

16 October 2019

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Wellington 6023

The Hon Grant Robertson  
Minister of Finance  
Parliament Buildings  
WELLINGTON

By email [grant.robertson@parliament.govt.nz](mailto:grant.robertson@parliament.govt.nz)

Dear Mr Robertson,

**Governor of the Reserve Bank**

I am writing to raise with you concerns about the conduct and stewardship of Adrian Orr as Governor of the Reserve Bank.

In many areas of the Bank's operations the Governor operates independently of the Minister of Finance, and the Reserve Bank has day-to-day responsibilities for monitoring the Governor's stewardship and conduct. But none of that diminishes your responsibilities as Minister of Finance. You appoint the Governor (on the Board's recommendation) and the Deputy Governor, you appoint Board members (and now, specifically, the chair) and it is only on your recommendation that, if things got particularly bad, that either Board members or the Governor (or the Deputy Governor) can be removed from office. Moreover, you are the only person referenced in the Reserve Bank Act who is directly accountable to Parliament and to the public. If serious issues or concerns arise it is not satisfactory for a Minister of Finance to fall back on lines about operational independence or about leaving the Board to do its thing. You are responsible to ensure that all these appointees are doing their jobs to the high standards the public should expect from public officeholders.

You will be aware of the growing sense of unease among many relatively well-informed people about how the Governor is conducting himself and handling his policy responsibilities. Some of the issues have been treated in the recent series of articles by Stuff's Kate MacNamara. Others, including the remarkable statement issued late last week by the Governor and his entire senior management team, have been covered on my blog (including here <https://croakingcassandra.com/2019/10/12/unfit-to-govern-2/>). Concerns have been expressed from a wide range of people, some perhaps with financial interests in policy proposals the Governor has before him (not that such interests invalidate concerns being expressed) but many not, about aspects of process, of substance (around, for example, the bank capital proposals) and around the Governor's personal conduct and style.

These are serious matters and need to be addressed as such by both you and the Board. To the extent that concerns raised are either ungrounded or exaggerated, it is important that the Governor's name be cleared. But to the extent that those concerns are warranted, it is important that they are addressed and issued remedied, for the sake of the Bank itself (including its staff), for the sake of good quality policymaking, in the interests of good governance in New Zealand more generally, and (frankly) for the Governor's own sake. It isn't good enough for the chair of the Bank's Board - who is directly responsible to you - to

suggest that not having received a “formal complaint” there is no need for the Board to do anything. Anyone charged with a monitoring responsibility needs to be much more proactive than that.

You will be as least as well aware as I am of your formal and informal powers. You have at your disposal appointment powers (and both the chair and deputy chair of the Board have terms expiring in the next few months), dismissal powers, provisions around the Funding Agreement, the ability to commission a performance audit, and your ability to seek advice from The Treasury. In addition, of course, you write letters of expectation to both the Governor and the Board, and have input to the Bank’s Statement of Intent. More generally, you and only you have the democratic mandate on behalf of the public to insist that high standards are achieved and maintained at the Bank and on the Board. You will also be aware of a widespread view that the Board itself has been pretty ineffectual over the years in holding successive Governors to account, and (intentionally or not) has served mainly to provide cover to the Governor, as if he were their customer rather than the Minister and the public. You have made an in-principle decision to change the future role of the Board, but for now they are required to do the job Parliament currently requires of them.

None of the points raised here or, separately, with the Board bear directly on the substantive merits of specific policy decisions or proposals the Governor is responsible for. But it is rare to get consistently good decisions from organisations or individuals who are weak on process, provide poor analytical backing for their plans, and who exhibit (or appear to do so) exhibit an undisciplined personal style from their leaders. We need better in someone leading New Zealand’s central bank and prudential regulatory agency.

I have attached for your information a copy of a letter I sent yesterday to the Reserve Bank Board on these matters.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Michael Reddell', is written over a faint, light blue grid background. The signature is fluid and cursive, with a large loop at the end.

Michael Reddell

Michael Reddell