

Reserve Bank of Australia Review

Fourth Request for Information from the Reserve Bank

February 2023

High-level Questions

H1. The RBA Act states that the Reserve Bank Board is responsible for the Bank's monetary and banking policy (ss 8A and 10). What is the RBA's interpretation of what is covered by 'banking policy' in this context?

The RBA interprets 'banking policy' in the *Reserve Bank Act 1959* to cover a wide range of policy matters that pertain to its banking operations. Over recent years, the Board has used this power to consider policies relating to the scope of banking services it provides and its dealings with other central banks. It has also used it to consider policies relating to the potential provision of liquidity support to the financial system.

H2. Has the RBA relied on its powers under s 36 of the Banking Act 1959 – to determine the policy in relation to bank loans – at any point since the creation of APRA? Does the RBA foresee a role for these powers in its policy settings in the future?

The RBA has not relied on this power since the creation of APRA.

We do not foresee any role for these powers in future policy settings. This power dates from the era prior to the deregulation of the financial system in the early 1980s, when there were wide-ranging controls on the financial system. Advance policy was used by the RBA as a key instrument of monetary policy from the 1940s to early 1960s, but from 1962 the RBA (and the broader economics profession) was increasingly of the view that heavy reliance on advance policy was counterproductive. Its use as an instrument of monetary policy gradually diminished over the subsequent two decades and quantitative bank lending guidance was ended in June 1982. The RBA considers that a return to the use of advance policy is extremely unlikely and would be comfortable with these provisions of the *Banking Act 1959* being repealed.

H3. The second information request noted that 'staff raised the option of discontinuing the yield target in July 2021'. Was the Board made aware of these internal views at the time, and if so in what form? Did the staff produce any internal briefings or materials on whether to discontinue the yield target, and could these be shared with the Review?

There was no written material prepared for the Board on this issue. This possibility was canvassed by staff in Financial Markets Group and discussed at internal meetings with the Governors and other senior staff. It was discussed in the context of the considering whether to extend the maturity of the

yield curve target. The Board was focused on continuing to provide supportive financial conditions and avoid an unnecessary tightening of conditions, so while it decided not to extend the yield target, it maintained the existing target. Accordingly, it did not consider in detail the case for discontinuing the target, although in a number of discussions the Board recognised that the target could not be maintained indefinitely. In hindsight, as discussed in [Review of the Yield Target](#), greater weight could have been given to upside scenarios in policy discussions.

H4. In response to the third information request, the RBA provided estimates of the effects of the BPP on real GDP and employment. Did analysis of the TFF produce estimates of the effects on real GDP and employment? If so, are you able to provide these estimates to the Review?

The RBA has not estimated how the TFF affected real GDP and employment. Rather, our analysis was focused on how the TFF contributed to lower funding costs for banks and non-banks and, in turn, lower lending rates for households and businesses. An example of this is [An Assessment of the Term Funding Facility | Bulletin – September 2021 | RBA](#).

H5. Information on whether a policy conflict has ever arisen between the Payments Policy Board (PSB) and the RBA Board, as per section 10C of the RBA Act. If so, what are the details of the conflict? In addition, has the Governor has ever had to make a determination under Section 10C(3)?

No conflict has ever arisen between the two boards and section 10C(3) of the *Reserve Bank Act 1959* has never been used.

Request for Information

Institution

2.1 Information on the RBA's approach to harnessing big data insights - for example, specific projects, training, capability building, new teams that have been initiated (last 5 years)

Historical Background

The Bank has at least a decade's experience of harnessing insights from very large datasets. This was a natural extension of the widespread use of data in analysis and policy process and has become more common in recent years, due to the increased availability of large Australian datasets. Examples of this include:

- analysis of financial markets and financial stability issues has been enhanced with the use of loan-level and transaction-level data sets for several years.
- the use of large household and business datasets has become a common source of insights on the real economy, and especially since the onset of the pandemic.
- a timely measure of average earnings growth has been generated using more than a billion data points from the Single Touch Payroll system and insights on job mobility and household formation have been generated using detailed unit record data from the Labour Force Survey.

- The Business Longitudinal Analysis Data Environment (BLADE) dataset has also been used extensively by Bank staff to enhance the understanding of business activity and decision making, including via several published articles that have aided the broader development of public policy.

Current Strategic Approach

Over the past five years the Bank has embarked on a transformation to uplift the maturity of its data practices. This has included: establishing an Enterprise Data Office (EDO) employing around 30 staff and a Chief Data Officer role; formulating a data management strategy; making significant investments into a number of initiatives to implement enabling technology, build and consolidate analytics solutions, improve data management processes and develop staff capabilities for working with data; and more recently creating a Data Science Hub. Some of these initiatives relate to big data or lay the foundation for future use of big data. A number of these were grass-roots initiatives that helped to highlight gaps in capabilities, and these gaps have subsequently been adopted as priorities for Bank-wide projects.

The Bank's technology for working with data is undergoing modernisation via the 'Business Intelligence Refresh' project. Among other deliverables, this project aims to implement a solution for storing and exploring unstructured or big data, using technologies such as cloud, Hadoop, Python and R. Some parts of this solution are already in place, with other parts due in the coming 12 months.

Recent process improvements that have made it easier to work with big data include an enhanced ability to store new datasets quickly and flexibly in exploratory self-service environments, and a new framework for managing user-generated analytical code in R and Python. Another process improvement initiative that is currently underway is centralisation, standardisation and automation of data management, reporting and analytics. This initiative aims to free up capacity for further exploration of larger, more complex datasets (for example the relatively large dataset related to over-the-counter derivatives).

Technology and process improvement initiatives are being supplemented with training in modern coding techniques and practices, and the support of communities of practices among the Bank's analysts (e.g. an R user group that shares tips and techniques).

Data Science Hub

One particularly notable aspect of the RBA's approach to harnessing big data insights has been the establishment of a Data Science Hub. The Data Science Hub was proposed by the Economic Research Department and its establishment was endorsed by the Bank's Executive Committee in November 2020. It became fully operational at the start of 2022 and comprises four full-time staff working in the Economic Research Department. The Hub harnesses the power of alternative ("big") data and analytics by developing innovative solutions that inform decision-making across the Bank. It is also focused on lifting the Bank's capability to extract insights from big data and broadening awareness of, and capability in, new data science methods. In doing so, the team works collaboratively with various areas of the Bank to formulate problems as well as collect, prepare and analyse data. It also engages closely with other data-related areas of the Bank, including the EDO, to help shape the solution architecture being developed for advanced analytics at the Bank (discussed above).

Since its inception, the Hub has completed several collaborative projects using a variety of alternative ("big") data. These include, for example:

- collaboration with Financial Stability Department to develop new indicators of financial stress among households and businesses based on search, social media and news data
- working with Banking Department to automate the specialised daily fraud detection service it provides to the Australian Taxation Office
- working with staff in Payments Policy Department by running algorithms to identify specific trades in the daily feed of bond transactions it receives from the Australian Securities Exchange
- using techniques in Natural Language Processing (or “text mining”) to develop new tools enabling staff in the Economic Analysis Department to systematically organise, search and analyse the Bank’s rich history of business liaison information
- using machine learning to extract insights from listed companies’ earnings call transcripts to better understand their price-setting behaviour
- developing a suite of high-frequency news sentiment indices to monitor economic and financial market developments as well as better understand the impact of the Bank’s public communications.

Outputs from the Hub’s work has appeared in papers and presentations delivered to the Reserve Bank Board and regularly features in the Bank’s flagship policy publications, including the *Statement on Monetary Policy* and the *Financial Stability Review*. The Hub is also delivering internal data science training sessions and working to forge ties with other policy institutions and academics, for example, through the APRA/RBA Business Coding Knowledge Sharing Sessions as well as various external presentations.

2.2 Information on what sort of formal rewards and recognition framework exists at the RBA, if any (e.g., staff awards programs, performance-based bonus frameworks).

The RBA offers a wide variety of rewards and recognition through remuneration, meaningful work, career progression opportunities and support, and awards programs.

Remuneration

Remuneration is set considering market rates, and an employee’s capabilities and experience. Remuneration is then reviewed each year through the Bank’s remuneration review.

While the specific remuneration arrangements that apply to employees differ according to their employment arrangement with the Bank, the framework for the remuneration review is consistent, and includes two elements:

- **Annual salary increase:** The increase for non-managerial employees is negotiated as part of the RBA Workplace Agreement, whereas the increase applied to management employees is determined by the Governor. For both groups of employees, the Australian Government’s Public Sector Workplace Relations Policy also influences the approach to remuneration increases.
- **Reward increase:** Eligibility for a Reward Increase is based on factors including strong performance over several years, improved capabilities and current level of remuneration relative to salary band. The Reward increase pool is determined by the Governor.

Performance-based pay (which was a lump sum payment) was removed in 2022 in light of the Australian Public Sector Commission’s Performance bonus guidance and eligible employees received a one-off 2 per cent permanent general salary increase to replace the performance pay scheme.

Meaningful Work and Career Progression

Meaningful work is one of the most important aspects of one's career. The Bank encourages People Leaders to consider employee perspectives on what work gives them purpose and find ways to ensure they feel fulfilled in the workplace. There are many ways to create these opportunities from enabling them to have dedicated time to focus on topics of interest, attending conferences or presenting in Bank forums. People leaders are encouraged to consider relevant opportunities as part of an employee's individual development plan.

Career progression refers to an employee's movement through career stages within a job, recognising their work experience, enhanced technical and core capabilities, and strong alignment to the Bank's values. Career progression can occur without a vacancy or new position being created and doesn't require an employee to change positions. Not all roles are eligible for career progression, and appointments to more senior roles will occur only as a result of a vacancy and involve a selection process. An employee's readiness for career progression is based on a set of guiding principles and is assessed annually. Changes to remuneration as a result of career progression are considered as part of the annual remuneration review.

Study assistance

The Bank offers a number of opportunities to support our people to further their education and obtain meaningful and relevant qualifications to enhance their career at the Bank.

Part-Time Study Assistance (PTSA) is awarded to certain individuals to enable them to obtain additional qualifications whilst they continue working at the Bank. Depending on the cost of the course or program, an application process may be required with approval from the Head of Department or Study Assistance Committee.

Post Graduate Study Awards (PGSA) are awarded once a year to enable certain employees to undertake post-graduate studies on a full-time basis. PGSA enables eligible employees to study domestically or overseas for up to four years. Courses must be relevant to the Bank and the number of Awards is limited each year to ensure high standards are maintained.

Annual Awards

- The *Governor's Award of Excellence* is awarded annually to individuals or small teams to recognise their outstanding performance in demonstrating the Bank's core values. This program is a peer-nominated program. The Governor announces the award winners early in the calendar year and hosts a dinner for award winners.
- Departments also run specific programs that are relevant for their group/teams e.g. *Recognising Excellence in IT*. These are run at a local level and can include gift vouchers, celebrating achievements with light refreshments and recognition in group forums.
- The *Length of Service Recognition* scheme provides recognition for employees who have dedicated 10, 20, 30, 35 or 40 years of service to the Bank.

2.3 Information on what arrangements there are, if any, for staff to provide feedback on managers in regular performance appraisals.

There are several ways that staff can give feedback on managers:

- In 2019, as part of the Conversation Series, various resources were created for leaders and employees to support effective conversations; this included obtaining and giving feedback on managers. These resources and support were tied to the mid-term and end-term performance process.
- The practice of 'skip level meetings' is well embedded during the performance review process. Skip level meetings will remain a fixture of 'ongoing conversations' in the Bank's Leadership Conversations Framework, which will be rolled out in March 2023.
- In addition, during the performance period, it is common practice to solicit feedback from others on direct reports. This is mostly done via email.
- With the introduction of the Bank's new Human Capital Management system, Workday, which is scheduled to be launched in May 2023, employees will be able to request feedback throughout the year as part of the performance framework.
- In addition, HR has recently piloted a 360-feedback tool that can be used to elicit 360 development feedback in future.

2.4 In 2021 the RBA undertook a Psychosocial Risk Audit. One of recommendations from this was to implement an EQ masterclass series for new, emerging, and current leaders, and a structured leadership development program for current managers and executives. Please provide any insight on how these recommendations were implemented, if at all.

Following the psychosocial risk review an action plan was developed, and the recommendations were prioritised. The actions that address the specific questions on an EQ masterclass and structured leadership development are set out below. Each of these programs aimed to build staff's emotional intelligence and psychological safety.

People and Purpose Speaker Series

Neuroscience to Lead Yourself and Others (29th March 2022, open to all employees)

This 60-minute session was designed and delivered by Sue Langley, an expert in the fields of neuroscience, emotional intelligence, and positive psychology. It explored the field of neuroscience and how it is bringing new insights into how our brains work and the opportunity to better understand why and how people behave, make decisions and relate to others.

Capability Series

Course: Building Trust through Understanding - Build empathy and genuine interest in others (June- Dec 2021, open to all employees)

The Bank has a Core Capability framework, which defines the capabilities required for success in all jobs. It is underpinned by our values. The framework is based on research, industry best practice and internal feedback. A Capability Series provides training and education on each capability. One of the core capabilities is 'Build Trust', underpinned by learning on 'Building Trust through Understanding'.

As an extension of this material, the Bank hosted five two-hour 'Build Trust' core capability workshops and five deep dive 60-minute sessions that covered the following:

1. Building Trust through Transparency
2. Building Trust through Relationships
3. Building Empathy and Genuine Interest in Others
4. Building Trust through Safety
5. Building Trust through Technical skills

Leadership Strategy

In 2020, HR revised the Bank’s leadership strategy, resulting in the following offering:

- Situational Leadership (foundational program)
- iLead (flagship program)
- Supported by targeted sessions on coaching, conversations and leadership capabilities

iLead is a four-part leadership program designed to help leaders create a safe and supportive environment, where high performance thrives. It builds on the skills developed in Situational Leadership. Leaders learn how to create an inclusive culture in a psychologically safe environment and the program has been attended by a large cohort ranging from Team Leaders to Heads of Department.

Currently, there is no targeted Executive leadership development program.

The Bank’s leadership strategy will be revised in 2023 to address the following gaps:

- An Executive Leadership development program
- Any enhancements required to the foundational program (Situational Leadership)
- A suite of foundational leadership and management tools to be made available on the intranet

2.5 A count of how many of the RBA’s staff are on secondment, and how many secondees are working in the RBA.

Number of staff on secondment/secondees

As at 16 February 2023

	Number of staff
Staff on external secondment*	13
Secondees at the RBA	4

* Includes staff on secondment to the RBA Review Secretariat

Additional Requests for Internal Papers and Data

The following documents have been provided to the Secretariat.

Attachments: Updated RBA historical forecasts, to February 2023

GDP forecasts by horizon	Internal spreadsheet
CPI forecasts by horizon	Internal spreadsheet
Underlying CPI forecasts by horizon	Internal spreadsheet
Unemployment rate forecasts by horizon	Internal spreadsheet
All forecasts by horizon	Internal spreadsheet

Attachments: Audit Committee papers discussing earnings, capital and/balance sheet (2020-)

RBA Earnings & Financial Reporting Update – March 2019*	Board paper
RBA Earnings & Financial Reporting Update – March 2020	Board paper
RBA Earnings & Financial Reporting Update – May 2020	Board paper
Impact of AUD Bond Purchases on Earnings and Capital – May 2020	Board paper
RBA Financial Statement for Year-ended 30 June 2020	Board paper
Larger Central Bank Balance Sheets and Capital: The International Experience	Board paper
RBA Earnings & Financial Reporting Update – March 2021*	Board paper
Impact of AUD Bond Purchases on Earnings and Capital – March 2021	Board paper
RBA Earnings & Financial Reporting Update – May 2021	Board paper
Reserve Bank Capital Framework – May 2021	Board paper
RBA Financial Statement for Year-ended 30 June 2021	Board paper
RBA Earnings & Financial Reporting Update – November 2021	Board paper
Accounting for Domestic Government Bonds – November 2021	Board paper
RBA Earnings & Financial Reporting Update – March 2022	Board paper
Accounting for Domestic Government Bonds – March 2022	Board paper
RBA Earnings & Financial Reporting Update – May 2022	Board paper
RBA Financial Statement for Year-ended 30 June 2022	Board paper
RBA Earnings & Financial Reporting Update – November 2022*	Board paper

* Papers previously supplied to the Secretariat, including for completeness.

Attachments: Weekly Investment Management Pack (one per quarter; 2021-)

Weekly Investment Management Pack – 31 March 2021	Internal document
Weekly Investment Management Pack – 30 June 2021	Internal document
Weekly Investment Management Pack – 29 September 2021	Internal document
Weekly Investment Management Pack – 29 December 2021	Internal document
Weekly Investment Management Pack – 30 March 2022	Internal document
Weekly Investment Management Pack – 29 June 2022	Internal document
Weekly Investment Management Pack – 28 September 2022	Internal document
Weekly Investment Management Pack – 28 December 2022	Internal document

Attachments: Letter from the Remuneration Tribunal on Remuneration Reference Rates (2018-)

Remuneration Tribunal – Reference Rate for Governor and Deputy Governor 2018	Letter
Remuneration Tribunal – Reference Rate for Governor and Deputy Governor 2019	Letter
Remuneration Tribunal – Reference Rate for Governor and Deputy Governor 2020	Letter
Remuneration Tribunal – Reference Rate for Governor and Deputy Governor 2021	Letter
Remuneration Tribunal – Reference Rate for Governor and Deputy Governor 2022	Letter

Attachments: Results of 2022 Board Survey

Reserve Bank Board Survey – December 2022	Board paper
---	-------------

Attachments: RBA Employee Numbers (2010-22)

RBA staff numbers	Internal spreadsheet
-------------------	----------------------
