

House of Representatives

Supplementary Order Paper

Tuesday, 29 June 2021

Reserve Bank of New Zealand Bill

Proposed amendment

Andrew Bayly, in Committee, to move the following amendment:

Clause 9

In *clause 9(1)(b)* (page 18, line 26), after “promoting the stability”, insert “and efficiency”.

Explanatory note

This Supplementary Order Paper amends the Reserve Bank of New Zealand Bill. A requirement to maintain an efficient financial system alongside a sound financial system is included in the Reserve Bank of New Zealand Act 1989, but was omitted from the Bill. This amendment reinstates “efficiency” in the Reserve Bank’s overarching financial stability objective.

Efficiency is an important corollary objective for a prudential regulator and its omission has been poorly justified. The pursuit of a stable financial system does not automatically translate to achieving an efficient financial system, and the pursuit of stability without regard to efficiency can result in a stable but costly outcome for the wider economy. Both stability and efficiency are critical to a strong and innovative financial system. Retaining the pursuit of efficiency alongside stability was strongly supported by stakeholders, particularly the regulated financial sector who are most attuned to the risk of financial regulation stymying an efficient and dynamic sector.