

**Minutes**  
**Reserve Bank of New Zealand Board Meeting**  
**Wellington**  
**17 November 2016**

*The meeting commenced at 10:00am*

**Present**

Ms K Vautier	Acting Chair
Mr G Wheeler	Governor
Dr R Carr	
Ms B Coates	By teleconference
Mr J Ross	
Ms T Simpson	
Mr K Taylor	

**In attendance**

All items, except 8.2	Mr G Spencer	Deputy Governor, Head of Financial Stability
All items, except 8.2	Mr G Bascand	Deputy Governor, Head of Operations
All items, except 8.2	Dr J McDermott	Assistant Governor, Head of Economics
All items, except 8.2	Mr M Hannah	Head of Communications, Board Secretary
Items 2.1-2.4	Mr M Perry	Head of Financial Markets
Items 2.1-2.4	Mr B Cook	Adviser Market Intelligence
Items 2.1-2.4	Ms G Williamson	Manager Forecasting
Item 2.2	Ms A Rice	Economics Analyst
Item 2.3	Mr H Skilling	Economics Analyst
Items 3.1, 4.1	Mr T Fiennes	Head of Prudential Supervision
Item 3.1	Mr C Hunt	Adviser, Prudential Supervision

For item 3.1, representatives of the IMF FSAP Review Mission were also in attendance: Alejandro Lopez-Mejía (Mission Chief), Fabiano Melo (Deputy Mission Chief), Caio Ferreira and Siegfried Steinlein.

Over lunch, guests Professor Anat Admati, Stanford University (RBNZ VUW Fellow) and Professor David Kreps, Stanford University joined Directors and Governors.

**1 Formal Items**

**1.1 Apologies**

Professor N Quigley

**1.2 Register of Interests**

The Register was noted. No conflicts were raised in relation to the business of this Board meeting.

**1.3 Minutes**

The minutes of the 20 October Board meeting were confirmed.

**Matters Arising**

None

**Outstanding items**

The items were noted.

**1.4 Audit Committee Report**

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**1.5 RBNZ Superannuation Trust Deed Update**

Mr Bascand informed the Board of one outstanding matter that the Trustees needed to resolve before they could finalise the requirements for complete compliance with the Financial Markets Conduct Act. The trustees were seeking the Bank's advice on this matter. Mr Bascand said that he had asked the Bank's General Counsel to speak to the Trustees. He also noted that one Trustee had given notice he intended to resign at the next meeting.

When informing the Board of this matter, Mr Bascand also offered his resignation to the Board as Chair of Trustees, as a constructive step towards speedy resolution of the outstanding matter. This was accepted, with appreciation for Mr Bascand's contribution to the role. The Board then appointed Mr Taylor as Chair of Trustees and Mr Bascand as Deputy Chair of Trustees.

It was noted that a Trustee had sent a letter to the Board via the Chair, who was absent on leave at present. The Acting Chair said that the Board Chair would be seeking advice on his return as to how best to respond to the trustee's letter.

**Next Meetings**

The following meetings were noted.

- **Thursday, 15 December 2016** (Wellington) – (10:00am Board – 12:30pm Lunch – 2:00pm Board)
- **Wednesday 23 February 2017** (Wellington) – (7.30am Board – 12:30pm Lunch – 2:00pm Board)
- **Thursday, 30 March 2017** (Wellington) – (8:30am Audit Committee – 10:00am Board – 12:30pm Lunch – 2:00pm Board – 5:15pm Function)
- **Thursday, 20 April 2017** (Wellington) – (10:00am Board – 12:30pm Lunch – 2:00pm Board)
- **Thursday, 18 May 2017** (Wellington) – (10:00am Board – 12:30pm Lunch – 2:00pm Board)
- **Thursday, 15 June 2017** (Wellington) – (8:30am Audit Committee – 10:00am Board – 12:30pm Lunch – 2:00pm Board)

The Secretary said that a meeting in Auckland would be explored for the second half of 2017.

## **2 Monitoring the Performance of Monetary Policy with Respect to the PTA**

### **2.1 Financial Market Developments**

Mr Cook said that the OCR cut had been widely expected and the markets had reduced their expectations for further cuts due to improvements in the domestic economy. However, since the time of writing this paper, the financial markets had been dominated by the result of the US Presidential election and the possibilities of a large US fiscal expansion and the pressures this might place on US inflation. This led to a surge in long-term sovereign bond rates and infrastructure-related commodity prices. The New Zealand dollar was 1½ per cent off its recent highs.

Mr Cook said there had been little financial market reaction to the massive Kaikoura earthquake and aftershocks, compared with the Canterbury earthquakes in 2010-11, because of the much smaller expected impact on GDP. Individual sectors, such as construction, haulage and tourism, would be affected.

The Governor said that competition for construction resources would likely add to the sector's costs, which were running at 8 percent already in Auckland.

### **2.2 Business Visits Summary**

Ms Rice said that the Bank's Business Information Contact visits in September had a strong focus on the construction sector and this information was fed into the November MPS. Construction sector capacity constraints, especially in respect of labour, were not yet fuelling higher wage inflation.

Directors discussed recent data and reports on the housing market.

**2.3 Construction in Canterbury and Auckland: Rebuild Forecasts Update and Unitary Plan Overview**

Mr Skilling said that the scale of the Canterbury rebuild is broadly unchanged but expected to take longer. This is not expected to add to inflationary pressures. On the other hand, construction pressures are evident in Auckland. How material these become depends in part on the uncertain outcomes of the Auckland Unitary Plan. Mr Skilling outlined several possible scenarios.

The Acting Chair explored the analysis that lay behind the forecasts of residential investment. There was discussion about the complexity or otherwise of the appeals process on the AUP. A director felt that there was likely more concern about the availability of builders to put it into effect.

**2.4 Trip Report – BOE/HKMA/IMF Conference (Hong Kong) and OECD CMF Meetings (Paris)**

The paper was noted.

**3 Assessing the Performance of the Bank in Promoting the Maintenance of a Sound and Efficient Financial System**

**3.1 FSAP Review – IMF Mission**

The Acting Chair welcomed the representatives of the IMF FSAP Review team. Dr Lopez-Mejía said the Mission had been very impressed by the quality of the Bank’s staff. He talked about the Mission’s preliminary findings, a summary of which had been circulated to the Directors.

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**3.2 Innovation with Resilience – a Central Banker’s Perspective, a speech by Deputy Governor Grant Spencer, 8 November**

The paper was noted.

#### **4 Monitoring the Bank's Regulatory Policy Processes**

##### **4.1 Report to the Minister on Six-monthly Review of Policy Work**

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##### **4.2 Outsourcing – Update**

The paper was briefly discussed and noted. Mr Spencer outlined recent discussions within the Trans-Tasman Banking Council and the expected next steps in the outsourcing policy review.

#### **5 Monitoring the Bank's Relationships**

##### **5.1 Governors' Key Engagements**

The paper was noted.

#### **6 Monitoring of Operational Functions**

##### **6.1 Balanced Scorecard – October 2016**

A director sought clarity on some items. The paper was noted.

##### **6.2 Half-year Update**

Mr Bascand updated the Board on Bank operating expenses and projections and explained the variances from budget and the Funding Agreement. He also advised that SMG had confirmed current Strategic Priorities and reprioritised some work streams, and it was identifying short-term opportunities within the budget. His report was noted.

**7 Organisational Strategy and Financial Management**

**7.1 Chief Executive's Report**

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The Report was noted.

**8 General**

**8.1 Any other business**

The Acting Chair asked the Governor whether there were any further issues that he should bring to the Board's attention. The Governor said there were no further issues.

*The meeting concluded at 4:00pm.*

Confirmed

Chair