

Answers to question on notice and in writing:

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE RESERVE BANK OF AUSTRALIA ANNUAL REPORT 2019 & 2020

RBA31QON: [Senator Falinski] CHAIR: Thank you. My final question is to Governor Lowe. At a previous meeting, Peta Murphy asked you a question about sponsorship of think tanks. That resulted in a change in the RBA's sponsorship arrangement. Could you please provide to the committee, on notice, the working papers and communications that resulted in that change? As is the case with questions on notice, could they please be provided in the next 10 days? I just want to make it very clear, though, following the discussions of the questions that the deputy chair asked about disclosures et cetera emanating out of the Federal Reserve, that I would hate the Reserve Bank to make a policy change on the basis of a question from one member of this committee. If that is your intention, I think it goes to some points made by Deputy Governor DeBelle, which are that any investment made or any savings undertaken by an officer of the Reserve Bank will result in some form of conflict. So we would want to have a more detailed discussion if you were considering making changes to that policy.

Mr Lowe: Yes. We'll look for the relevant documents. The documents will talk about—

CHAIR: And team communication, please.

Mr Lowe: Yes. It was about establishing criteria for the think tanks that we were to be a corporate member of.

CHAIR: And decisions were made out of that working group, as I understand it.

Mr Lowe: Yes.

CHAIR: The chair would like to see—sorry for referring to myself in the third person—the communications and the working papers of that working group that you established to make those decisions, please.

Mr Lowe: Okay, we'll look for those documents.

Answer:

The report of the internal working group, comprising the RBA Secretary and then Deputy Secretary, is attached. The Governor approved the recommendations in the report following a meeting of the Governor, Deputy Governor, Deputy Secretary and Head of Communication on 29 January 2021.

Following the decision to change the sponsorship arrangements, during April and May 2021 the RBA Secretary corresponded with the CEO of the McKell Institute, who had approached the RBA seeking sponsorship after seeing media reports of the issue raised at earlier hearings. The RBA's criteria for providing financial support were outlined, namely: the RBA is prepared to become a member of or subscribe to a think tank if it is independent and not aligned with a political party or some other institution; is not for profit; produces research reports regularly and those research reports are publicly available; covers a broad range of economic and financial issues that are relevant to the RBA's mandate (rather than a single issue or a narrow set of specific issues); offers corporate membership that is assessed to be value for money; and if the think tank is promoting the public interest.

The CEO of the McKell Institute outlined that the Institute is an 'independent public policy institute dedicated to advancing pragmatic and progressive solutions to Australia's most pressing challenges.' Further, the RBA was informed that: the McKell Institute is not aligned to any political party and is not affiliated with any other institution, university or government department; is a not-for-profit entity registered with the ACNC and is registered as a deductible gift recipient with the ATO; its policy papers cover a broad range of research topics spanning economic, social, and cultural policy, with a primary focus to support economic prosperity, improve the welfare of Australians and support full and fair employment; and it offers a range of corporate membership options ranging from \$10,000 to \$30,000 per annum.

Subsequently, the RBA Governor endorsed the RBA Secretary's recommendation for the RBA to become a Silver Executive Member of the McKell Institute, at a cost of \$20,000 per annum. This membership is reviewed annually.

Following the revised arrangements for supporting think tanks, during the course of 2021 the RBA Secretary wrote to the Executive Director of The Sydney Institute to notify him that RBA financial support would cease at the end of 2021 as not all the new criteria were met. The RBA's sponsorship of the Centre for Independent Studies of \$20,000 per annum was converted to corporate membership costing \$25,000 per annum. This membership is also reviewed annually.

ATTACHMENT

REVIEW OF MEMBERSHIP OF THINK TANKS

The Reserve Bank values engagement with think tanks. They provide a public good in independent analysis of policy issues, and they conduct research that is relevant to the Bank's mandate. The Bank is currently a corporate member of CEDA and the Lowy Institute, and provides sponsorship to the Centre for Independent Studies and the Sydney Institute. This note outlines a set of criteria for Bank membership of think tanks, and assesses Australian think tanks against these criteria.

Criteria for Bank membership of think tanks

As the number of think tanks in Australia has grown over time, it is appropriate to establish some criteria to help determine when the Bank should become a member. In particular, a think tank must:

1. be independent (not aligned with a political party or movement or affiliated with another institution)
2. be not for profit (e.g. registered with the Australian Charities and Not-for-profits Commission)
3. produce research reports regularly
4. cover a broad range of economic and financial issues (rather than specific issues) that are relevant to the Bank's mandate
5. offer corporate membership that is value for money for the Bank (this is more appropriate than providing sponsorship or making donations to think tanks)

The renewal of corporate membership should also be assessed against these criteria.

Review of Australian think tanks

We have reviewed the think tanks in operation against the criteria (see Appendix table). Of the 29 think tanks identified in the review, 4 satisfy all the criteria: The McKell Institute; CEDA; the Centre for Independent Studies; and the Lowy Institute. The remaining 25 think tanks do not satisfy all of the criteria:

- 10 of these institutions are aligned with a political party or affiliated with a university
- 10 are independent but tend to focus on specific issues rather than covering a broad range of economic and financial issues relevant to the Bank's mandate
- The Sydney Institute is independent and broad ranging, but does not produce research reports
- The Centre for Policy Development, Grattan Institute, Institute for Public Affairs and The Australia Institute satisfy the first four criteria, but their websites do not mention corporate membership.

Recommendation

It is recommended that:

- the Bank continue to be a corporate member of CEDA and the Lowy Institute
- the Bank cease sponsoring the Centre for Independent Studies and the Sydney Institute
- we enquire about the cost of corporate membership of The McKell Institute and the Centre for Independent Studies. The decision to take up corporate membership would depend on whether the cost of membership represents value for money for the Bank

Secretary's Department
29 January 2021

Appendix table: Australian Think Tanks

Name	Independent (non-aligned/not affiliated)	Not for profit/registered charity	Produce research reports	Covers broad/specific issues*	Offers corporate membership on website
The McKell Institute	Yes	Yes	Yes	Broad	Yes
CEDA	Yes	Yes	Yes	Broad	Yes
Centre for Independent Studies	Yes	Yes	Yes	Broad	Yes
Lowy Institute	Yes	Yes	Yes	Broad	Yes
Centre for Policy Development	Yes	Yes	Yes	Broad	No
Grattan Institute	Yes	Yes	Yes	Broad	No
Institute of Public Affairs	Yes	Yes	Yes	Broad	No
The Australia Institute	Yes	Yes	Yes	Broad	No
The Sydney Institute	Yes	Yes	No	Broad	No
Australia21	Yes	Yes	Yes	Specific to social and health	No
T J Ryan Foundation	Yes	Yes	Yes	Specific to Qld	No
Mannkal Economic Education Foundation	Yes	N/A	Yes	Specific to WA	No
Per Capita	Yes	Yes	Yes	Specific to inequality	No
Australian Strategic Policy Institute	Yes	N/A	Yes	Specific to defence	No
Australian Institute of Policy and Science	Yes	Yes	No	Specific to science	No
H.R Nicholls Society	Yes	N/A	No	Specific to industrial relations	No
Institute for Economics and Peace	Yes	Yes	Yes	Specific to security	No
Australian Institute of International Affairs	Yes	Yes	Yes	Specific to foreign policy	No
Infrastructure Partnerships Australia	Yes	N/A	Yes	Specific to infrastructure	Yes
Chifley Research Centre	No (ALP)	N/A	Yes	Broad	No
Evatt Foundation	No (Uni Syd)	Yes	Yes	Broad	Yes

Name	Independent (non-aligned/not affiliated)	Not for profit/registered charity	Produce research reports	Covers broad/specific issues*	Offers corporate membership on website
Melbourne Institute of Applied Economic Res.	No (Uni Melb)	N/A	Yes	Broad	No
Menzies Research Centre	No (Liberals)	N/A	Yes	Broad	No
Northern Institute	No (Charles Darwin Uni)	N/A	Yes	Broad	No
Page Research Centre	No (Nationals)	Yes	Yes	Broad	No
The Green Institute	No (Greens)	Yes	Yes	Broad	No
Whitlam Institute	No (UWS)	Yes	Yes	Broad	No
Mitchell Institute	No (Victoria University)	N/A	Yes	Specific to health and education	No
Development Policy Centre	No (ANU)	N/A	Yes	Specific to development	No

* Covers a broad range of economic and financial issues that are relevant to the Bank's mandate, or covers specific issues

Sources: think tank websites; Australian Charities and Not-for-profits Commission; RBA

Answer to question on notice and in writing:

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE RESERVE BANK OF AUSTRALIA ANNUAL REPORT 2019 & 2020

RBA32QW: [Senator Leigh] Further to our discussion at the hearing on 11 February, I would invite you to please let the Committee know:

- a) How many RBA board members currently hold individual shares;
- b) How many individual shares are held, in aggregate, by all RBA board members (for example, if two board members held Qantas shares, this would count as two holdings); and
- c) How many individual shares in financial institutions are held by RBA board members (again, if two board members held Westpac shares, this would count as two holdings).

Answer:

There is a well-established process to handle actual and perceived conflicts of interest of Reserve Bank Board members. This matter is explicitly recognised in the legislation.

Reserve Bank Board members are required under the *Reserve Bank Act 1959* (section 7B) to disclose to the Treasurer their material personal interests, which are interests that may conflict or may be seen to conflict with their duty as a member of the Reserve Bank Board to consider and decide upon monetary and financial system stability policies. This disclosure permits members to be present and vote during the Board's monetary policy deliberations and deliberations on the role of the Bank in ensuring financial system stability, despite any material personal interest in those matters. The requirement is for members to provide updates each June and in the event of substantial changes in the nature or composition of such interests. All disclosures are maintained in the Office of the Treasurer.

In terms of the Code of Conduct for Reserve Bank Board members and in addition to the legislative requirement outlined above, members advise the Governor of the existence of any material personal interest in an Australian authorised deposit-taking institution or other financial entity. In most cases, this is fulfilled by members providing the Governor with a copy of their disclosure to the Treasurer.

The material personal interests of the Governor and Deputy Governor are also disclosed on the RBA's website. These disclosures, as well as those made to the Treasurer by the other Board members, are recorded in the same form as the template applicable to Commonwealth public officials.

The public disclosure of elements of Board members' confidential disclosures to the Treasurer is a matter for the Government.

Answer to question on notice and in writing:

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE RESERVE BANK OF AUSTRALIA ANNUAL REPORT 2019 & 2020

RBA33QW: [Senator Leigh] Does the Reserve Bank have any processes in place to audit declarations of material personal interest by board members and staff? If so, how many such audits were performed during the past 12 months? How many of these related to board members, and how many related to staff?

Answer:

The Code of Conduct for RBA staff requires that staff must not be in a situation where a material personal interest could influence their behaviour or could be perceived by others to influence their behaviour (this includes consideration of the interests of immediate family members). An annual attestation process provides for all staff to acknowledge they have read and understood the Code of Conduct by a given deadline.

The RBA has a well-established process of requiring any staff, where required because of their seniority or role, to disclose material personal interests on at least an annual basis, which are lodged in a central repository and reviewed by their department head or assistant governor. The RBA's Risk and Compliance Department oversees the process for all mandatory reporters to lodge their returns and for the relevant executives to complete reviews of the returns.

These annual attestation processes are the key elements of the compliance framework in this area. A breach of the Code of Conduct in this area is a dismissible offence.

It is not feasible to audit staff members' personal finances and their related disclosures. That would require the RBA to have access to personal information on bank accounts and details of other assets of both staff members and immediate family members.

In relation to the declarations of material personal interests by members of the Reserve Bank Board, see the answer to **RBA32QW**.

Reserve Bank of Australia
2 March 2022