

TREASURY EXECUTIVE MINUTE

Minute No
13/0041

26 September 2013

Treasurer

s22

STRENGTHENING

THE BALANCE SHEET OF THE RESERVE BANK OF AUSTRALIA (RBA)

s22

Recommendation/Issue:

- s22

[Agreed/Not Agreed]

- s47C, s47E

[Noted]

Signature:/..../2013

KEY POINTS

s22

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s22

s47C, s47E

s22

General Manager
Macroeconomic Policy Division

Contact Officer: s22
Ext: s22

ADDITIONAL INFORMATION

- On 11 April 2013 you released a press release stating that:
 - “If the Coalition forms Government after the next election we will, as a matter of urgency, meet with the Reserve Bank to discuss its Reserve Fund requirements. It is absolutely essential to the public interest that the Reserve Bank has all the tools it needs to deal with the challenges of a volatile global economy. This includes appropriate reserves at all times.”
- Sections 29 of the *Reserve Bank Act 1959* (the Act) establishes the Reserve Bank Reserve Fund (RBRF), from which the Reserve Bank Board can make transfers to the capital of the Bank.
 - The RBA currently targets a level of the RBRF equivalent to 10 per cent of total assets at risk. At its September 2013 meeting the Reserve Bank Board recommended increasing this target to 15 per cent of assets at risk.
- Under section 30 of the Act, the yearly net profits of the RBA, minus any unrealised gains, can at the Treasurer’s determination be set aside for contingencies or placed to the credit of the RBRF, with any remainder paid to the Commonwealth as a dividend.
 - The effect of this provision is that under existing legislation the RBRF can be replenished only from the net realised earnings of the RBA. That is, there is no provision for a direct capital injection into the RBRF itself from the Commonwealth.

