

Statement of Expectations

The Treasurer to the Governance Board of the Reserve Bank

10 July 2025

This Statement sets out the Government's expectations for the Governance Board of the Reserve Bank. The creation of the Governance Board is part of the Government's commitment to strengthen and modernise Australia's world-class economic institutions to help meet current and future challenges.

The Reserve Bank is an institution with complex responsibilities. The effective functioning of the Reserve Bank and quality of policy making depends on strong governance. Strong governance supports trust, transparency, and accountability, and improves decisions related to resourcing, succession planning, risk management and technology.

The Governance Board is established under the *Reserve Bank Act 1959*. The Reserve Bank Act sets out the duties and responsibilities of the Governance Board. This Statement covers the Governance Board's operation and cooperation with the Monetary Policy Board and Payments System Board, and issues of accountability, transparency, and operational matters. This Statement also outlines the ways in which the Governance Board is to respond to the Review of the Reserve Bank (the Review). An effective Governance Board will bring the Reserve Bank's governance arrangements into line with best practice, while also supporting the Reserve Bank's focus on monetary and payments system policy.

The Government expects the Governance Board to publish its Statement of Intent in response to this Statement of Expectations on the Reserve Bank website, and subsequently incorporate these statements in the Reserve Bank's Corporate Plan.

The Governance Board's Role

The Governance Board will deliver best practice governance to support a high-performing Reserve Bank.

The Governance Board is responsible for overseeing the management of the Reserve Bank. The Board oversees the efficient use of the organisation's resources, holds the executive to account for delivering on the organisational strategy and changes recommended by the Review, and assesses the performance of the Reserve Bank.

The Governance Board is also responsible for overseeing the delivery of critical services, such as specialised banking services for the Government, payments settlement services and printing and distribution of banknotes. These services are integral to the functioning of government and the Australian economy.

The Governance Board oversees effective systems of risk management and financial reporting, and the management of the Reserve Bank's balance sheet, except where it

would limit the Monetary Policy Board's actions with respect to monetary or financial stability policy.

The Governance Board does not have a role in setting monetary, financial stability or payments policy. The Monetary Policy Board determines both the Reserve Bank's monetary policy in a way that best contributes to price stability and the maintenance of full employment in Australia, and the Reserve Bank's policies for its contribution to the stability of Australia's financial system. The Payments System Board is responsible for the Reserve Bank's payments system policy.

The Government supports and will continue to uphold the independence of the Governance Board and the Reserve Bank. Members of the Governance Board must act in an independent and impartial manner when exercising their powers and performing their functions and duties. As set out in the Reserve Bank Act, they cannot be directed by anyone including the Government.

Culture and capabilities

The Governance Board is responsible for overseeing and strengthening the Reserve Bank's management, culture and operations, and driving institutional change.

The Review highlighted strengths of the Reserve Bank's culture, including the Reserve Bank staff's high calibre, alignment to the organisation's values, and a strong sense of pride and attachment to the organisation.

The Review also noted ways in which cultural change was needed to build on these strengths to make the Reserve Bank the best that it can be. The Government expects the Governance Board to support and oversee the Reserve Bank's efforts to drive cultural change in priority areas identified by the Review:

- The Reserve Bank is to empower staff and foster a more dynamic organisation, including by improving delegation, strategic workforce planning, succession planning, the allocation of resources and risk management.
- The Reserve Bank is to strengthen and extend its leadership capability, including through training, comprehensive feedback, improving performance management and development processes, and increasing transparency around career opportunities.
- The Reserve Bank is to foster a culture of constructive challenge and openness to diverse views. Leaders are to be assessed on how well they listen and engage with staff. Management roles are to be advertised externally by default, with improved onboarding and support. The Reserve Bank should set diversity targets and track progress against them.
- The Reserve Bank is to ensure its boards are supported by a highly skilled workforce that attracts, retains and develops technical expertise and is encouraged to collaborate across the institution and with external groups.

The Governance Board is to ensure the Reserve Bank executive develops a plan that sets out how the Reserve Bank will progress in these areas. This will build transparency and accountability for achieving change.

The Government also expects the Governance Board to lead by example and demonstrate the behaviours it expects to see in the Reserve Bank. The Governance Board should assess senior leaders on how they deliver and model change. Oversight by the Governance Board will help to ensure the executive leadership team has the appropriate balance of skills and experience to deliver on these and other strategic objectives.

Transparency and accountability

The Governance Board is the accountable authority of the Reserve Bank in respect of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). As the accountable authority, the Governance Board has various duties that it is required to discharge. These include maintaining systems relating to risk and control, and governing the Reserve Bank in a way that promotes the proper use and management of public resources, the achievement of the purposes of the Reserve Bank, and the financial health of the Reserve Bank.

In line with the Review, the Governance Board will expand the Audit Committee to be an Audit and Risk Committee. This is to signal a strengthened approach to risk assurance and reinforce the important role of this committee in providing assurance on the duties of the Governance Board under the PGPA Act.

Relationship between the boards

The Government expects the Governance Board to work constructively with the Monetary Policy Board and Payments System Board in carrying out their duties. The Government expects the boards to maintain open communication and seek a collaborative approach when their responsibilities converge. Under the Reserve Bank Act, the Governor has the power to resolve any disagreements between the boards.

To ensure a clear division of responsibilities, the Government expects the three Reserve Bank boards to establish a memorandum of understanding between themselves. This will ensure there is a common understanding of responsibilities and expectations for information exchange and consultation on matters of mutual interest.

The Government also expects the Governance Board to establish a Charter that sets out its responsibilities, including relative to those of the Reserve Bank executive.

Under the Reserve Bank Act, when the Monetary Policy Board or Payments System Board performs its functions or exercises its powers, the relevant board must have regard to the duties of the Governance Board as the accountable authority of the Reserve Bank for the purposes of the PGPA Act. Conversely, the Governance Board's ability to establish policies and frameworks that bind the Monetary Policy Board or Payments System Board under the PGPA Act is limited, due to the operational independence of those boards under the Reserve Bank Act.

The Government notes that the Governance Board's responsibilities under the PGPA Act for the financial health of the Reserve Bank do not affect the ability of the Reserve Bank, through the Monetary Policy Board, to use the Reserve Bank's balance sheet as a monetary policy tool or as a tool to support financial stability, particularly during a crisis. The Governance Board is not accountable for decisions by the Monetary Policy Board that affect the Reserve Bank's balance sheet.

The Government also recognises the importance of the Reserve Bank having a strong balance sheet and the Treasurer will pay due regard to that when deciding each year, in consultation with the Board, on the distribution of the Reserve Bank's earnings under the Reserve Bank Act.

Relationship with the Government

The Governance Board is expected to engage with the Government for the purpose of discharging its duties of accountability to the Parliament and the public under the PGPA Act.

The Governance Board will keep the Treasurer, as the Reserve Bank's responsible minister, informed of its decisions and the Reserve Bank's activities from time to time. The Government expects to be regularly informed of progress in implementing recommendations of the Review. The Governance Board is responsible for preparing an Annual Report and providing it to the Treasurer for presentation to the Parliament, following the Governance Board's approval of the Reserve Bank's annual financial statements.

The Government expects the Treasury and Governance Board to maintain a close relationship. The Chair of the Governance Board is to liaise with the Treasury regularly about the activities of the Governance Board and the Reserve Bank's progress in implementing the recommendations of the Review. The Government also expects the Governance Board to provide the Secretary to the Treasury with a copy of information, briefings, press releases and correspondence provided to Ministers, and keep the Secretary appropriately informed of significant meetings between the Governance Board and Government Ministers and other Parliamentary bodies.

Appointments

The membership of the Governance Board comprises the Governor, Deputy Governor, Chief Operating Officer, and six external members. The Treasurer has appointed the Governor as Chair of the Governance Board for the first five years of the Board's operation. This arrangement will be reviewed ahead of the expiry of that term.

New appointments of external members to the Governance Board will be made by the Treasurer from a shortlist of candidates. A panel comprising the Secretary to the Treasury, the Reserve Bank Governor and an independent third party will compile the shortlist through a process that is transparent and focused on ensuring the Governance Board has the right balance of skills and experience to best discharge its functions. To

support this, the Government publishes a skills matrix for the Governance Board and will update this as needed on the advice of the Secretary, Governor and Governance Board.

Under the Reserve Bank Act, external members of the Governance Board are appointed for a term of up to five years, with the possibility of reappointment if the total years of service would not exceed seven years.

Reporting on progress against the Review

The Government expects the Governance Board to assess and report publicly by the end of 2025 on the Reserve Bank's progress in implementing the Review's recommendations and achieving its objectives.

The Governance Board should also identify new opportunities for improvement, including through 5-yearly Australian Public Service capability reviews. These forward-looking reviews will provide an opportunity to independently assess the Reserve Bank's ability to meet future objectives and challenges. A summary of these reviews should be published on the Reserve Bank's website. These reviews will also ensure progress is tracked and monitored, and external reporting occurs in areas where outcomes are expected to improve over a longer period, such as cultural change. This is in line with the Government's commitment to independent, fully transparent, and forward-looking capability reviews of departments of state and major agencies.