewing and administering bank legislation

In consultation with relevant external parties, we will promote law reform initiatives where the Bank considers that the achievement of system efficiency or soundness can be materially improved.

Advice on issues related to the efficiency and soundness of the financial system

We will work towards implementation of payments system reforms and, where relevant to the Bank's objectives, provide advice to external parties (e.g. ministers and government departments) on such issues as business and securities law, electronic cash, money laundering, and the strengthening of financial reporting standards for financial institutions.

Information about financial system oversight

We use speeches, seminars, pamphlets and articles to convey clearly and accurately our role in financial system oversight. During 1997/98, we will specifically focus on improving public understanding of the information disclosed by banks and the important role this plays in promoting prudent bank behaviour.

Key initiatives for 1997/98

- a) Complete the implementation of a restructured inter-bank payments system incorporating real-time gross settlement to substantially reduce banking system risks while facilitating efficiency and contestability in payments and settlement systems.
- b) Review the new public disclosure regime and, as appropriate, refine the formal disclosure requirements and align them with *Financial Reporting Standard No. 33: Disclosure of Information by Financial Institutions*.
- c) Complete a review of contingency plans and policies to enhance our ability to effectively respond to events that could lead to widespread disruption of the financial system.

Performance indicators

Registering and supervising banks

- Bank application evaluations and supervision monitoring to be carried out to agreed standards within designated deadlines, using accurate and relevant technical analysis.
- Reserve Bank to be respected as informed, professional and competent by the banking industry.

Policy-related outputs

- Policy advice must be recognised by recipients as rigorous, timely, relevant and comprehensible.

Budgeted operating expenditure

Budgeted operating expenditure for 1997/98 is \$2.99 million, which is an increase of 5 percent (\$0.14 million) over actual expenditure for 1996/97. The increase reflects the allocation of greater staff time and associated costs to the function.

d Currency operations

Supplying New Zealand with its currency, maintaining the physical quality of currency in circulation and ensuring counterfeits are detected, in order to facilitate cash transactions in the community.

Description

The Bank has sole rights to issue bank notes and coin under section 25 of the Reserve Bank of New Zealand Act 1989. Every effort is made to promote confidence in the currency. We do this by using design features which ensure that our currency is difficult to counterfeit and by maintaining the physical quality of the notes in circulation. Our outputs and the activities associated with them are as follows.

Providing circulating currency

Currency is issued, on demand, to banks. Bank notes withdrawn from circulation are either reissued (if they meet authenticity and fitness benchmarks) or destroyed.

Providing currency to collectors

We also issue currency from time to time for collectors. Special issues designed for collecting are legal tender but are not generally circulated.

Key initiatives for 1997/98

- a) Evaluate the feasibility of redesigning the current 50 cent and 20 cent coins and review the usefulness of the 5 cent coin.
- b) Issue an international tender for the printing of our bank notes for the period 1998/2000.
- c) Continue our programme of close customer liaison with the banks and security companies.
- d) Seek to introduce new technology where appropriate, including the use of bar-coding for repatriation data, the settlement of note and coin orders via Austraclear, and the linking of our processing machines to our inventory computer system.
- e) Review our collectors' currency five year business plan.
- f) Evaluate the feasibility of relocating the Auckland currency operation.

Performance indicators

Providing circulating currency

- Currency issued on demand to banks.
- Currency to meet predetermined reissuable note fitness standards.
- All bank notes received to be processed within six working days, or seven working days during seasonal peaks.
- ISO 9002 accreditation to be maintained.

Providing currency to collectors

- Internationally accepted standards to be met for the production and packaging of the currency.
- Products received by collectors within four weeks of receipt of orders.

Budgeted operating expenditure

The total budget for 1997/98 is \$15.3 million which is 3 percent (\$0.45 million) below actual expenditure for 1996/97. This is primarily due to the function paying less for its internal services in 1997/98.

e Foreign reserves management

Maintaining the Bank's foreign reserves and credit lines at a level and in a form suitable for foreign exchange market intervention, in order to have the capability to counter circumstances of severe erosion of liquidity in our foreign exchange market.

Description

The Bank maintains a foreign exchange market intervention capability of around \$4.5 billion, a level determined by the Treasurer. Most of this takes the form of foreign reserves, which are funded by foreign currency loans from the Treasury and the Earthquake Commission. Investments comprise high quality, marketable instruments in the major markets. Financial risks are constrained within prudent limits by the close monitoring and management of foreign exchange, interest rate, liquidity, and credit exposures. Our main outputs are as follows.

Managing foreign reserves

The major activities associated with this output are active management of the asset portfolios, maintaining credit lines, maintaining the benchmark portfolios, managing the loans from the Treasury and the Earthquake Commission, reporting on performance and developing and maintaining dealing relationships. Settling of transactions and accounting is also a significant part of our work on this output. To ensure risks are well managed, we routinely monitor exposures, performance and systems. We also undertake related research and project work on issues relevant to foreign reserves management.

Foreign reserves management advice

We provide advice, within the Bank, on reserves policies and the structure and operation of the benchmark portfolios. In addition, advice is provided, both internally and to the Treasurer, on the level and composition of reserves.

Information about foreign reserves

Information on foreign reserves is provided as required, mainly in response to external enquiries, including responses to Parliamentary questions and letters from the Treasurer and Minister of Finance.

Key initiatives for 1997/98

- a) Develop the capability to use futures by the end of 1997.
- b) Implement a new portfolio management, settlement and accounting system by mid-1998.
- c) Investigate, and implement where appropriate, new trading strategies that improve the Bank's risk/return position.
- e) Explore a replacement for the Bank's 'funds at risk' interest rate risk management approach.

Performance indicators

Managing foreign reserves

- Maintain an intervention capacity within the range determined by the Treasurer.
- Observe internally-determined risk limits.
- Exceed the return on benchmark portfolios.

Foreign reserves management advice

- Produce the regular annual review required by the Treasurer by the end of May 1998.

Information about foreign reserves

- Meet enquirers' needs clearly and concisely and meet external deadlines.

Budgeted operating expenditure

Budgeted operating expenditure for 1997/98 is \$3.77 million, which is an increase of 2 percent (\$58,000) over actual expenditure for 1996/97.

f Banking services

Providing banking services to the Government, settlement banks and appropriate overseas institutions to meet their banking needs and to facilitate effective implementation of monetary policy.

Description

The Reserve Bank provides banking services to other central banks, registered banks that hold settlement accounts with us, and some international agencies. The power to conduct banking operations is set out in sections 32, 34 and 39(a) of the Reserve Bank of New Zealand Act 1989. Our outputs are as follows.

Inter-bank settlement

Most registered banks hold exchange settlement accounts with the Reserve Bank. These accounts are used for the daily settlement of obligations between the various registered banks and with the Reserve Bank. The Bank requires these accounts to be maintained in credit at all times.

Providing customer banking services

Private sector banking services are used by the Government for its daily transaction requirements. At the close of business each day, balances in the Government's private sector bank accounts are transferred to the Crown's account at the Reserve Bank. In addition to settlement and central government banking functions, we maintain accounts for overseas central banks and international monetary and banking organisations.

Key initiative for 1997/98

- a) Implement the real-time gross settlement system (Exchange Settlement Account System or ESAS) to replace the current end-of-day net settlement arrangements.

Performance indicators

Inter-bank settlement

- The Exchange Settlement Account System (ESAS) to perform to design specifications.
- The settlement system to meet daily operating deadlines.
- Settlement banks to be satisfied with helpdesk responses to problems arising from using ESAS.

Providing customer banking services

- Customer enquiries to be dealt with confidentially, courteously and promptly.
- Processing deadlines to be met with 100 percent accuracy.

Budgeted operating expenditure

Budgeted operating expenditure for 1997/98 is \$0.77 million. This is 1 percent (\$9000) under actual expenditure for the previous period.

g Registry services

Providing high quality depository, registry and settlement services to our customers in the securities market, in order to contribute to an efficient and stable financial sector.

Description

The provision of an efficient registry and transfer system for financial instruments assists the functioning of financial markets and is consistent with our duty to promote financial system efficiency and soundness. Section 35 of the Act empowers the Reserve Bank to provide securities registry services. Because the Act requires registry services to be self-funding, and for reasons of transparency, registry services are accounted for separately through a subsidiary company, RBNZ Registry Limited. Our main outputs are as follows.

Registry services

We provide registration of securities and act as paying agent on behalf of the New Zealand Government, many local authorities, and other clients.

Austraclear

We also operate a securities clearing and settlement service (the Austraclear New Zealand System) covering a wide range of instruments, which allows securities to be physically immobilised and ownership to be transferred electronically on a delivery- against-payment basis. There is also an access service for domestic investors into two international securities clearing and settlement systems (Euroclear and Cedel).

Key initiatives for 1997/98

- a) Fully document processes to ISO standards and implement process improvements.
- b) Upgrade data communication networks, both external and internal.
- c) Establish bilateral linkages with other depositories.
- d) Provide facilities management services for the operation of ESAS.

Performance indicators

Registry services

- All work to be undertaken in an accurate and timely manner.
- New issues to be registered within one day for wholesale/corporate investors, or three days for retail investors.

Austraclear (and other clearing and settlement systems)

- All work to be undertaken in an accurate and timely manner.
- Systems to be available to subscribers without interruption.

Budgeted operating income and expenditure

For 1997/98, budgeted operating expenditure is \$5.56 million (including estimated tax payable). This is 1 percent (\$60,000) more than actual expenditure for 1996/97. Because registry is required to be self funding, we have included budgeted income. Budgeted income is expected to be \$6.77 million, which is 6.6 percent less than actual income for 1996/97.

h Overseas Investment Commission Secretariat

Providing resources for the Secretariat of the Overseas Investment Commission.

Description

The Overseas Investment Commission is an independent statutory body which administers the Government's foreign investment policies. Under the Overseas Investment Act 1973, the Reserve Bank provides and funds the Commission Secretariat. The Commission's key outputs are as follows.

Processing investment applications

All applications made under the Overseas Investment Regulations 1995 are considered by the Commission. The Commission determines certain applications under a delegation from the Treasurer and the Minister of Lands, while other applications are forwarded with recommendations to the ministers for their consideration.

Monitoring overseas investment in New Zealand

Recent amendments to the legislation requires the Commission to monitor overseas investment in New Zealand and to monitor compliance with any conditions of consents granted.

Key initiatives for 1997/98

- a) Implement and explain the Coalition Government's policy initiatives on foreign investment.
- b) Complete implementation of a new post-consent monitoring regime.
- c) Continue development of an enhanced database to provide detailed and meaningful statistics on overseas investment.

Performance indicators

Processing investment applications

- Applications to be considered against legal requirements and in terms of Government criteria.
- Respond to delegated applications within ten working days of receiving full information.
- Respond to applications requiring ministerial decisions within 25 working days of receiving full information.

Monitoring overseas investment in New Zealand

- All material breaches of conditions to be detected and reported to ministers.

Budgeted operating expenditure

For 1997/98 the Commission's budgeted operating expenditure is \$0.82 million. This is 17 percent (\$0.12 million) greater than actual expenditure for 1996/97. The increase is primarily due to costs associated with the Commission's new legislative responsibilities.

i Other outputs

The Reserve Bank produces outputs which cannot be classified under our main functions. These include the following.

Economic policy advice

This output includes any economic policy advice to the Government which does not fall directly within any of our main functions. This is generally in areas of policy which have a bearing on price-setting behaviour in the economy and thus on inflation, but which are outside the narrow confines of monetary policy. Before undertaking such work, careful consideration is given to the potential for conflict (either direct or indirect through competition for resources) with our main functions.

Overseas representation and liaison

This output covers representation and liaison not falling within any of our main functions. Examples include maintaining training relationships and liaison with overseas central banks, and participating in international discussions on economic and financial matters affecting New Zealand. The Reserve Bank represents New Zealand at meetings of the International Monetary Fund, the International Bank for Reconstruction and Development (World Bank), the Organisation for Economic Co-operation and Development and the Bank for International Settlements. Contacts with international financial market participants, other than those related specifically to our main functions, are also addressed under this output.

The Bank is also increasing its level of participation in the Executives' Meeting for East Asian and Pacific Central Banks (EMEAP). This recognises the importance to New Zealand of regional and international economic and financial sector developments.

The Reserve Bank is currently chair of the South East Asia New Zealand and Australia (SEANZA) group of central banks. Consequently, the Bank will be responsible for organising and hosting a residential training course for middle-ranking officers of all member banks in 1998.

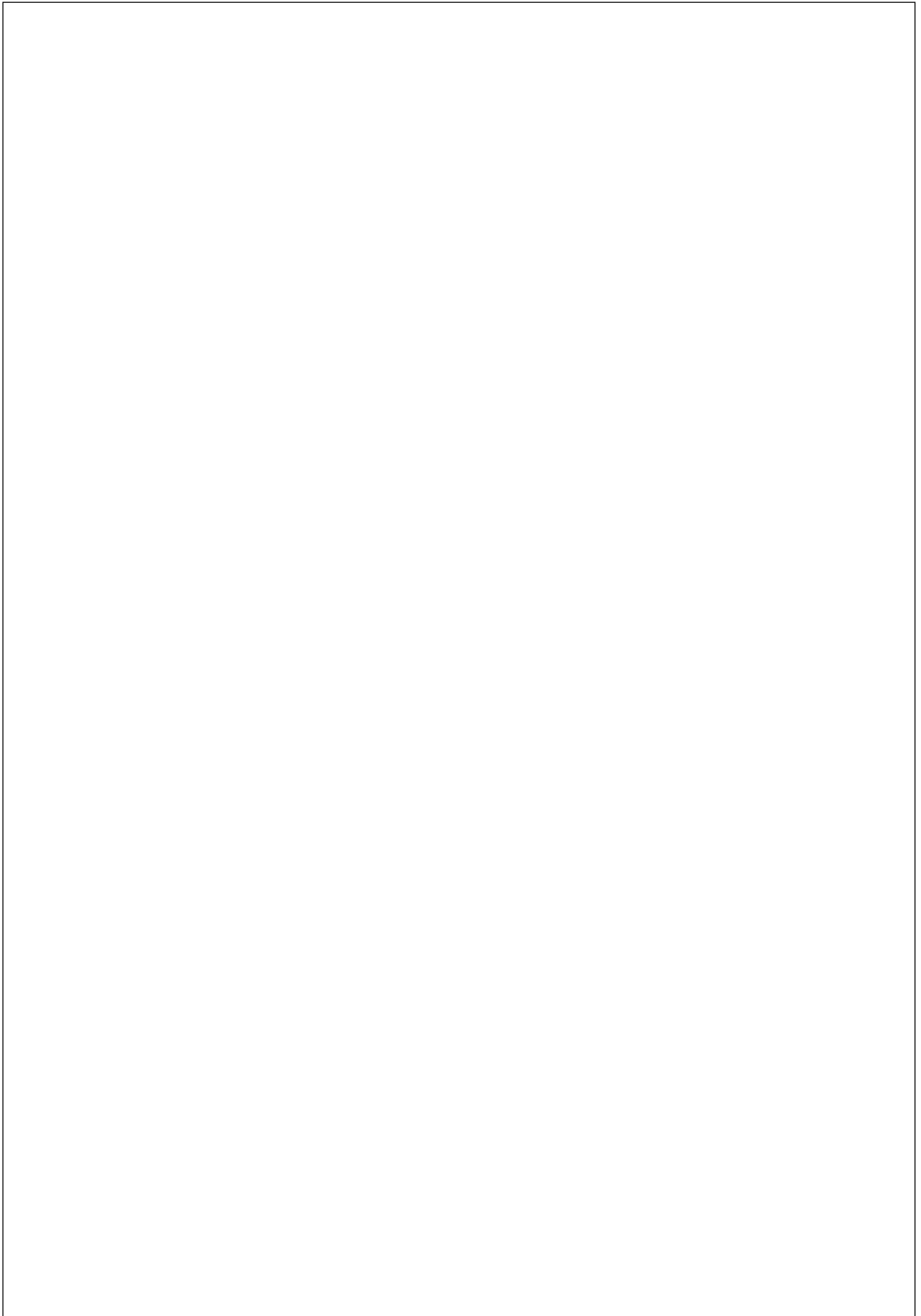
Demands in these areas have been increasing over the last few years. The framework used for monetary policy in New Zealand continues to gain increased international recognition, and requests to speak about or provide information on it come from many sources. There has also been much interest in our approach to banking supervision, and in addition we increasingly receive requests to provide training or advice to overseas central banks.

Maintaining inflation within a narrow range is difficult, and we shall, therefore, continue to maintain close links with other central banks with similar targets so we can learn from their experience, supplementing and verifying our own analysis. Over the next year, we intend to focus our international liaison and training efforts as much as possible on the Asia/Pacific region.

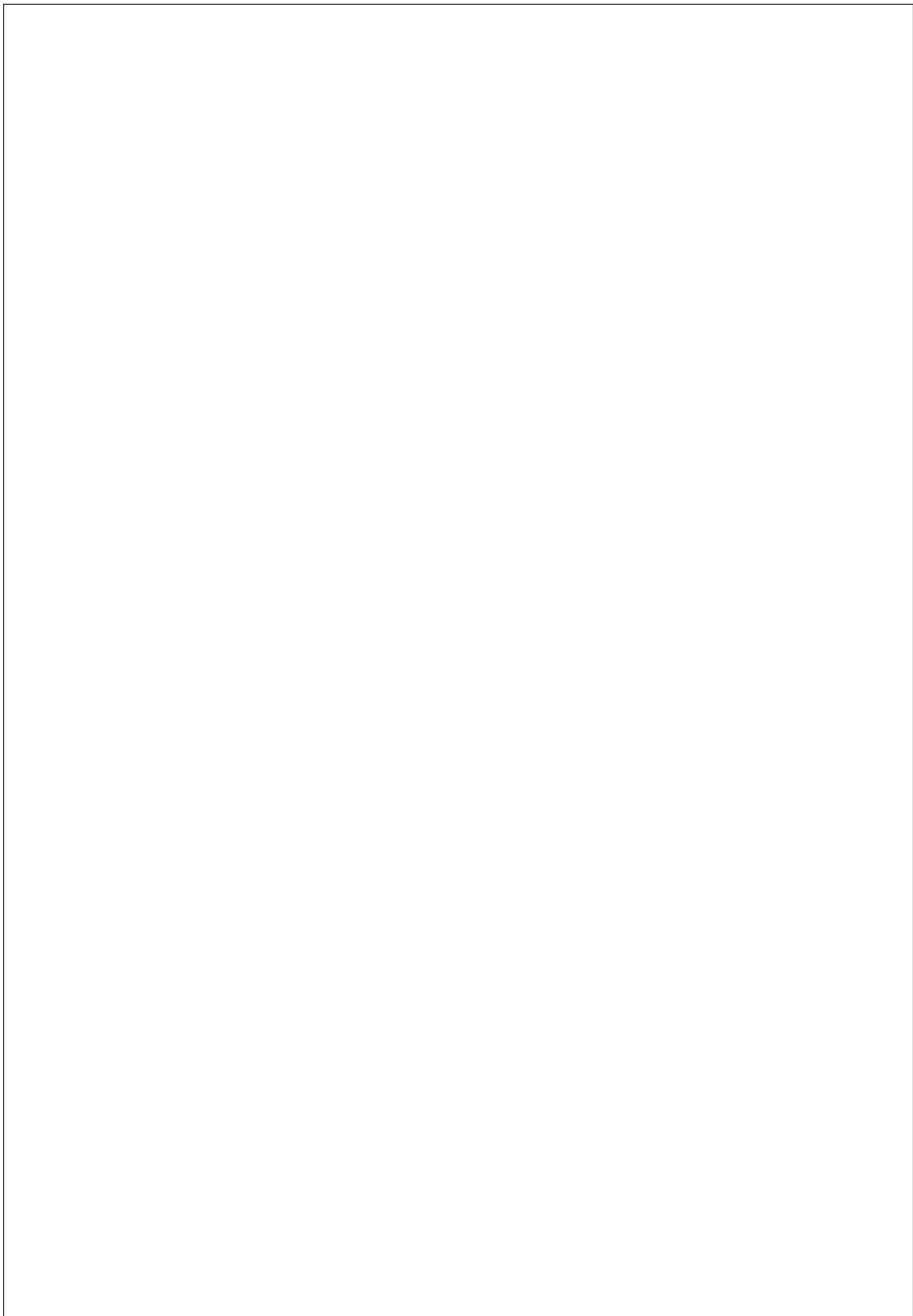
Budgeted operating expenditure

Budgeted operating expenditure for 1997/98 is \$0.72 million, which is an increase of 4 percent (\$28,000) over actual expenditure for 1996/97.

funding agreement



policy targets agreement



publications list

The following publications are available on request.

Publications incurring a charge

- *Reserve Bank Bulletin*: Published quarterly. Contain economic and financial statistics, and articles on topics relevant to the Bank's work.
- *Economic Projections*: Two sets are published each year, in March and September. Contain comprehensive short-term projections of economic developments.
- *Monetary Policy and the New Zealand Financial System*, 3rd Edition (1992).
- *Weekly Statistical Release*: Contains economic and financial statistics updating the *Bulletin* tables.

Publications free of charge

- *Annual Report**
- *Annual Plan**
- *Discussion papers**: Issued periodically. See the *Reserve Bank Bulletin* or web site for a list of recent examples.
- *Monetary Policy Statement**: Issued in June and December. Contains a review of relevant economic developments over the last six months, and medium-term forecasts of inflation developments.
- *Pamphlets**: These include: *This is the Reserve Bank* • *The Reserve Bank of NZ Act 1989: our accountability to New Zealanders* • *The impact of monetary policy on people* • *The impact of monetary policy on exporters* • *Questions and answers about interest rates* • *Explaining currency* • *How to spot a counterfeit bank note* • *Your bank's disclosure statement: what's in it for you?* • *Nga mahi a te peke putea matua* (Functions of the Reserve Bank)
- *The registry flyer*: A periodic series of brief notes on topics of interest to registry customers and Austraclear members.
- *Research news*: Reports on findings from the Bank's economic research programme, and outlines proposed topics for future internal and commissioned research, issued periodically.
- *Mintage notes*: Advertising brochures showing the latest commemorative currency, issued periodically.

Enquiries should be addressed to:

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our values

- We will undertake all our functions equitably, making every effort to avoid undue economic or social costs.
- We will provide excellent service to both internal and external customers.
- We will seek to establish and maintain professional working relationships with external organisations.
- We will establish and agree clear definitions of the roles and functions of the Reserve Bank in relation to other public sector agencies.
- We will give clear, relevant, informed, impartial, timely advice based on rigorous analysis.
- We will implement our policies credibly and transparently, and will advise and consult with those who can significantly affect the achievement of our objectives.
- We will obtain information on matters relevant to our functions by consulting widely, and will conduct our own analysis of the information.
- We will improve external communication, focusing on clarity, catering for various audiences, and aiming at accurate public perception and understanding of the Bank's role, functions, and policy.
- We will seek to be publicly perceived as credible, stable and respected.
- We will continually assess the cost-effectiveness of all our activities through formal planning, budgeting and monitoring processes.
- We will be environmentally responsible.
- We will minimise threats to our functions from disasters and unplanned events.
- We will be a good employer, and will attract and maintain a high quality, diverse, motivated staff, through:
 - an environment that identifies, encourages and rewards excellent performance, including clearly defined roles and performance objectives, and consistent and fair appraisals and remuneration structures;
 - transparent appointment procedures;
 - selecting staff from the widest pool of candidates;
 - attending to career development and providing appropriate and timely training to allow staff to take advantage of promotion opportunities;
 - enriching jobs;
 - providing a healthy, attractive, and comfortable work place;
 - appropriately using suitable technology and equipment;
 - inviting new and challenging ideas;
 - giving all people appropriate authority to do their jobs effectively, and making them responsible for their own work; and
 - operating fair and open disciplinary procedures.

- We will develop and maintain high standards of management skills. Our immediate priorities include encouraging followership, emphasising people management skills as well as technical abilities when appraising managers.
- We will all contribute to building positive team relationships within the Bank.
- We will collectively build a consensus on, and a commitment to, our principal objectives.
- We will consult and communicate clearly, openly, and effectively, at and between all levels and areas of the Bank. We will do this through informing, consulting and listening to the relevant people appropriately.
- We will all seek ways to improve the quality of our own work and the Bank's outputs.
- We will act with integrity in all situations.
- We are committed to the application of EEO principles to everything we do.
- We will collectively implement all of the above, and regularly review and report on progress in attaining these goals.