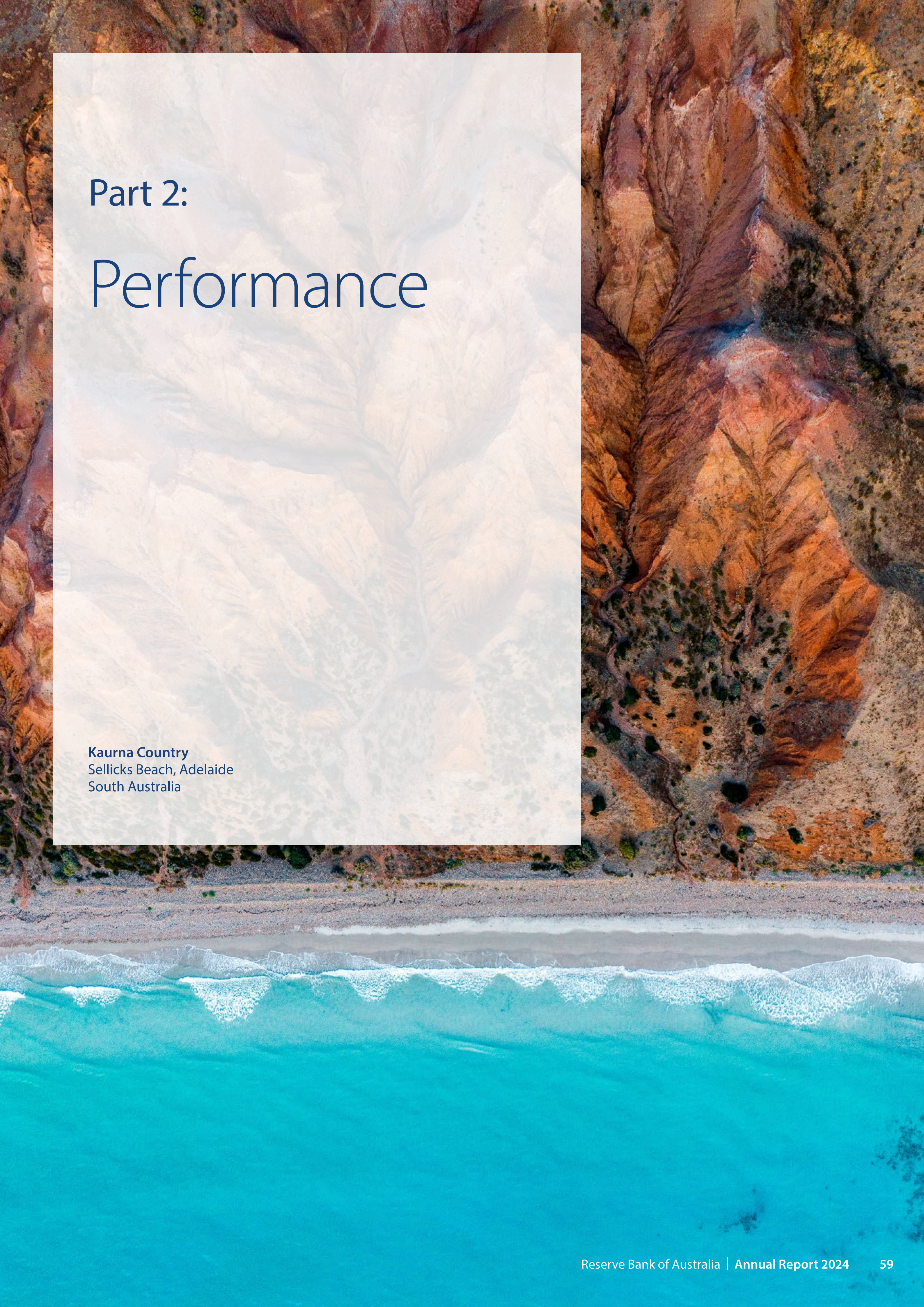
# Part 2:

# Performance



**Kaurna Country**
Sellicks Beach, Adelaide
South Australia

# 2.1 Annual Performance Statement

I, as the accountable authority of the Reserve Bank of Australia, present the Annual Performance Statement of the Reserve Bank for the 2023/24 reporting period, prepared under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, this Statement accurately presents the performance of the Reserve Bank in the reporting period and complies with subsection 39(2) of the PGPA Act.

**Michele Bullock**
Governor, Reserve Bank of Australia
25 September 2024

## Introduction

This Statement outlines the key objectives of the RBA as set out in the 2023/24 Corporate Plan and provides an assessment of our performance in achieving those objectives. Where necessary, additional context is provided, including an analysis of significant factors that have contributed to the outcomes. This analysis includes information up to the end of July 2024.

## Price stability and full employment

### Purpose

The *Reserve Bank Act 1959* sets out three specific goals for monetary policy. The *Statement on the Conduct of Monetary Policy* establishes that the goal of economic prosperity and welfare of the Australian people is an overarching objective for monetary policy. This goal is fulfilled by the Reserve Bank Board conducting monetary policy in a way that best supports its two other goals: price stability and full employment.

Low and stable inflation – or price stability – preserves the value of money, reduces uncertainty and supports strong and sustainable economic growth over the longer term. It helps businesses and households make sound spending and investment decisions. Likewise, full employment supports people financially and provides them with a sense of purpose. It helps foster mental and physical wellbeing, and increases the prospect of diverse thinking and innovation. The RBA achieves its objectives for both price stability and full employment through monetary policy settings aimed at keeping inflation between 2 and 3 per cent and employment at the maximum level that is consistent with low and stable inflation.

### Results

**Table 2.1.1: Performance Summary – Price stability and full employment**

| Key objectives | Key activities | Performance measures and targets | Results |
|---|---|---|---|
| Price stability and full employment | Conduct monetary policy in a way that will best contribute to:<br>• stability of the currency<br>• maintenance of full employment<br>• economic prosperity and the welfare of the people of Australia. | Flexible medium-term inflation target to achieve consumer price inflation of between 2 and 3 per cent, on average, over time. | Consumer price inflation was 3.8 per cent over the year to the June quarter 2024. Inflation remains above the target band but has declined further over the past year. Inflation is forecast to be sustainably within the target range of 2–3 per cent in the second half of 2025 (based on May 2024 forecasts). |
| | | Foster sustainable growth in the economy. | The Australian economy grew by 1.1 per cent over the year to the March quarter 2024. GDP growth has slowed over the past year, which is helping to achieve a more sustainable balance between supply and demand. The unemployment rate averaged 4 per cent over the first half of 2024, well below rates seen in recent decades. |
| | Achieve cash rate consistent with the Reserve Bank Board's target. | The cash rate is within the interest rate corridor around the cash rate target. The very high Exchange Settlement (ES) account balances mean the cash rate is likely to range between the target and the interest rate on ES balances. | The cash rate was within the interest rate corridor around the cash rate target on each business day throughout 2023/24. |

**Table 2.1.1: Performance Summary – Price stability and full employment** *(continued)*

| Key objectives | Key activities | Performance measures and targets | Results |
|---|---|---|---|
| Price stability and full employment *(continued)* | Provide adequate liquidity to the financial system. | Funding costs and access to liquidity are appropriate to achieve our goals. | Financial institutions have been able to draw on liquidity as required, using the RBA's weekly open market operations. Funding costs have risen in line with increases in the cash rate. |
| | Manage reserves to portfolio benchmarks. | Reserves portfolio managed within permitted deviations around benchmarks for interest rate and currency risk. | Deviations from the benchmark were consistent with predefined tolerances. |
| | Intervene in foreign exchange market as appropriate. | Publish data and explanations of any intervention. | No foreign exchange market intervention was conducted. |

## Analysis

Throughout 2023/24, the Reserve Bank Board consistently affirmed its resolve to do what is necessary to return inflation to target over a reasonable time period, noting that this process of disinflation was unlikely to be smooth. The cash rate target had been raised by 400 basis points over the year or so prior to July 2023. The target was increased by a further 25 basis points in November 2023 – taking it to 4.35 per cent – as the Board sought more assurance that inflation would return to target in a reasonable timeframe.

Tighter monetary policy over recent years contributed to inflation easing further over 2023/24. Headline inflation in the June quarter 2024 was 3.8 per cent in year-ended terms, having declined from 6 per cent in June 2023. Year-ended underlying (trimmed mean) inflation was 3.9 per cent in the June quarter, down from 5.8 per cent a year earlier. While there was progress in reducing inflation over 2023/24, this process was smooth and the pace of disinflation slowed in the first half of 2024. Goods price inflation declined over the year, assisted by further normalisation in international and domestic supply chains, but services price inflation declined more slowly – as in other countries and particularly for less discretionary services.

The persistence in inflation in Australia was consistent with the level of domestic demand exceeding the supply capacity of the economy, though there were indications that demand had been coming into closer alignment with supply over time. GDP growth over the year to the March quarter 2024 declined to 1.1 per cent. Household spending, in particular, slowed over 2023/24 as high inflation, tax payable and higher interest rates dragged on households' real incomes. GDP per capita declined by around 1½ per cent from its peak in mid-2022.

The labour market eased a little but remained tight over 2023/24, with the unemployment rate averaging 4 per cent over the first six months of 2024; the unemployment rate had not been consistently this low since the 1970s. The hours-based underutilisation rate, a broader measure of spare capacity in the labour market, increased by slightly more than the unemployment rate since late 2022. In addition to the unemployment and underemployment rates remaining low, the participation and employment-to-population rates remained around historical highs. Other labour market indicators, such as job vacancies, job ads, firms' employment intentions and employee turnover, suggested there would be some further gradual loosening in labour market conditions into 2024/25.

The tight labour market, along with high inflation, had contributed to wages growth being elevated throughout the year. When combined with weak productivity growth, this had created persistent pressure on firms' labour costs. Annual growth in the Wage Price Index peaked at 4.2 per cent in the December quarter 2023. Wages growth eased a touch to 4.1 per cent in the March quarter 2024, and more timely indicators generally suggested wages growth had passed its peak for the current cycle.

Reflecting both some expected near-term persistence in inflationary pressures and signs that these pressures were easing as aggregate demand and supply in the economy were becoming better aligned, the May 2024 forecasts were for inflation to be around 3.8 per cent by the end of 2024 and back within the 2–3 per cent target band in late 2025.

The RBA met its operational objectives for implementing monetary policy over 2023/24. The cash rate remained close to its target and within the policy rate corridor at all times. The cash rate was guided by the RBA's ES and open market operation rates. Policy measures undertaken during the COVID-19 pandemic continued to unwind. The last of the funding provided under the Term Funding Facility was repaid in mid-2024 and more of the RBA's holdings of government bonds matured. The RBA's current operational framework for implementing monetary policy – supplying the reserves demanded by commercial banks at a predetermined interest rate set by the RBA – ensured the financial system had the liquidity needed. Foreign exchange reserves were also managed prudently within set limits and no foreign exchange interventions were required.

# The stability of the financial system

## Purpose

A stable financial system is a precondition to maintaining price stability and full employment. It facilitates the smooth flow of funds between savers and investors, and supports innovation, growth and the taking of opportunities. The RBA contributes to financial stability by working closely with the Council of Financial Regulators (CFR) to identify and address risks, overseeing market infrastructures that are central to the effective operation of the financial system and providing adequate liquidity.

## Results

### Table 2.1.2: Performance Summary – The stability of the financial system

| Key objectives | Key activities | Performance measures and targets | Results |
|---|---|---|---|
| The stability of the financial system | Support overall financial system stability. | A stable financial system that is able to support the economy. | The Australian financial system has a high level of resilience and has been well placed to support the economy throughout the year.<br><br>Most Australian households and businesses have been able to service their debt and meet essential expenses. |
| | | Work with CFR agencies and international bodies to identify and appropriately address evolving systemic risks. | CFR agencies continued to work closely together, and with international counterparts, to identify and assess current and emerging vulnerabilities in the financial system. They have coordinated as needed on actions to mitigate vulnerabilities and strengthen resilience in the financial system. This included ongoing close monitoring of risks to the Australian financial system from lending activities. The CFR has also focused on strengthening institutions' operational resilience to threats emanating from outside the financial system, including cyber-attacks and risks associated with climate change and geopolitical tensions. The CFR issued quarterly statements that outlined its discussions, assessments and actions in relation to key risks and vulnerabilities. |
| | | Assess and communicate risks to financial system stability, including through the half-yearly *Financial Stability Review* (FSR). | We used a wide set of data and information sources, as well as scenario analysis, to identify and assess emerging vulnerabilities in the Australian financial system and potential cross-border channels of risk.<br><br>We communicated our assessments of these and other risks to both other CFR agencies and the public more broadly. This was done in the October 2023 and March 2024 FSRs, as well as *Bulletin* articles and speeches on financial stability issues. A new FSR format in 2023/24 allowed us to more effectively communicate our financial stability assessments. |

## Analysis

Over 2023/24, the RBA continued to conduct extensive analysis of developments and emerging risks in the financial system, relating to financial institutions, households and businesses. We closely engaged with the Australian Prudential Regulation Authority and other CFR agencies to identify and appropriately address evolving systemic vulnerabilities and risks. This work informed the Reserve Bank Board's policymaking process. Much of this analysis was published in the semi-annual *Financial Stability Review*, quarterly *Bulletin* articles and periodic speeches.

A key area of focus in the past year remained the effect of high inflation and higher interest rates on households, businesses and the financial system. Most households and businesses were able to manage these pressures over 2023/24, supported by strong labour market conditions and the large additional savings and equity buffers accumulated over prior years. However, conditions have been challenging for some households and businesses. This has been especially true for lower income households, including many renters and the indebted households already facing acute budget pressures. Our framework for assessing the financial health of Australian households and how this relates to financial stability was set out in a focus topic in the October 2023 *Financial Stability Review* and further discussed in a speech in December 2023.[1]

We also continued to closely monitor the behaviour of borrowers who took out fixed-rate loans during the period of very low interest rates. Analysis published in the October 2023 *Financial Stability Review* showed that the vast majority of both variable- and fixed-rate borrowers rolling onto higher variable rates were able to manage this transition by using some combination of drawing on their savings buffers or reducing their spending and/or rate of saving.[2]

In 2023/24 we expanded our use of scenario analysis to include assessments of the financial resilience of businesses, as well as households. A scenario analysis presented in the March 2024 *Financial Stability Review* assessed the resilience of indebted households and businesses to higher inflation and interest rates.[3] This analysis suggested that most mortgagors and larger businesses would be able to service their debts even if pressure on their finances remained elevated for an extended period. While the strong financial starting position of many businesses entering the interest rate tightening cycle should help to limit risks to financial stability, some businesses are likely to remain under financial pressure in 2024/25, particularly in discretionary sectors as households have reduced non-essential expenditure. Conditions have remained challenging in commercial real estate markets, although there is little evidence to date of financial stress among owners of Australian commercial real estate and systemic risks are lower than in the past given banks' more limited exposures.[4]

The Australian financial system has continued to display a high level of resilience and is well positioned to support the economy in 2024/25. Australian banks are well prepared to handle an expected increase in loan losses in the period ahead. The non-bank sector, excluding superannuation, accounts for a relatively small share of system-wide lending in Australia, meaning risks to financial stability are relatively contained.[5] Nonetheless, the RBA and other CFR agencies continue to monitor the sector closely given its rapid growth over recent years.

Some key risks to financial stability originate from overseas and outside the financial system. In particular, the impact of the growing digitalisation of financial services – including reliance on third-party vendors – increases the vulnerability to, and impact of, cyber-attacks and technology outages. This was a focus topic in the October 2023 *Financial Stability Review*.[6] In addition, we have been working with CFR and other government agencies to strengthen the resilience of the financial system, including through industry scenario exercises.

In 2023/24 we continued to share our perspectives with overseas counterparts during meetings on international financial sector issues held by global bodies. These have included meetings organised by the Financial Stability Board and the Basel Committee on Banking Supervision. We place a high priority on these international forums, which also allow Australian perspectives to be provided when they discuss and agree on new global standards applying to banks and other financial institutions (see Part 2.5: International Financial Cooperation).

# A secure, stable and efficient payments system

## Purpose

Australians expect payments to be cost effective, convenient and accessible. Having reliable payment systems is important for the smooth functioning of the economy and financial system. The RBA promotes these objectives as both supervisor and regulator of the payments system and as the owner and operator of critical national payments infrastructure.

## Results

### Table 2.1.3: Performance Summary – A secure, stable and efficient payments system

| Key objectives | Key activities | Performance measures and targets | Results |
|---|---|---|---|
| A secure, stable and efficient payments system | Strengthen the safety and resilience of payments and market infrastructures. | Market infrastructures prioritise the management of ageing infrastructure and adopt replacements and upgrades in a safe manner. | We supervised the development of the Australian Securities Exchange's (ASX) technology remediation strategy. This included supervision of ASX's Replacement project for the Clearing House Electronic Subregister System (CHESS), as well as its broader strategy for upgrading or replacing ageing technology assets. |
| | | A risk-based framework exists for the oversight of key retail payment systems. | We entered into a Memorandum of Understanding with Australian Payments Plus to oversee the safety and resilience of the New Payments Platform (NPP). |
| | Advance and implement reforms for payments and market infrastructures. | Assist the Australian Government to prepare draft legislation for regulating payments and market infrastructures. | We helped the Australian Government prepare draft legislation for regulating payments and market infrastructures, which was introduced in the Parliament in March 2024. |
| | Promote competitive, cost-effective and accessible electronic payments. | Reduced payment costs for small business through industry delivering merchant choice of debit card network. | The share of merchants with least-cost routing (LCR) of card-present debit card transactions increased from 54 per cent in June 2023 to 70 per cent in June 2024.<br>We published research in April 2024 that found that the cost of accepting debit card transactions was nearly 20 per cent lower for merchants that have LCR turned on. |
| | | Industry delivers and promotes additional fast payment capabilities to end users. | The NPP's 'PayTo' service for initiated payments was made available for the vast bulk of retail customer accounts.<br>Most participants have enabled the ability to accept the final AUD leg of incoming cross-border payments via the NPP's international payments service. |
| | Enhance cross-border payments. | Explore interlinking the NPP to fast payment systems in other jurisdictions. | We published a report analysing the benefits, design choices and challenges associated with linking fast payment systems across countries. |

## Table 2.1.3: Performance Summary – A secure, stable and efficient payments system *(continued)*

| Key objectives | Key activities | Performance measures and targets | Results |
|---|---|---|---|
| **A secure, stable and efficient payments system** *(continued)* | Align the RBA's regulatory framework for payments and market infrastructures to the Australian Government's principles of regulator best practice. | Actively engage with stakeholders and conduct research to understand emerging issues affecting the environment in which regulated entities operate. | We surveyed clearing and settlement facilities and participants in the retail payments system to obtain feedback on our regulatory performance. Respondents indicated that their engagement with the RBA had been constructive and that we had sought to understand emerging issues affecting the payments industry when developing and enforcing regulatory requirements. Some respondents noted that we needed to adjust some regulatory requirements in response to stakeholder reaction. Respondents suggested that we could test potential regulatory requirements with relevant organisations prior to publication, or engage in scenario planning regarding how different industry participants are likely to respond to new regulatory requirements. |
| | | Regulatory requirements are streamlined, proportionate to risks and coordinated with other regulators. Build capability in data analysis to monitor compliance efficiently. | Survey feedback on cooperation between the domestic regulators was positive for clearing and settlement facilities. However, the coordination and clarification of roles, responsibilities and expectations in relation to cyber risk was noted as an area for improvement. Some respondents reported that coordination between regulators on payments issues could be improved, particularly on safety and resilience issues. Respondents generally reported that our regulatory requirements were streamlined and proportionate to the risks involved. Some respondents suggested our regulatory and reporting requirements could be more streamlined, better targeted and take greater account of the size and business models of regulated entities. |
| | | Communicate with regulated entities in a timely, clear and consistent way, including on regulatory priorities. | Survey respondents reported that we had communicated our regulatory requirements and priorities clearly, consistently and in a timely manner. Some respondents encouraged us to: raise policy issues at an earlier stage; build enough time for consultation within their organisation into deadlines; and provide as much detail as possible with our requests so respondents have a clear understanding of the purpose. Some respondents suggested that additional guidance on how our regulatory expectations could be achieved would be helpful. |

**Table 2.1.3: Performance Summary – A secure, stable and efficient payments system** *(continued)*

| Key objectives | Key activities | Performance measures and targets | Results |
|---|---|---|---|
| A secure, stable and efficient payments system *(continued)* | Preserve the operational reliability and cybersecurity of the Reserve Bank Information and Transfer System (RITS). | RITS availability at 99.95 per cent during core hours. | RITS availability was 100 per cent during core hours. |
| | | RITS Fast Settlement Service availability at 99.995 per cent on a 24/7 basis, with most transactions processed in less than one second. | FSS availability was 100 per cent. Most transactions were processed within one second. |
| | | Continue to enhance the RBA's back-office systems to support the industry's full migration to ISO 20022-based messaging by the end of 2024. | Enhancements to the RBA's back-office systems to support ISO 20022 where completed. |
| | | Ongoing investment and regular reviews and testing to support cyber resilience. In 2023/24, this will include an industry cyber exercise. | We completed internal assessments against the Swift Customer Security Controls Framework and the ISO 27001 information security standard. We have reviewed and started to uplift cybersecurity controls in line with Australian Government guidelines and industry practices. We enhanced arrangements for access to RITS and reviewed the RITS Public Key Infrastructure.<br><br>We hosted the Cyber Attack Simulation Exercise (CASE2024), which rehearsed the industry's collective response to a cyber event affecting several parts of the payments system. |
| | | Develop plans to implement the recommendations of the external review of the RITS operating environment and address gaps identified in the Targeted Assessment of RITS. | We established the Payments Operations Program to address the recommendations of the external review. We have been preparing detailed scoping documents for implementating changes that meet the recommendations set out in both the external review and the Targeted Assessment of RITS. |

## Analysis

In 2023/24 we worked productively with the Australian Treasury to develop legislation implementing the Government's payments and market infrastructure regulatory reforms. These reforms include measures to modernise our regulatory powers for payment systems and to provide crisis management powers for systemically important clearing and settlement facilities. The reforms will significantly enhance our ability to promote a safe, efficient and competitive payments system.

Despite a significant pace of change delivery work in the RITS ecosystem, there were no incidents in 2023/24 that impacted system availability.[7]

We have been involved in the industry migration to ISO 20022, as both an operator and participant of related payments infrastructure. Our back-office systems were enhanced in 2023/24 to enable the sending and receiving of ISO 20022 messages and, in line with the revised industry migration timeline, we will continue to support the old message format for cross-border payments until end-2025. Additional system development will also be required to support updates to the domestic ISO 20022 message guidelines.

## The delivery of efficient and effective banking services to Australian government agencies

### Purpose

The RBA must, insofar as the Commonwealth of Australia requires it to do so, act as banker for the Commonwealth. We provide the Australian Government and its agencies with access to high-quality, cost-effective and secure systems to collect, pay and manage government funds. This, in turn, supports the Commonwealth to fulfil its responsibilities and serve the Australian people.

### Results

**Table 2.1.4: Performance Summary – The delivery of efficient and effective banking services to the Australian Government**

| Key objectives | Key activities | Performance measures and targets | Results |
|---|---|---|---|
| The delivery of efficient and effective banking services to Australian government agencies | Provide banking services that are fit for purpose. | Maintain and enhance banking services provided to Australian government agencies. | Our suite of services enabled us to extend service provision to several new customers during 2023/24, while retaining all existing agency customers. |
| | Satisfy financial performance benchmarks. | Minimum return on capital for transactional banking business equivalent to the yield on 10-year Australian Government Securities plus a margin for risk. | Our banking services achieved the minimum required return in 2023/24. Pro forma accounts for the transactional banking business can be viewed in Part 2.3: Banking and Payment Services. |
| | Progress on activities to deliver convenient, secure, reliable and cost-effective banking services to customers. | Provision of high-quality, cost-effective banking services to government and other official agency customers and, in turn, the public, including: | |
| | | • delivery of enhanced cross-border and domestic high-value ISO 20022-based messaging capabilities and the ability to receive the final domestic leg of cross-border payments across the NPP | We successfully deployed these capabilities during 2023/24. |
| | | • supporting agency customers to migrate payments from legacy payment systems to new systems | We supported agency customers with their planning and analysis to prepare for reduced reliance on cheques, future decommissioning of the Bulk Electronic Clearing System (BECS) and the need for richer information in payment and reporting messages.<br>We responded to the Treasury's consultation on winding down Australia's cheques system.<br>We participated in industry discussions on the decommissioning of cheques and BECS. |

**Table 2.1.4: Performance Summary – The delivery of efficient and effective banking services to the Australian Government** *(continued)*

| Key objectives | Key activities | Performance measures and targets | Results |
|---|---|---|---|
| The delivery of efficient and effective banking services to Australian government agencies *(continued)* | Progress on activities to deliver convenient, secure, reliable and cost-effective banking services to customers. *(continued)* | • IT systems and infrastructure supporting our banking services and products are secure, resilient, efficient and fit for purpose | We took the first step to deploy several transactional banking systems to a highly secure and available cloud environment. Banking Department's systems have been certified to the ISO 27001 information security standard. |
| | | • implementing new supplier arrangements for card acquiring and payments gateway. | We are working with our provider and customers to implement a new end-to-end solution and migrate affected customers. |

## Analysis

During 2023/24 we continued to provide the Australian Government with convenient, secure, reliable and cost-effective central banking and transactional banking services. This included supporting government agencies as they responded to natural disasters such as Cyclone Jasper. We provided rapid delivery of support payments through the NPP, on behalf of Services Australia.

In 2023/24 we successfully migrated some core transactional banking systems to the cloud, with remaining systems to migrate in 2024/25. This significant project will improve resilience and support modern, efficient application management using software containers.

We have continued to participate in multi-year industry-driven initiatives, including uplifting capability to process payment messages using modern standards (ISO 20022). While the industry-wide program is ongoing, we are increasing functionality for customers and suppliers to supply and ingest richer data as part of payment and reporting messages and to leverage improved security and fraud detection for card payments. We also delivered the capability to receive the final leg of inbound cross-border payments over the NPP.

Alongside building new functionality, we have continued to inform and support agencies as they transition from legacy payment systems to more modern solutions. In particular, we focused on the future of BECS and cheques, including by engaging with customers and government policymakers and by participating in industry workshops.

## The provision of secure and reliable banknotes

### Purpose

While Australians have reduced their use of cash for everyday transactions, they continue to use banknotes as a store of value and as a back-up payment method. Ensuring Australians have confidence in their banknotes is critical to meeting these needs. We work to preserve this confidence by designing, creating and issuing Australian banknotes that are secure and reliable. This is done in partnership with our wholly owned subsidiary, Note Printing Australia Limited (NPA).

### Results

**Table 2.1.5: Performance Summary – The provision of secure and reliable banknotes**

| Key objectives | Key activities | Performance measures and targets | Results |
|---|---|---|---|
| The provision of secure and reliable banknotes | Ensure Australian banknotes provide a safe, secure and reliable means of payment and store of value, as follows: | Maintain public confidence in Australian banknotes, as measured in the RBA Online Banknotes Survey. | Our survey on perceptions, usage and behaviour related to Australia's banknotes showed that public perceptions of Australian banknotes remained favourable. Sixty-eight per cent of respondents perceived the Next Generation Banknote (NGB) series to be sufficiently secure against counterfeiters and 81 per cent noted they liked the NGB banknotes (largely unchanged from the 2022/23 results). |
| | • meet banknote demand | More than 95 per cent of banknote orders from commercial banks fulfilled by the RBA within three days of request. | We fulfilled all transactions on the day requested, except for one transaction, which was fulfilled the following day. |
| | • maintain the security, durability and cost effectiveness of Australian banknotes | Evaluate and develop security features that could be deployed on Australian banknotes (including options as part of redesign of the $5 banknote) to combat counterfeiting threats, extend circulation life and/or reduce production costs. | The research and development (R&D) program continued work on its project portfolio, which is overseen by the Banknote R&D Board. This included ongoing projects to develop and test security features for future Australian banknotes, including for the forthcoming redesign of the $5 banknote.<br>Australian banknote counterfeiting rates remained low by historical and international standards, with the estimated counterfeiting rate for 2023/24 being seven counterfeits per million banknotes in circulation. |
| | • maintain high-quality banknotes. | Banknote production orders by the RBA to be supplied by NPA within agreed quality parameters. | NPA met 100 per cent of the RBA's orders for new banknotes. Banknotes were produced and delivered to the RBA in accordance with the agreed quality standards. |
| | | Maintain quality of banknotes in circulation above the minimum quality standard agreed with industry. | Banknote quality was assessed as good based on quality scores. This assessment is based on a sample of banknotes held at cash depots. An update of quality standards to include NGB security features was delayed due to ongoing challenges in the banknote distribution system. |

## Analysis

The value of banknotes in circulation was little changed over 2023/24, with below-average growth for all denominations. This is consistent with some recent stabilisation in indicators of transactional cash use. The value of banknotes in circulation remained around historical highs. We have continued to meet demand for banknotes by ensuring orders are fulfilled. The release of the NGB series of banknotes – with its upgraded security features – has supported public confidence in banknotes. Australia's level of counterfeiting remains low by international standards.

## Endnotes

1 See RBA (2023), '5.3 Focus Topic: Indicators of Household Financial Stress', *Financial Stability Review*, October; Brischetto A (2023), 'Financial Stability and the Financial Health of Australian Mortgagors', Speech to Sydney Banking and Financial Stability Conference, Sydney, 8 December.

2 See RBA (2023), '5.2 Focus Topic: An Update on Fixed-rate Borrowers', *Financial Stability Review*, October.

3 See RBA (2024), '4.1 Focus Topic: Scenario Analysis of the Resilience of Mortgagors and Businesses to Higher Inflation and Interest Rates', *Financial Stability Review*, March. Note that data limitations precluded the same analysis for smaller businesses.

4 See Lim J, M McCormick, S Roche and E Smith (2023), 'Financial Stability Risks from Commercial Real Estate', RBA *Bulletin*, September.

5 See Robinson M and S Tornielli di Crestvolant (2024), 'Financial Stability Risks from Non-bank Financial Intermediation in Australia', RBA *Bulletin*, April.

6 See RBA (2023), '5.5 Focus Topic: Operational Risk in a Digital World', *Financial Stability Review*, October.

7 See RBA (2024), 'System Availability Statistics'.

# 2.2 Operations in Financial Markets

**We operate in domestic and international financial markets to achieve our policy objectives. These operations include implementing the monetary policy decisions of the Reserve Bank Board, facilitating the smooth functioning of the payments system and managing Australia's foreign exchange reserve assets.**

### Key outcomes in 2023/24

- Our balance sheet declined by around $180 billion and is around a third smaller than its peak during the COVID-19 pandemic.
- The Reserve Bank Board endorsed a plan to move to a demand-driven system to implement monetary policy.
- The Board increased the cash rate target once, to 4.35 per cent.
- We did not intervene in the foreign exchange market.

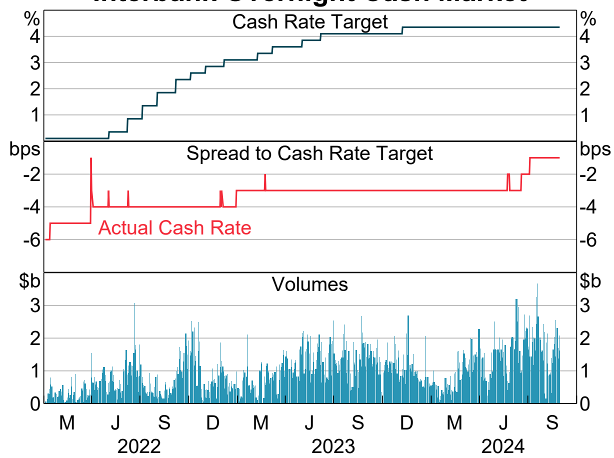
## Monetary policy implementation

The Reserve Bank Board's primary instrument for adjusting monetary policy is the cash rate. This is the rate at which banks borrow and lend to each other on an overnight, unsecured basis. The funds traded in the cash market are the balances held by financial institutions in their Exchange Settlement (ES) accounts at the RBA. These accounts are held by around 100 financial institutions and are used to settle payment obligations between these institutions. The aggregate level of ES balances changes due to transactions between RBA customers (mainly the Australian Government) and the customers of ES account holders. It is also affected by transactions we undertake on our own behalf, including repurchase agreements (repos) collateralised with eligible securities, buying or selling government securities on an outright basis, or using foreign exchange (FX) swaps involving Australian dollars.

The Reserve Bank Board increased the cash rate target once in 2023/24 (at the November 2023 Board meeting), taking it from 4.10 per cent to 4.35 per cent (Graph 2.2.1). The rate paid to banks on ES balances was increased by the same amount, from 4.00 per cent to 4.25 per cent.

Graph 2.2.1

Interbank Overnight Cash Market




Source: RBA.

Liquidity in the banking system (in the form of ES balances) declined by around $190 billion over 2023/24, but remained considerably above pre-pandemic levels. The decline in assets followed further unwinding of pandemic-era policies. In view of an expected further decline in 2024/25, the Reserve Bank Board endorsed a proposal in March 2024 for a future system for implementing monetary policy.[1] Under this 'ample reserves' system, we will provide as much liquidity to counterparties at open market operations (OMO) as they demand, at a fixed price so as to guide the cash rate and other money market rates (see below for further details). We undertook public consultation and market liaison on this future system during the year and will determine more detailed aspects in 2024/25. The new system does not require any immediate changes to RBA operations in financial markets and will come into full effect once the supply of ES balances falls below underlying demand. It is difficult to estimate when this may occur, but we have developed a number of tools that will help identify this.

Over the past few years, most banks have been able to settle payments without borrowing funds in the overnight cash market. Nonetheless, as ES balances fell over 2023/24, cash market activity increased from around $900 million per day in 2022/23 to around $1.2 billion per day in 2023/24 (compared with around $4 billion per day prior to the COVID-19 pandemic). The cash rate continues to trade slightly below the cash rate target but above the interest rate paid on ES balances, with the modest spread between these rates reflecting the net effect of opportunity costs to lenders of holding ES balances, transaction costs and some credit risk. The Reserve Bank Board has maintained the spread between the cash rate target and the interest rate paid on ES balances at 10 basis points, such that the actual cash rate remains close to the cash rate target.

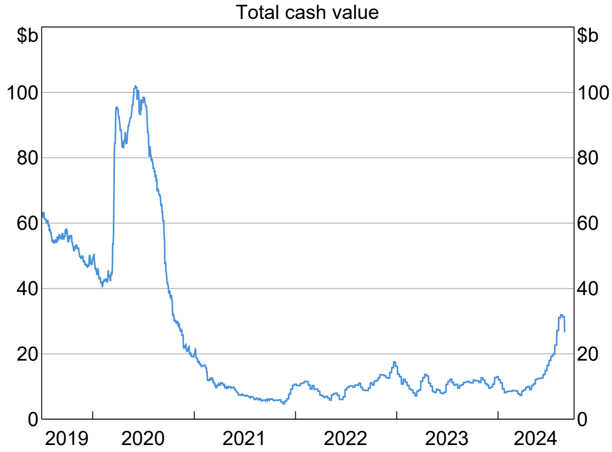
## Open market operations

We undertake transactions in domestic financial markets where required to implement the policy decisions of the Reserve Bank Board, and to facilitate the smooth functioning of the payments system. OMO can involve:

- **Full allotment repurchase auctions (OMO repos).** These involve the temporary exchange of high-quality securities for cash (i.e. funds deposited into an ES account). Under full allotment auctions, the RBA offers to provide as many ES balances as counterparties demand at a rate closely linked to the cash rate target (conditional on the counterparty providing sufficient eligible collateral as security). OMO repos are the principal tool we use to supply ES balances. In February 2024, we moved to price OMO repos at a rate that can change over the term of the repos. This price is currently set at the average cash rate target prevailing over the term plus 5 basis points. This has reduced the risks to the RBA balance sheet from the previous fixed-rate approach.[2]
- **FX swaps.** These involve swapping Australian dollars for foreign currencies to increase the supply of ES balances in the same way as repo transactions. Historically, the RBA has used FX swaps to manage system liquidity, but we did not do so in 2023/24.
- **Outright purchases of government securities.** These were also used historically by the RBA to supply ES balances. Prior to the COVID-19 pandemic, we purchased near-maturity Australian Government Securities (AGS) to smooth the impact of changes in AGS supply on system liquidity. Purchases of this nature were distinct from bonds purchased during the pandemic to support market functioning and in the implementation of the yield target and Bond Purchase Program. During 2023/24 we did not use this type of transaction for liquidity management purposes.

The system for implementing monetary policy is robust to unforeseen changes in the demand for ES balances because the quantity of funds supplied can automatically adjust by varying the quantity of OMO repos provided. On average, around $11 billion in OMO repos was outstanding during 2023/24, unchanged from 2022/23, but this has risen as high as $30 billion more recently (Graph 2.2.2). While not used specifically for liquidity management during 2023/24, FX swaps and outright AGS purchases are still being considered for use in the future system.

Graph 2.2.2
**OMO Repo Outstanding**
Total cash value



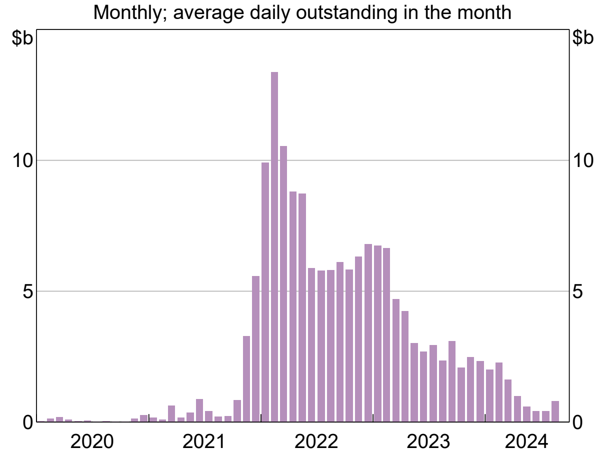

Source: RBA.

To aid market functioning, the RBA is prepared to lend, upon request from eligible counterparties, government securities that it owns. We also operate a Securities Lending Facility on behalf of the Australian Office of Financial Management (AOFM). Total securities lending activity declined considerably over 2023/24 but remains above pre-pandemic levels, reflecting the high (though declining) share of government bonds on our balance sheet (Graph 2.2.3). The value of outstanding securities lending from the RBA facility averaged $2 billion per day in 2023/24 (compared with $5.3 billion in 2022/23). Activity on behalf of the AOFM remained considerably lower, averaging around $90 million outstanding per day in 2023/24 (compared with around $50 million in 2022/23).

Graph 2.2.3

**RBA and AOFM Securities Lending***

Monthly; average daily outstanding in the month




* Face value.

Source: RBA.

We also consider proposals from eligible counterparties to sell semi-government bonds (semis) that we hold outright, in exchange for offsetting (duration-neutral) purchases of other semis. In 2023/24, we conducted around $2.6 billion of these switch transactions, compared with $4.3 billion in 2022/23.

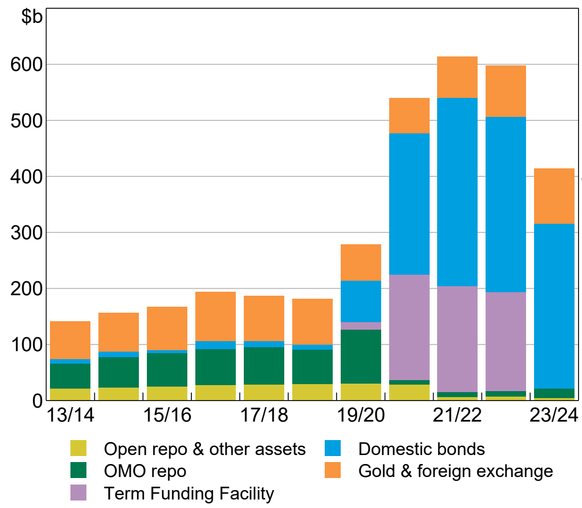
## Balance sheet

The $184 billion decline in the RBA balance sheet over 2023/24, to $414 billion at 30 June 2024, was concentrated in the September quarter 2023 and the June quarter 2024. This reflected the maturity of the two tranches of the Term Funding Facility (TFF).

The majority of RBA assets at 30 June 2024 were domestic government bonds (Graph 2.2.4). Almost all TFF loans matured during 2023/24 (Graph 2.2.5).[3] In addition, RBA government bond holdings declined following the maturity of the April 2024 government bond.

Graph 2.2.4

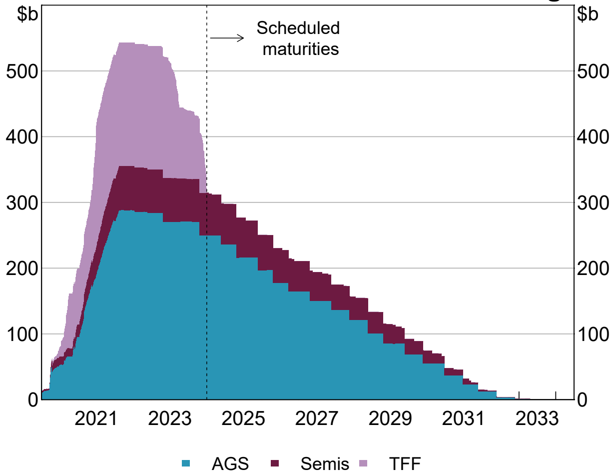
**RBA Assets**




Source: RBA.

Graph 2.2.5

**RBA Assets – Bonds and Term Funding***

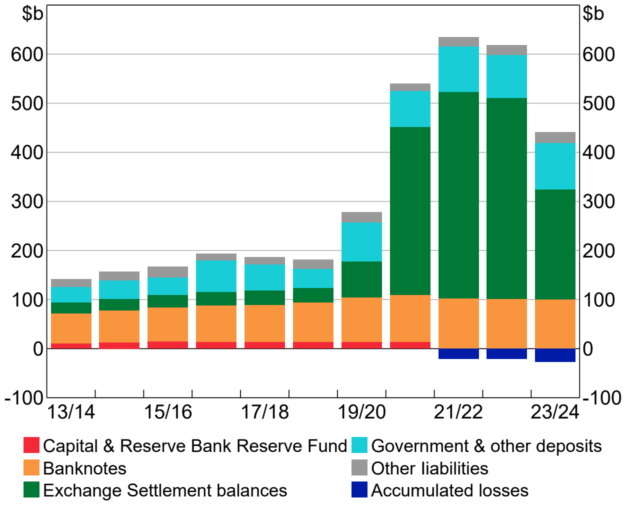



* Face value of outright holdings of AGS and semis.

Source: RBA.

The corresponding decline in liabilities was primarily due to a reduction in ES balances, largely resulting from the repayment of TFF loans (Graph 2.2.6; Table 2.2.1).

Graph 2.2.6
RBA Liabilities




Source: RBA.

## Table 2.2.1: RBA Balance Sheet

$ billion, 30 June

| | 2023 | 2024 | Change |
|---|---|---|---|
| **Assets** | **598** | **414** | **–184** |
| Foreign | 91 | 99 | 8 |
| Domestic | 507 | 315 | –192 |
| Outright bond holdings | 313 | 294 | –20 |
| Term Funding Facility | 175 | 0 | –176 |
| OMO repos | 11 | 17 | 6 |
| Open repos & others | 7 | 5 | –2 |
| **Liabilities** | **598** | **414** | **–184** |
| Deposits | 498 | 318 | –180 |
| ES balances | 409 | 223 | –186 |
| Government & other | 88 | 95 | 6 |
| Banknotes | 101 | 101 | 0 |
| Accumulated losses | –21 | –27 | –6 |
| Other | 20 | 22 | 2 |
| Reserve Bank Reserve Fund and Capital | 0 | 0 | 0 |

Source: RBA.

## Standing facilities

Separate from our OMO, we can also provide liquidity via repos through our standing facilities, where eligible counterparties temporarily exchange high-quality collateral for cash. These facilities are designed to support the smooth functioning of the payments system.

The most frequently used standing facilities are those for the provision of intraday liquidity to ES account holders, which carry no interest charge. In 2023/24, we undertook an average of around $3½ billion per day of intraday repos, compared with $2½ billion in 2022/23. The RBA also makes available an overnight repo facility where ES account holders can exchange collateral for funding at an interest rate of 25 basis points above the cash rate target if they cannot source funds from another financial institution (e.g. due to technical issues). This facility was not used during 2023/24.

Open repos are used to provide ES account holders with liquidity to facilitate their payments, particularly those made outside of standard business hours. ES account holders with after-hours payment obligations – such as 'direct-entry' payments and transactions through the New Payments Platform (see Part 2.3: Banking and Payment Services) – must hold sufficient ES balances at the close of each business day to settle these payments. Over 2023/24, open repo positions with the RBA were little changed at $2 billion.

## Eligible securities

We accept a range of eligible Australian dollar collateral for our market operations, as security in the event a borrowing counterparty does not meet its repurchase obligations. Acceptable collateral is listed in Table 2.2.2 and on the RBA website.[4] To protect against a decline in the value of these securities, we require the value of the collateral to exceed the cash-leg of the repo by a specific margin when a trade is first entered. We also require counterparties to post additional collateral over the term of the repo if the value of the posted collateral falls. These margins, which are also listed on the RBA website, are considerably higher for securities that are not issued by governments.[5] As at 30 June 2024, around 40 per cent of the value of securities we held under repo were issued by authorised deposit-taking institutions (ADIs), with AGS and semis making up another 25 per cent. Participants in our market operations tend to be the fixed-income trading desks of banks and securities firms, as well as bank treasuries.

**Table 2.2.2: Australian Dollar Securities Held under Repurchase Agreements**[(a)]

| | 30 June | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | $ billion | % of total | $ billion | % of total | $ billion | % of total |
| AGS | 2.8 | 1 | 1.5 | 1 | 1.9 | 9 |
| Semis | 6.5 | 3 | 6.3 | 3 | 3.5 | 17 |
| Supranational | 0.9 | 0 | 0.8 | 0 | 1.4 | 7 |
| ADI issued | 15.9 | 6 | 17.6 | 7 | 8.5 | 41 |
| Corporate issued | 0.9 | 0 | 0.6 | 0 | 0.6 | 3 |
| Asset backed securities | 231.3 | 89 | 218.5 | 89 | 4.1 | 20 |
| – of which: for TFF | 229.1 | 89 | 217.2 | 88 | 0 | 0 |
| Other | 0.1 | 0 | 0.2 | 0 | 0.8 | 4 |
| Total | 258.4 | 100 | 245.5 | 100 | 20.6 | 100 |
| – of which: for open repo | 3.1 | 1 | 2.1 | 1 | 2.2 | 11 |
| – of which: for TFF | 246.1 | 95 | 232.2 | 95 | 0.5 | 2 |
| – of which: for OMO | 9.2 | 4 | 11.3 | 5 | 18 | 87 |

(a) Market value of securities before the application of margins; includes securities held under triparty repos.
Source: RBA.

In 2023/24, our repo collateral holdings decreased by around $225 billion due to the repayment of TFF repos. The latter were largely backed by self-securitised residential mortgage-backed securities.

RBA domestic securities are held in an account that we maintain in Austraclear, the central securities depository operated by the Australian Securities Exchange (ASX). Securities transactions with our counterparties are settled in the Austraclear system, mostly on a bilateral basis. We also settle repo transactions contracted in our OMO within ASX Collateral, a collateral management service. During 2023/24, 40 per cent of the value of securities we held under repo in OMO was settled within ASX Collateral, from around half in 2022/23. The use of this system reduces the manual processing otherwise required to manage this collateral, including marking it to market and maintaining margins.

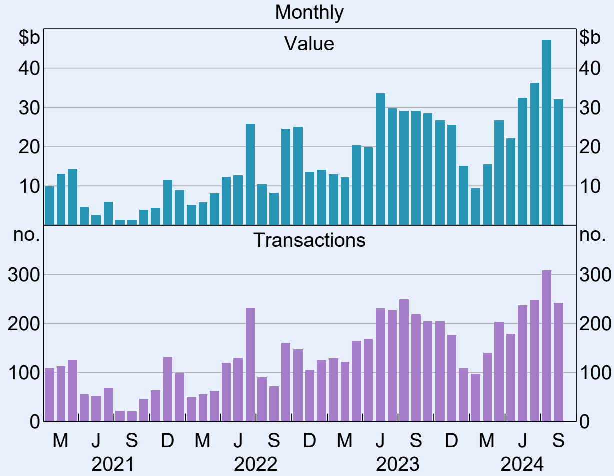
## The cash rate

The RBA administers the cash rate, which is a significant financial benchmark referenced in overnight indexed swaps and the ASX's 30-day interbank cash rate futures contracts, as well as in securities and transactions requiring a (near) risk-free reference rate. The cash rate is also known as AONIA (AUD Overnight Index Average). As the risk-free reference rate for the Australian dollar, under definitions published by the International Swaps and Derivatives Association (ISDA) in 2020, it forms the basis of the fallback to the Bank Bill Swap Rate (BBSW; calculated as AONIA plus a spread).[6] The ISDA definitions were developed in the context of global benchmark reforms, which have included identifying alternatives to credit-based rates for use in securities and transactions.

### Cash rate highlights:

- The cash rate remained between the ES rate and the cash rate target throughout 2023/24.
- The cash rate was 3 basis points below the cash rate target for most of 2023/24. In May 2024, the cash rate was set twice at 2 basis points below the target, and again a few times in late June 2024. It has subsequently moved even closer to target.
- Activity in the cash market increased during 2023/24 to average daily volume of $1.2 billion from $0.9 billion in 2022/23 (Graph 2.2.7).
- The cash rate was determined by market transactions on 87 per cent of days in 2023/24, up from 70 per cent in 2022/23.
- On all occasions when the cash rate was set using expert judgement, rather than being based on market transactions, it was set as the previously published cash rate based on sufficient transactions.

Graph 2.2.7
Cash Market Activity



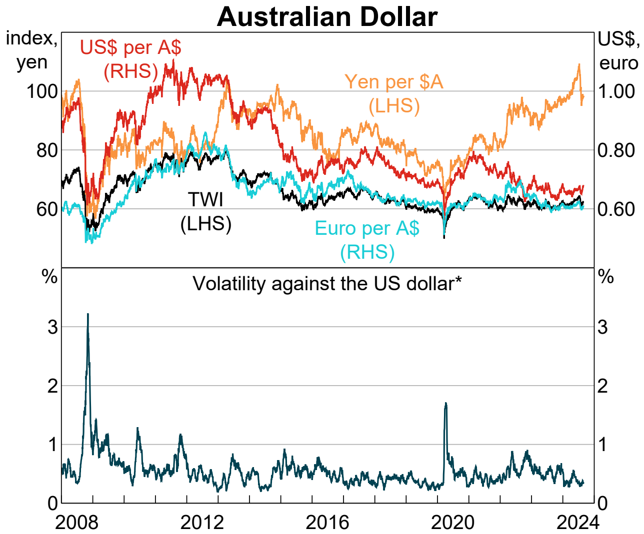

Source: RBA.

## Foreign exchange operations

We transact in the FX market almost every business day. Most of these transactions are associated with providing FX services to the Australian Government. During 2023/24, we bought A$14.4 billion in the spot market to facilitate our customer business

We also retain the capacity to intervene in the spot FX market to address any dysfunction and/or a significant misalignment in the value of the Australian dollar. We hold a stock of liquid foreign currency assets to facilitate these potential operations (see below). However, we have not intervened in the FX market since 2008.[7] During 2023/24, our assessment was that sufficiently orderly trading conditions in the market meant we did not need to support liquidity in the market through our own transactions. Volatility in the Australian dollar was also contained (Graph 2.2.8).

**Graph 2.2.8**




* Daily absolute percentage change, 22-day rolling average.
Sources: LSEG; RBA.

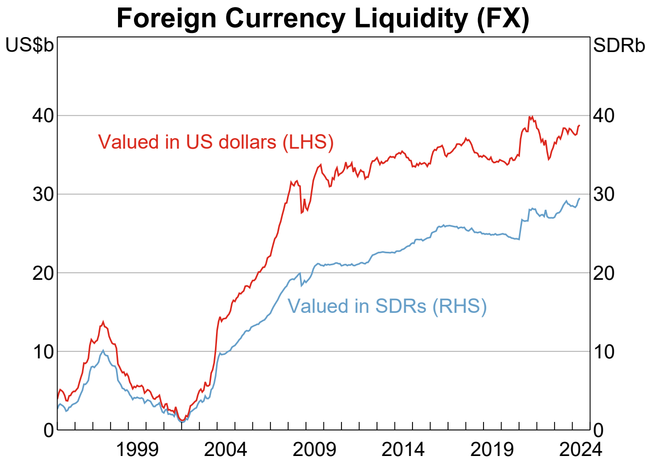
To manage our foreign currency assets, we regularly transact in the FX swap market. This involves one currency being exchanged for another, with a commitment to unwind the exchange at a subsequent date and at an agreed (forward) rate. Short-term swaps between foreign currencies can be an efficient way to manage investments within the reserves portfolio. We also execute FX swaps against Australian dollars for terms of up to five years. The foreign currency obtained via these longer term transactions increases our capacity to conduct policy operations.

## Reserves management

Australia's official reserve assets include foreign currency assets, gold, Special Drawing Rights (SDRs; an international reserve asset created by the International Monetary Fund (IMF)) and Australia's reserve position in the IMF. Most of these assets are owned and managed by the RBA. The Australian Government owns Australia's reserve position in the IMF and around half of Australia's SDR holdings.

We hold foreign currency assets to facilitate various policy operations, including in the FX market (described above) and to help the Australian Government meet its commitments to the IMF. One measure of our capacity to undertake these policy operations is foreign currency liquidity – the level of foreign currency assets net of any commitments due in the coming 12 months, including obligations to deliver foreign currency against Australian dollars on maturing swaps (Graph 2.2.9).

**Graph 2.2.9**




Source: RBA.

The Reserve Bank Board periodically reviews the adequacy of RBA foreign currency assets. The most recent review in March 2023 concluded that the RBA's capacity for intervention should increase gradually over the coming years. Foreign currency liquidity can increase with earnings on our foreign currency assets, with purchases of foreign currency in the spot market and via long-term swaps against the Australian dollar.

The foreign assets we hold can expose us to market, liquidity and credit risk, which we seek to mitigate where possible. Our risk mitigation approach includes holding a diversified portfolio and investing only in assets of high credit quality and appropriate liquidity (Table 2.2.3; see also Part 3.3: Risk Management).

## Table 2.2.3: Foreign Assets

30 June 2024

| | A$ million |
|---|---|
| Official reserve assets | |
| Foreign currency | 56,830 |
| Gold | 9,035 |
| SDRs | 19,579 |
| Reserve position in the IMF | 3,438 |
| Other reserve assets | 6,062 |
| Other foreign currency assets | 1,228 |
| Net forward foreign currency commitments: Short term | |
| Foreign currency | –2,735 |
| Gold loans | 0 |
| Net forward foreign currency commitments: Long term | –9,997 |
| *Memo item:* | |
| *Foreign currency liquidity* [(a)] | *58,555* |

(a) Foreign currency liquidity includes foreign currency holdings and other foreign currency assets, net of short-term foreign currency forward commitments (commitments with less than 12 months to maturity).

Source: RBA.

The composition of our foreign currency assets (net of forward commitments against the Australian dollar) is managed against an internally constructed benchmark. Subject to our risk tolerances, the benchmark is assessed to be the combination of foreign currency assets that maximise our expected returns over the long run. Within the portfolio, the largest allocation is to the US dollar, reflecting the significant depth in US dollar currency and asset markets (Table 2.2.4). Duration targets are relatively short for most of the foreign currency portfolios.

Investments in the benchmark currencies are limited to deposits at official institutions (such as central banks) and debt instruments issued (or guaranteed) by sovereign entities, central banks and supranational agencies (Table 2.2.5). Debt instruments issued by quasi-sovereign entities can also be accepted as collateral under reverse repos.

## Table 2.2.4: Benchmark Foreign Currency Portfolio

30 June 2024

| | US dollar | Euro | Japanese yen | Canadian dollar | Chinese renminbi | UK pound sterling | South Korean won |
|---|---|---|---|---|---|---|---|
| Currency allocation (per cent of total) | 55 | 20 | 5 | 5 | 5 | 5 | 5 |
| Duration (months) | 6 | 6 | <3 | 6 | 18 | 3 | 18 |

Source: RBA.

## Table 2.2.5: Foreign Currency Assets[(a)]

A$ million, 30 June 2024

| Currency | Securities held outright | Securities lent under repos | Deposits at official institutions[(b)] | Total (gross) | Forward FX commitments[(c)] | | | Total (net) |
|---|---|---|---|---|---|---|---|---|
| | | | | | Against A$ | Against other currencies | Other | |
| US dollar | 9,483 | – | 836 | 10,319 | 15 | 10,418 | 4,668 | 25,420 |
| Euro | 3,585 | −1,429 | 323 | 2,478 | −5 | 4,425 | 2,241 | 9,139 |
| Japanese yen | 27,200 | – | 7,502 | 34,702 | −17,635 | −14,678 | – | 2,389 |
| Canadian dollar | 2,998 | – | 4 | 3,002 | – | −554 | – | 2,448 |
| Chinese renminbi | 1,191 | – | 1,215 | 2,406 | – | – | – | 2,406 |
| UK pound sterling | 1,473 | – | 5 | 1,479 | −2 | 971 | – | 2,448 |
| South Korean won | 2,443 | – | 1 | 2,444 | – | – | – | 2,444 |
| Total | 48,373 | −1,429 | 9,886 | 56,830 | −17,627 | 582 | 6,909 | 46,694 |

(a) Excludes gold, SDRs, the reserve position in the IMF, investments in the Asian Bond Fund, balances with overseas banks, futures margins and non-reserve currency holdings.

(b) Includes deposits at foreign central banks and the Bank for International Settlements.

(c) 'Forward FX commitments' reflect unsettled spot and forward transactions, converted to Australian dollars. Other forward commitments largely reflect cash lent under repos. This excludes forward commitments for non-reserve currencies and gold on loan.

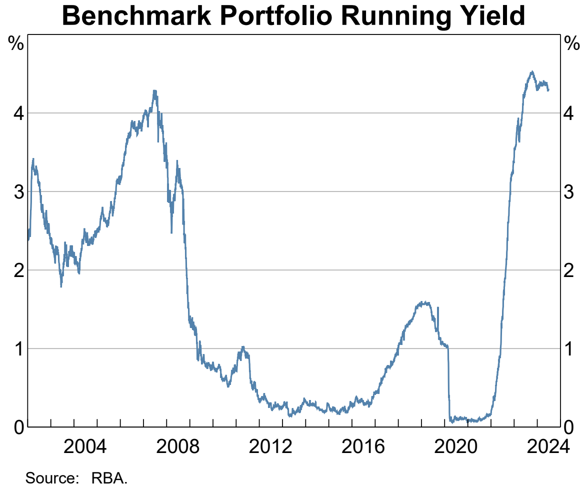
Source: RBA.

As was the case in prior years, yields on yen investments during 2023/24 generally exceeded those available in the other reserve currencies when the cost of hedging currency risk is taken into account. Reflecting this, we swapped other currencies in our reserves portfolio against the yen to enhance returns. Similarly, when long-term swaps against the Australian dollar have been used to increase our foreign currency assets, the yen was the preferred currency. As a consequence, while our exposure to changes in the value of the yen remained small in 2023/24 (with the allocation in the benchmark only around A$2.4 billion), an additional A$32.3 billion of yen was held at the end of June 2024 due to swaps against other currencies.

A small component of our foreign currency risk is managed outside the benchmark framework. We invest in a number of Asian debt markets through participation in the Executives' Meeting of East Asia-Pacific (EMEAP) Central Banks Asian Bond Fund. This fund was initiated in the early 2000s to assist in the development of bond markets in the region. At the end of June 2024, the total allocation of our reserves to these funds was around A$770 million. In SDR terms, there was a return of 3.0 per cent on these investments over the year, reflecting returns on Asian government bonds and currency valuation.

Measured in SDRs, the return on our foreign currency assets over 2023/24 was 4.4 per cent (Graph 2.2.10). The running yield on the benchmark portfolio remained around 4.4 per cent over 2023/24.

### Graph 2.2.10




Gold holdings (including gold on loan) at the end of June 2024 were around 80 tonnes, unchanged since 1997. Gold prices increased by 22.0 per cent in Australian dollar terms over 2023/24, increasing the value of the RBA's holdings of gold by around A$1.6 billion to A$9.0 billion.

We seek to earn income on our holdings by lending gold. This lending either has the benefit of a government guarantee on the borrower's payment obligations to us or is structured as a gold swap, such that the loan is fully collateralised by cash (either foreign currency or Australian dollars). Returns from these activities totalled A$0.4 million in 2023/24 – lower than the previous year, mostly due to decreased activity. As at 30 June 2024, the RBA had no gold loans outstanding.

We hold gold in an allocated account at the Bank of England. All bars meet the London Bullion Market Association's 'Good Delivery' standards.

## Bilateral currency swaps

We had bilateral local currency swap agreements with four other central banks as at September 2024 (Table 2.2.6). The purpose of these agreements is to allow each central bank to support trade settlement in local currencies, particularly in times of market stress, or to support financial stability.

### Table 2.2.6: RBA Bilateral Local Currency Swap Agreements

As at September 2024

| | Expiry | Maximum size (A$ billion) |
|---|---|---|
| People's Bank of China | July 2026 | 41 |
| Bank of Japan | March 2025 | 20 |
| Bank of Korea | February 2028 | 12 |
| Bank Indonesia | February 2025 | 10 |

Source: RBA.

## Endnotes

1 See Kent C (2024), 'The Future System for Monetary Policy Implementation', Speech to Bloomberg Australia Briefing, Sydney, 2 April.

2 See RBA, 'Floating Rate Repos for Open Market Operations', Technical Note.

3 A small number of TFF loans matured on 1 July 2024, because 30 June 2024 fell on a weekend.

4 See RBA (2024), 'Eligible Securities'.

5 See RBA (2023), 'Margin Ratios'.

6 See ISDA (2020), 'ISDA 2020 IBOR Fallbacks Protocol'.

7 At the time each Annual Report is published, intervention data for the year under review are published on the RBA website: RBA, 'Statistical Tables: Daily Foreign Exchange Market Intervention Transactions – A5'.

# 2.3 Banking and Payment Services

**We provide banking and payment services to meet the needs of the Australian Government and its agencies, and to support an efficient and stable Australian financial system. These services support the timely and reliable provision of financial assistance to Australian households and businesses. We also operate national infrastructure that fulfils the settlement obligations created between financial institutions when Australian consumers, businesses and government agencies make payments in the economy.**

### Key outcomes in 2023/24

#### Banking

- We provided transactional banking services to over 100 Australian government agencies.
- We distributed 335 million domestic payments and 1 million international payments for the Australian Government, totalling $803 billion and $17 billion respectively. We also processed 54 million collection-related transactions for the Australian Government, amounting to $847 billion.
- We migrated several core transactional banking systems to the cloud, and deployed functionality to receive international payments through the New Payments Platform (NPP) and to send and receive several ISO 20022 message types.

#### Payment services

- The Reserve Bank Information and Transfer System (RITS) settled an average of 69,000 transactions per day, worth $254 billion. The Fast Settlement Service (FSS) of RITS settled a daily average of 3 million transactions – almost 20 per cent more than in 2022/23 – worth $3.7 billion per day.
- Around 76 per cent of High Value Clearing System (HVCS) payments settled in RITS during June 2024 used the new ISO 20022 message format. We have also started migrating overseas central bank and official institution clients to ISO 20022 for cross-border payments.
- We achieved our availability targets for both RITS and the FSS in 2023/24.
- We started programs to remediate findings from reviews into the major technology outage in 2022 impacting RITS and to enhance the resilience of end-of-life IT infrastructure.

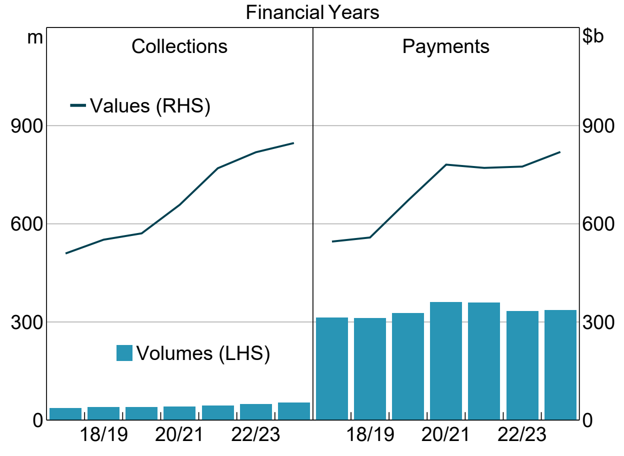
## Transactional banking services

We aim to deliver secure, reliable, cost-effective banking and payment services to the Australian Government and its agencies, consistent with our responsibilities under the *Reserve Bank Act 1959*. These services enable the government, through its agencies, to make payments and collect revenue. These payments are critical, since the vast majority are welfare and age pension payments that are relied on by many Australians, and we prioritise these accordingly. We also work with industry to increase the resilience of the banking system and to minimise outages.

We provide a broad range of payment and collection services to our customers. At present, most payments are delivered using cost-effective direct entry systems, both domestically and overseas. Other payment methods utilised by our customers include the NPP, the real-time gross settlement (RTGS) system, cheques and BPAY. Government revenue is received by the above methods, by card (at a terminal, over the phone or via an online service) and, to a lesser extent, cash.

In 2023/24 the number of payments processed for our government agency customers was similar to 2022/23 and somewhat less than in prior years (which were boosted by payments related to the COVID-19 pandemic and natural disasters, such as floods in eastern Australia). We continued to see an increase in the number of collections-related transactions for the Australian Government in 2023/24 (Graph 2.3.1).

**Graph 2.3.1**
**Payments and Collections**




Source: RBA.

The transactional banking services we offer and the technologies we use are evolving in response to innovations in the industry. Over the past year:

- *We have progressed the migration of core transactional banking systems to the cloud.* This will improve the resilience of our systems, support best practice, and avoid costly and complicated hardware upgrades. The first systems have been successfully migrated, with remaining systems to be migrated over the next year.
- *We have deployed a solution to receive cross-border payments where the final leg is sent over the NPP.* This functionality provides richer payment data to customers and can increase the speed of settlement compared with some other methods. *We have enhanced several interbank messaging processes* to align with the International Organization for Standardization (ISO) 20022 messaging standard and to support process automation, efficiency and interoperability. This work forms part of a multi-year domestic and international program as various payment systems and messages are progressively modernised.

Alongside these activities, we have worked closely with our agency customers, government and industry to plan for the proposed decommissioning of both the cheques system and the Bulk Electronic Clearing System (BECS). The payment industry's transition away from BECS will involve significant work: over 85 per cent of our customers' payments and receipts (by volume) are processed through BECS. Together with our transactional banking customers, we accounted for around 6 per cent of all cheques issued in Australia in 2023/24 and made around 10 per cent of all direct entry payments. The volume of cheque payments for government customers fell by a further 17 per cent in 2023/24.

There are significant barriers to migrating many of these payments to alternative systems, including legislation that requires the use and acceptance of cheques, entrenched legacy systems at many stages in the payments process and the current lack of a suitable alternative for bulk payments (such as regular pension payments). We will continue to work with our agency customers and industry to plan how these payments can be made securely, efficiently and cost-effectively in future.

In the coming year, we aim to complete the migration of transactional banking systems to the cloud and to continue upgrading messages and processes to align with ISO 20022. Additionally, we are participating in a Confirmation of Payee solution over the NPP, as part of an initiative managed by Australian Payments Plus. This new solution is an industry-wide banking service that checks if the account details of the recipient match the account name, BSB and account number provided by the payer, so as to help reduce the risk of mistaken payments and scams.

## Pro forma business accounts

Our transactional banking services are subject to the Australian Government's competitive neutrality guidelines. We deliver these services in competition with commercial financial institutions, including by bidding for business at tenders. We must cost and price the services separately from our other activities and meet a prescribed minimum rate of return. In 2023/24 we achieved our competitive neutrality target rate of return.

Pro forma business accounts for our contestable businesses are prepared in accordance with competitive neutrality guidelines. These accounts do not form part of the audited financial statements.

In 2023/24 after-tax earnings from our transactional banking services were $10.3 million, $3.5 million higher than the previous year (Table 2.3.1).

**Table 2.3.1: Transactional Banking Accounts**
$ million

| | 2022/23 | 2023/24 |
|---|---|---|
| **Revenue** | | |
| – Service fees | 138.2 | 164.3 |
| – Other revenue | 4.6 | 7.7 |
| Total | 142.8 | 172.0 |
| **Expenditure** | | |
| – Direct costs | 133.0 | 158.0 |
| – Indirect costs | 0.0 | 0.0 |
| Total | 133.0 | 158.0 |
| Net profit/(loss) | 9.8 | 14.0 |
| Net profit/(loss) after taxes[(a)] | 6.8 | 10.3 |
| **Assets**[(b)] | | |
| – Domestic markets investments | 3,804.7 | 7,004.0 |
| – Other assets | 21.8 | 20.1 |
| Total | 3,826.5 | 7,024.0 |
| **Liabilities**[(b)] | | |
| – Capital and reserves | 25.0 | 25.0 |
| – Deposits | 3,781.8 | 6,983.7 |
| – Other liabilities | 19.7 | 15.3 |
| Total | 3,826.5 | 7,024.0 |

(a) In accordance with the competitive neutrality guidelines, income tax expense has been calculated but no such amount is directly transferred to the Australian Government. Instead, the amount is notionally captured within the RBA's annual profit distribution.
(b) As at 30 June.
Source: RBA.

## Central banking services

As part of our central banking services, we manage the overnight consolidation of Australian Government agency account balances. This requires the movement of agency account balances, held with either commercial financial institutions or the RBA, into the Official Public Account. We process daily payment instructions from the Department of Finance to move funds from the Official Public Account to agency bank accounts to meet their payment obligations.

While we manage the consolidation of the government's accounts, the Australian Office of Financial Management (AOFM) is responsible for ensuring that there are sufficient cash balances to meet the government's day-to-day spending commitments and for investing excess funds in approved investments. We offer a cash management account to assist the AOFM in this regard. We also provide a limited short-term overdraft facility to accommodate any unexpected demand for government cash balances. This overdraft facility is used infrequently and was not used during 2023/24.

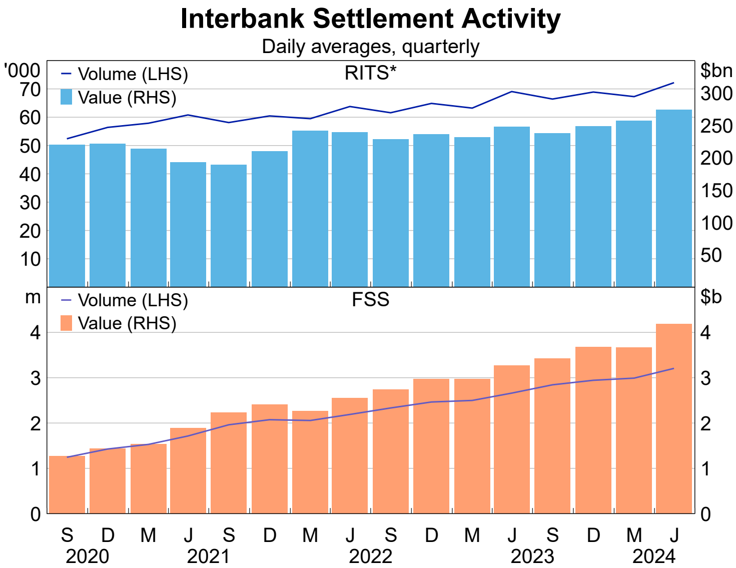
## Settlement services

We own, operate and manage Australia's interbank settlement system, RITS. This system performs final and irrevocable settlement of interbank obligations arising from the wide range of non-cash payments in the Australian economy. This includes card-related transactions, electronic retail payments and high-value transactions. These obligations are settled though the simultaneous debiting and crediting of Exchange Settlement accounts held at the RBA on behalf of RITS member institutions.

RITS settles most high-value transactions using RTGS, including those from the HVCS (exchanged via Swift messaging services), Austraclear and cash transfers (funds transfers between Exchange Settlement accounts entered directly into RITS). Low-value payments initiated through the NPP are also settled on an RTGS basis through the RITS FSS. While some low-value payments are transitioning to the NPP, most are still settled on a net deferred basis via the RITS Low Value Settlement Service. This service collates interbank obligations arising from payments by some debit and credit cards, BPAY, ATM, cheque and BECS, also known as direct entry or 'pay anyone' (with many of these exchanged in bulk files, including salaries and welfare payments). RITS also facilitates net settlement of obligations arising from card payments processed by eftpos and Mastercard, equities transactions processed by the ASX Clearing House Electronic Subregister System (CHESS), and electronic property transactions processed by Property Exchange Australia (PEXA) and Sympli Australia.

In 2023/24, RITS (excluding FSS) transactions grew by 6 per cent in number and 8 per cent in value, while FSS transactions grew by 20 per cent in number and by 25 per cent in value (Graph 2.3.2).

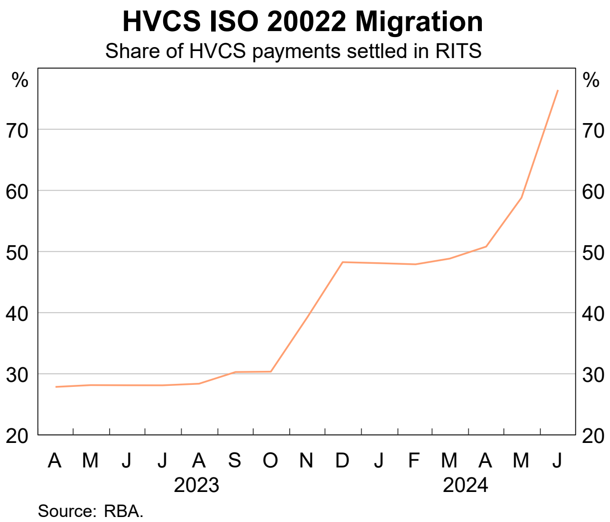
**Graph 2.3.2**




* Excluding FSS transactions.
Source: RBA.

We continue to support the migration of HVCS payments to the ISO 20022 messaging standard – a modern and flexible format used for electronic messages between financial institutions. Migration to ISO 20022 for the HVCS commenced in March 2023, leading to the new format accounting for 76 per cent of all HVCS payments settled in RITS at the end of 2023/24, compared with 28 per cent at the end of 2022/23 (Graph 2.3.3). To align with revised dates for the global migration of cross-border Swift payments to ISO 20022, the HVCS coexistence period – which allows use of both old message types and new ISO 20022 messages – has been extended to late 2025 for inbound cross-border payments. We have also completed an upgrade of our back-office payment processing systems to allow us to exchange ISO 20022 HVCS and cross-border payments for both the RBA and on behalf of our customers.

**Graph 2.3.3**




In addition to payments messages, we are also adopting ISO 20022 formats for messages used in the RITS Automated Information Facility (AIF). This service enables automated reporting, credit and liquidity management. RITS members will begin their AIF migration in 2024/25.

In March 2024, we hosted a cyber-attack simulation exercise with 16 participating organisations, including selected RITS members and other payment system and scheme operators. This exercise rehearsed a simulated cyber event affecting parts of the payments system and identified opportunities to improve industry-level cyber incident response and communication protocols. We will work with industry to implement these improvements. We also remain actively involved in industry cyber and contingency exercises.

We continually work to ensure that RITS is secure and resilient. Several projects to refresh Swift, FSS and other parts of the RITS infrastructure that are nearing end of support were commenced or completed in 2023/24. Our broader 'CoreMod' project, to address technological obsolescence and mitigate risks associated with the renovation of our 65 Martin Place Head Office, also involves migrating RITS to modern infrastructure in a new co-located data centre. The renovation of 65 Martin Place also required the relocation of staff supporting RITS operations to our temporary head office.

We offer correspondent banking services to 63 overseas central banks and official institutions. This allows for the settlement of their Australian dollar transactions, and provides safe custody services to these overseas agencies. The face value of securities held in custody was around $143 billion at the end of June 2024. We also provide registry services to around seven supranational organisations that issue Australian dollar denominated securities, and settlement services for banknote lodgements and withdrawals by commercial banks.

## Strengthening the operating environment supporting RITS

Following a major technology outage in October 2022 affecting a range of RBA systems, including aspects of RITS settlement services (such as the FSS), we commissioned a number of reviews into the causes of the incident. These included an external review of the operating environment supporting RITS conducted by Deloitte (the Deloitte Review), and an assessment by Payments Policy Department of the extent to which RITS complies with the Principles for Financial Market Infrastructures (the RITS Assessment). The Deloitte Review and RITS Assessment concluded that aspects of our systems and operating processes should be strengthened to achieve the high standards of service availability required in operating critically important national payments infrastructure.[1]

We are committed to implementing the recommendations from the Deloitte Review and RITS Assessment. As discussed in Part 1.2: Governance and Accountability, we have established the Payments Operations Program (POP) to address recommendations covering the IT and payments settlements functions. The POP's work will span the RITS operating model and resourcing, IT system controls, knowledge management, investment prioritisation and

IT service and asset management. We are addressing the remaining recommendations on risk management, governance and broader cultural aspects through the separate Future Hub transformation program (see Part 1.2: Governance and Accountability).

The POP and Future Hub are both overseen by senior-level steering committees, chaired by the RBA Governor. Deloitte has also been contracted to work with us.

The key focus of the POP's work to date has been a detailed scoping exercise, in conjunction with Deloitte and internal subject matter experts, to specify the output required to implement the Deloitte Review and RITS Assessment recommendations. Program staff have also prepared associated project timelines and reviewed dependencies with other RBA projects, while continuing to review and monitor project risks. The POP will carefully time the development and implementation of their work over coming years to minimise operational disruption, in light of the high level of impending change from a range of large projects and ongoing business-as-usual operations.

The second stage of the POP commenced in August 2024 and will include the detailed design and build of various initiatives to implement recommendations from the Deloitte Review and RITS Assessment. Work on the RITS operating model and project investment prioritisation is expected to be completed by December 2025. The IT service and asset management work is expected to be completed in 2026, while the IT system controls and knowledge management work will continue into 2027.

This work is being complemented by a broader uplift of our 'Three Lines of Accountability' risk governance model and work to align with selected industry risk standards (see Part 3.3: Risk Management).

The POP will also formalise the appointment of a 'quality review' firm to provide independent comment on program work and to test output.

## Endnotes

1 For further information, see RBA (2023), 'Strengthening the RBA's Payments Infrastructure', Media Release No 2023-12, 30 May.

# 2.4 Banknotes

**We are responsible for producing and issuing Australia's banknotes, ensuring they are of high quality and that the threat of counterfeiting is low. The use of cash for payments has declined over recent decades, but it remains an important means of payment for many Australians. Cash also continues to be used as a store of value and a back-up method of payment. Ensuring Australians continue to have reasonable access to cash and have confidence in banknotes is critical to meeting their needs.**

### Key outcomes in 2023/24

- We implemented the Banknote Distribution Framework, which standardises wholesale arrangements for the distribution of banknotes between the major banks and the RBA.
- We convened several industry roundtables and working groups with some key participants in the cash distribution system, to discuss actions to support cash distribution in the short term and options to build sustainability and resilience in the longer term.

## Recent developments in wholesale cash distribution

The decline in the use of cash for transactions over recent decades has contributed to significant excess capacity within the cash distribution network in Australia. Similar developments have been evident overseas, resulting in a general trend towards consolidation in cash-in-transit (CIT) industries in many countries. In June 2023, the Australian Competition and Consumer Commission (ACCC) approved the merger between the two largest CIT companies in Australia – Linfox Armaguard (Armaguard) and Prosegur Australia. The merger was subject to a three-year undertaking regarding pricing and service levels, and both firms agreed to continue supplying CIT services to existing customers until September 2026. In June 2024, Armaguard's major banking and retail customers agreed to provide approximately $50 million of additional funding support in 2024/25, allowing more time for Armaguard to embed efficiency gains and improve its financial sustainability.

In response to challenges in the CIT industry, we convened a number of Wholesale Banknote Distribution Roundtables in late 2023 and early 2024. Together with the Australian Treasury and key participants in the cash distribution industry, we have also formed a number of working groups to consider actions to support the sustainability of cash distribution and business continuity arrangements in the event of a disruption to the supply of cash. Another focus has been on the longer term sustainability of the cash distribution system. These and other industry discussions – that may not otherwise have been permitted under competition laws – have been enabled by ACCC authorisations.

## Distribution activities

We sell banknotes wholesale to the four major commercial banks under the Banknote Distribution Framework (BDF). The banks, in turn, have arrangements in place to distribute banknotes around Australia to meet the demands of their customers.

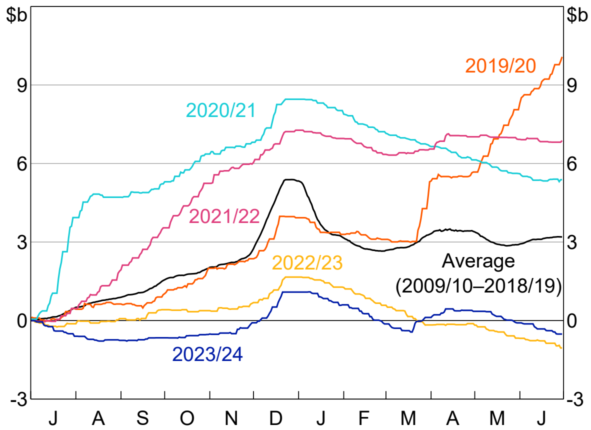
In March 2024, as part of implementing the new BDF, we translated bilateral agreements for wholesale banknote distribution into a publicly available, standard set of terms and conditions.[1] This was a key recommendation of the 2022 Review of Banknote Distribution Arrangements.[2] Standardised and transparent contractual arrangements for wholesale banknote distribution are aimed at enabling easier implementation of changes that benefit the cash distribution system as a whole, particularly as the cash distribution landscape evolves. At the same time, we have increased the per-unit payment we make to banks for the return of unfit banknotes by 30 per cent, in recognition of the increasing unit cost of banknote transportation associated with the decline in the use of cash for transactions.

Banknote distribution activities in 2023/24 were subdued, as in the previous year (Graph 2.4.1). This follows the large increase in banknotes on issue during the COVID-19 pandemic. In 2023/24 we issued around $3.6 billion of banknotes: about 40 per cent of a typical year's gross issuance. Returns by commercial banks to us also remained below the historical average, with around $4.2 billion of banknotes returned in 2023/24, mainly consisting of the previous banknote series. In 2023/24, 91 per cent of transactions were carried out from the National Banknote Site in Craigieburn, Victoria, with the remainder carried out from separate contingency sites in Sydney and Craigieburn for operational reasons.

**Graph 2.4.1**

**Net Banknote Issuance***

Cumulative value




* Net banknote issuance is the difference between banknotes issued and banknotes returned by commercial banks.

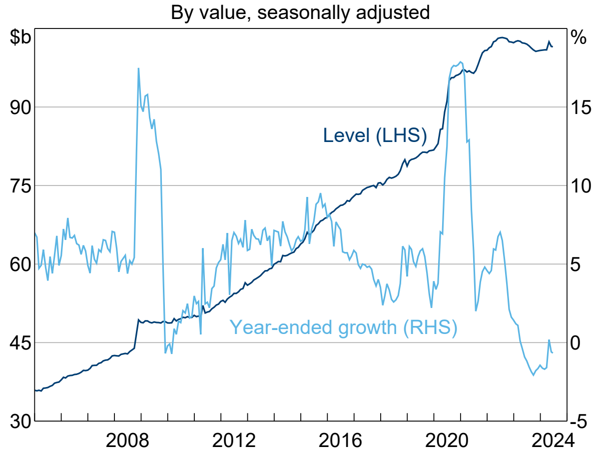
Source: RBA.

With a greater value of banknotes being returned to us than purchased by commercial banks, the value of banknotes in circulation declined by 0.5 per cent over 2023/24 (Table 2.4.1). This largely reflected a decline in $50 banknotes in circulation. Nonetheless, the value of banknotes in circulation remained high: $100.8 billion at the end of June 2024, equivalent to around 4 per cent of GDP (Graph 2.4.2). There are currently almost 2 billion banknotes in circulation.

**Graph 2.4.2**

**Banknotes in Circulation**

By value, seasonally adjusted




Source: RBA.

The proportion of all banknotes in circulation that are part of the Next Generation Banknote (NGB) series (the saturation rate) increased modestly over 2023/24. NGB $20 and $50 banknote saturation increased by around 5 and 3 percentage points from the previous year, to represent just under half of these banknotes on issue (Graph 2.4.3). The NGB $100 banknote saturation increased by a similar amount to 16 per cent. The two lower denominations, on the other hand, saw little change. Saturation of NGB $5 and $10 banknotes is unlikely to rise substantially from their current rates, since many of the earlier series banknotes are stored, lost or held abroad and so are unlikely to be returned to us in the near term.

## Table 2.4.1: Banknotes in Circulation

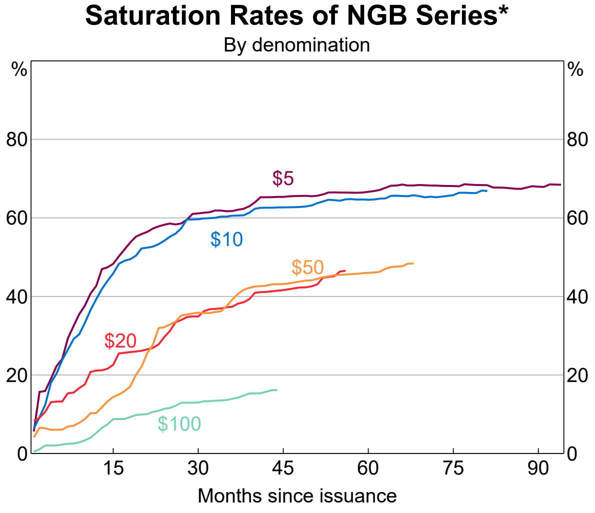
Annual growth by value by denomination; non-seasonally adjusted; per cent

| | $5 | $10 | $20 | $50 | $100 | Total |
|---|---|---|---|---|---|---|
| End-June 2024 | 1.2 | 2.8 | –0.6 | –2.1 | 0.9 | –0.5 |
| 10-year average[(a)] | 2.9 | 2.5 | 1.8 | 5.8 | 6.7 | 5.9 |

(a) Financial years up to June 2023.

Source: RBA.

Graph 2.4.3




* Saturation rate – proportion of second polymer series banknotes to total banknotes in circulation.

Source: RBA.

## Banknote quality and counterfeits

We aim to have high-quality banknotes in circulation. Such notes are more easily handled by machines and reduce the possibility of counterfeits being accepted. Accordingly, there are arrangements in place to encourage the major commercial banks and CIT companies to sort the banknotes they handle to agreed quality standards. Based on this sorting, banknotes that remain fit for circulation are redistributed, while those that are deemed unfit are returned to the RBA, removed from circulation and destroyed.

In 2023/24 we received $3.2 billion worth of banknotes deemed unfit for recirculation and paid over $14 million to the commercial banks under the quality-sorting framework. We began a project to commission two new banknote processing machines at the National Banknote Site to replace four machines that have reached end of life.

**Newly delivered banknote processing machine.** Source: RBA.

We also make interest compensation payments on banknotes that the major commercial banks store in private cash depots. This arrangement was designed to support efficiency in banknote distribution by encouraging BDF banks to hold their banknotes at cash depots around Australia, in turn supporting trading of banknotes between banks and reducing the incentive to return banknotes to the RBA. These payments also incentivise quality sorting because only banknotes that have been quality sorted are eligible. In 2023/24, we paid around $138 million in interest payments, which was higher than in 2022/23 because of the higher interest rates prevailing in 2023/24.

We also remove banknotes from circulation through our Damaged Banknotes Facility. The facility is offered to holders of Australian banknotes who have come into possession of damaged banknotes unwittingly or whose banknotes have been accidentally damaged. Claims that meet the requirements set out in the Damaged Banknotes Policy are paid based on their assessed value.[3] In 2023/24, the Damaged Banknotes Facility processed around 8,500 claims and made $3.5 million in payments. This was a significant reduction from the previous two financial years, which were boosted by claims arising from flooding events in eastern Australia during 2022.

**Assessment of damaged banknote claims.** Source: RBA.

Heat-damaged banknotes assessed at the RBA's laboratory.
Source: RBA.

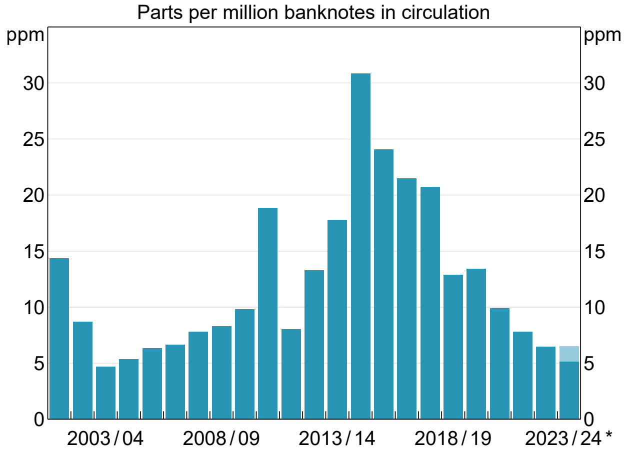
Counterfeiting activity has remained subdued compared with the historical average. In 2023/24, just over 10,000 counterfeits, with a nominal value of around $820,000, were detected in circulation (Table 2.4.2). This corresponds to a counterfeiting rate of around five counterfeits detected per million banknotes in circulation, but this is expected to be closer to seven once the analysis of all counterfeits detected in 2023/24 has been completed. This would be the first time the counterfeiting rate has not decreased since 2019/20, but it remains much lower than the 20-year average of almost 13 counterfeits detected per million banknotes in circulation (Graph 2.4.4). This subdued level of counterfeiting reflects a combination of effective law-enforcement activities and the increasing saturation of the NGB series of banknotes, which is proving difficult to counterfeit due to their enhanced security features.

### Table 2.4.2: Counterfeit Banknotes in Australia 2023/24[(a)]

| | $5 | $10 | $20 | $50 | $100 | Total |
|---|---|---|---|---|---|---|
| Total number | 25 | 104 | 87 | 3,228 | 6,579 | 10,023 |
| First polymer series | 6 | 90 | 78 | 3,049 | 6,511 | 9,734 |
| NGB series | 18 | 14 | 9 | 179 | 68 | 288 |
| Paper series | 1 | 0 | 0 | 0 | 0 | 1 |
| Total nominal value ($) | 125 | 1,040 | 1,740 | 161,400 | 657,900 | 822,205 |
| Counterfeiting rate[(b)] | 0.1 | 0.7 | 0.5 | 3.4 | 13.7 | 5.1 |

(a) Figures are preliminary and subject to upward revision because of lags in counterfeit submissions to the RBA.
(b) Counterfeits per million banknotes in circulation.
Source: RBA.

**Graph 2.4.4**
**Counterfeits Detected**
Parts per million banknotes in circulation




* Includes estimates.
Source: RBA.

Counterfeiting rates remain highest for the $100 denomination, particularly the older series. Counterfeiting rates for the NGB series remain very low. Since the first NGB banknote was released in 2016, there have been only 512 NGB counterfeits detected. In 2023/24, the counterfeiting rate for the NGB series was just 0.44 counterfeits detected per million notes in circulation, compared with 11 counterfeits detected per million in circulation of the previous banknote series. The average quality of the NGB counterfeits is also lower than the average quality of the previous series' counterfeits.

Law-enforcement efforts to investigate and prosecute counterfeiting operations continue to play a significant role in managing the threat of counterfeiting. We support court proceedings around Australia through the provision of information about counterfeit currency and expert witness statements. In 2023/24, we completed 63 statements concerning 1,998 counterfeits. We are aware of 11 court proceedings that occurred during the year related to the possession, passing and making of counterfeit currency.

## Redesign of $5 banknote

In February 2023 we announced the redesign of the current $5 banknote. Work is underway to redesign the portrait side, which currently features the late monarch, Her Majesty Queen Elizabeth II. The Australian Parliament will continue to feature on the reverse side. The new design will honour the history and culture of First Nations peoples of Australia. In 2023/24 we concluded an Australia-wide nomination campaign to gather ideas for themes – gaining over 2,100 submissions and meeting with over 40 First Nations organisations in communities all around Australia (see Part 2.6: Communication and Community Engagement). An Imagery Selection Panel will guide the theme and imagery selection decisions for the new design of the $5 banknote. The panel comprises senior representatives of the RBA and Note Printing Australia, along with prominent First Nations representatives. The project will take several years to complete.

## Research and development

We maintain an active banknote research and development program, to develop and assess cost-effective, counterfeit-resistant security features and detection technologies for Australian banknotes. The primary purpose of this program is to ensure that Australia's banknotes remain durable and secure against counterfeiting and are easy to authenticate for a wide range of users. This is achieved in part through collaboration with domestic and international experts from various external organisations, including universities, public and private companies, research institutes and other central banks.

Continuous assessment of several issues is fundamental to this program. These include: the vulnerability of banknotes to different forms of counterfeiting; the mechanisms by which banknotes wear in circulation; production capability; and how the public and banknote-processing machines use and authenticate banknotes. This work is complemented by the design and manufacture of new equipment and the development of new methods for testing banknote quality and assessing damaged banknotes. There was a strong focus on the development and testing of security feature options for the $5 banknote redesign project over 2023/24. There was also work to understand the circulation wear properties of the NGB series and the product and process improvements that might reduce costs and improve circulation life. The program also assisted Note Printing Australia with the provision of technology and expertise for its export customers.

## Note Printing Australia Limited

Note Printing Australia (NPA) is a wholly owned subsidiary of the RBA that produces banknotes and passports for Australia. It also prints banknotes and other security products for other countries.

More detail on NPA is provided in Part 1.2: Governance and Accountability.

In 2023/24, NPA:

- delivered 178 million Australian banknotes to the RBA and was paid $47 million for the supply of banknotes and related services
- produced around 3.9 million R-series passports for the Australian Department of Foreign Affairs and Trade
- printed 1.5 million births, deaths and marriages certificates for all state governments in Australia
- delivered around 323 million banknotes under contract to Singapore, Papua New Guinea and the Philippines, dealing directly with the central banks in those countries.

### Endnotes

1 RBA, 'BDF Legal Framework'.

2 RBA (2022), 'Review of Banknote Distribution Arrangements: Conclusions Paper', August.

3 See Burton A and H Winata (2022), 'What Can You Do With Your Damaged Banknotes?', RBA *Bulletin*, June.

# 2.5 International Financial Cooperation

**We participate in international efforts to address the challenges facing the global economy and financial system, and to improve the international financial architecture. We do so through membership of global and regional forums, and through bilateral relationships with other central banks.**

### Key outcomes in 2023/24

- Our engagement in international forums has contributed to better regional and global outcomes, and ensured that Australian interests are taken into account in the development of cross-country initiatives.
- We maintain and build relationships with overseas counterparts – including from other central banks, international organisations and overseas regulators – allowing us to share and gain knowledge.
- This year the main topics of international discussion on the global economic outlook were inflationary pressures, macroeconomic policy settings and geopolitical risk. Work also continued on a range of financial sector issues including: learning from the overseas banking stresses in early 2023; considering financial risks arising from digitalisation, climate change and non-bank financial intermediation; and enhancing cross-border payments.

## Group of Twenty (G20)

### Purpose

The G20 is a forum for the world's largest economies, including Australia, and international organisations to discuss economic, financial and other policy issues, and to explore ways to collectively address global challenges. The G20 was chaired by India from December 2022 to November 2023, and has been chaired by Brazil since December 2023.

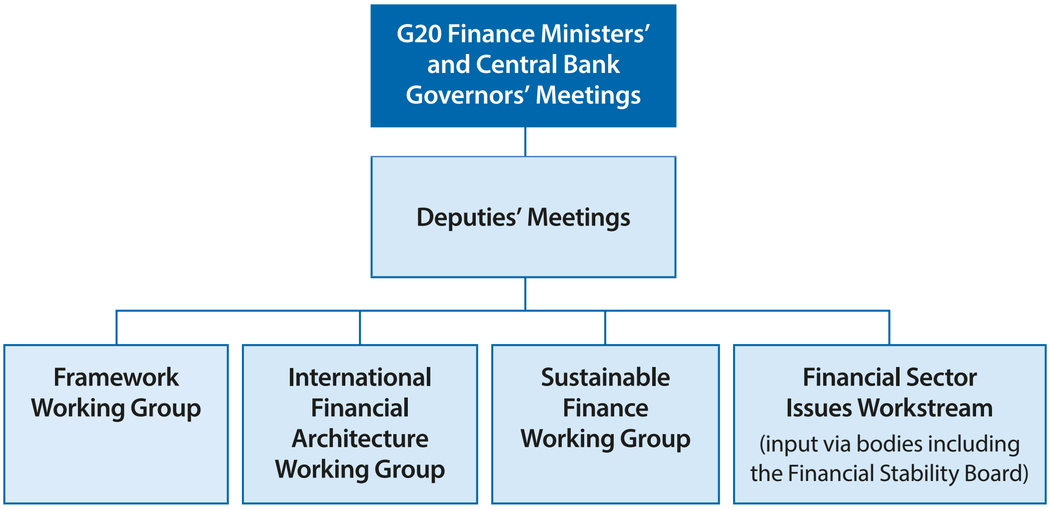
### RBA involvement

The Governor, Deputy Governor and Assistant Governor (Economic) represent the RBA at high-level meetings of the G20, while other staff participate in G20 working groups and contribute to the G20's work on financial sector issues.

Our staff participated in three G20 working groups during 2023/24 (Figure 2.5.1):

- the *Framework Working Group* focused on identifying and monitoring risks to the global economic outlook
- the *International Financial Architecture Working Group* focused on the resilience and stability of the international financial system
- the *Sustainable Finance Working Group* addressed barriers to financing climate and sustainability goals.

## Figure 2.5.1: RBA Involvement in the G20




Source: RBA.


Kate Hickie (Manager, International Policy and Engagement), Governor Michele Bullock and Clare Noone (Chief Representative, New York Representative Office) at the IMF Spring Meetings and G20 Finance Ministers' and Central Bank Governors' Meeting in April 2024, Washington DC. Source: RBA.

A key objective of the G20 is to address emerging risks to the global financial system and enhance the system's resilience, while also progressing work programs related to the financial sector. This involves close collaboration among G20 jurisdictions and relevant international bodies, including the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS) and the Committee on Payments and Market Infrastructures (CPMI). As discussed below, the RBA and other agencies of the Council of Financial Regulators (CFR) are involved with aspects of the work of these bodies, given the CFR's mandate to promote financial system stability and support effective and efficient financial regulation.

## Financial Stability Board (FSB)

### Purpose

The FSB promotes international financial stability by coordinating national financial sector authorities and international standard-setting bodies as they develop strong regulatory, supervisory and other financial sector policies. It also plays a central role in identifying and assessing evolving global financial sector trends and risks.

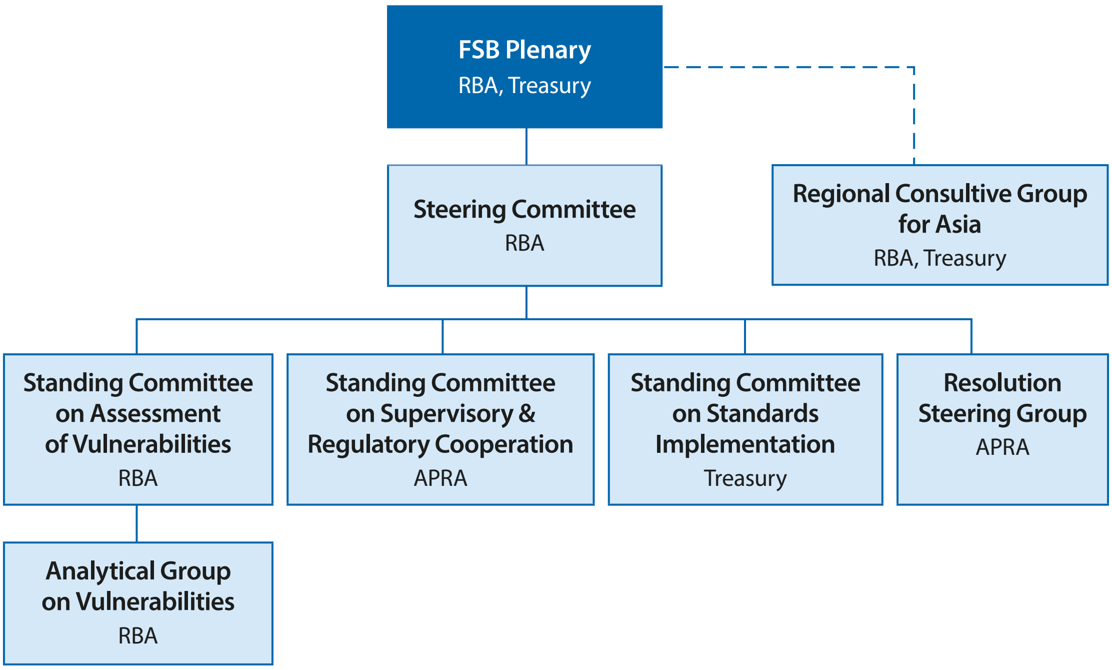
FSB members include representatives from 24 economies and the main international financial institutions – including the Bank for International Settlements (BIS) and the International Monetary Fund (IMF) – and standard-setting bodies such as the BCBS.

### RBA involvement

The decision-making body of the FSB is the Plenary. The RBA Governor is a member of the Plenary, the Steering Committee and the Standing Committee on Assessment of Vulnerabilities (SCAV).

Senior RBA staff also participate in meetings of various FSB groups (Figure 2). This includes the Analytical Group on Vulnerabilities, which supports the work of the SCAV, and the Financial Innovation Network.

**Figure 2.5.2: Australian Involvement in Key FSB Committees**




Source: RBA.

The FSB's work over the year involved a combination of progressing the priorities of the Brazilian G20 Presidency and the FSB's own ongoing work program. The former priorities included:

- *Continuing to identify lessons from the international banking stresses in March 2023 by examining interest rate and liquidity risk in the financial system, and exploring risks and vulnerabilities associated with depositor runs in light of new technologies and social media* – One of our staff members is involved in the latter work, and a summary of both analyses will be reported to the G20 in October 2024.
- *Assessing and addressing the risks arising from non-bank financial intermediation (NBFI)* – For example, in December 2023 the FSB released revised policy recommendations for managing vulnerabilities arising from liquidity mismatch in open-ended funds. In July 2024 the FSB reported on progress enhancing the resilience of NBFI, including monitoring and addressing the financial stability risks from leverage in NBFI. An RBA staff member is on the FSB's Non-bank Monitoring Experts Group.
- *Closely monitoring the financial stability implications of digital innovations, including in crypto-asset markets, tokenisation and artificial intelligence* – Much of the FSB's work in this area is undertaken by the Financial Innovation Network that includes a senior RBA staff member.
- *Addressing climate-related financial risks* – In November 2024 the FSB will report on progress towards disclosure and reporting in line with international standards, in coordination with the International Sustainability Standards Board and other bodies. Separately, the FSB's Climate Vulnerabilities and Data working group, in which we participate, is developing a framework and analytical toolkit for assessing climate-related financial risks, including forward-looking metrics.
- *Enhancing the efficiency of cross-border payments* – In February 2023 the FSB published a revised plan of specific priority initiatives to help achieve the G20 targets set in October 2020. We have since taken several policy actions to promote the adoption of new functionality and messaging capabilities in cross-border payments infrastructure by industry participants. We are also involved with central bank partners in Project Mandala, which is developing a common technical protocol to automate policy and regulatory compliance requirements for cross-border payments.

We also participated in a number of other FSB groups during 2023/24, including:

- the Cross-border Crisis Management Group for Financial Market Infrastructures (a sub-group of the Resolution Steering Group), which works on resolution arrangements for central counterparties
- a country peer review of Switzerland.

## Bank for International Settlements (BIS)

### Purpose

The BIS and its associated committees play an important role in supporting collaboration among central banks and other financial regulatory bodies. They do so by bringing together officials to exchange information and views about the global economy, vulnerabilities in the global financial system and other issues affecting the operations of central banks.

### RBA involvement

The RBA is one of 63 central banks and monetary authorities that hold shares in the BIS. The RBA Governor participates in the bimonthly meetings of governors and in meetings of the Asian Consultative Council. The RBA Assistant Governor (Financial Markets) is a member of the BIS Markets Committee (MC) and the Committee on the Global Financial System (CGFS).

The CGFS seeks to identify potential sources of stress in the global financial system and promotes the development of well-functioning and stable financial markets. The MC considers how economic and other developments, including regulatory reform and technological change, affect financial markets, particularly central bank operations.

Over the year, the committees monitored the implications of the high interest rate environment for financial conditions and financial stability. Other areas of focus included member experiences with macroprudential policy and the insurance coverage gap for physical climate risks.

During 2023/24 our staff participated in a number of BIS committee sub-groups and other working groups, including:

- a CGFS working group examining the interest rate risk exposures of non-financial corporates and households; the final report is expected to be published later in 2024
- a BCBS-CGFS-MC working group examining the interaction of central bank reserves, the regulation of liquidity and implications for financial stability
- a CGFS study group assessing recent experience with macroprudential measures targeting housing markets, including policy effectiveness; the study group's report was released in December 2023
- an Asian Consultative Council working group examining macrofinancial stability frameworks in the region; its report was released in October 2023
- meetings of the Asia Monetary Policy Working Group, chief economist meetings and monetary policy workshops.

We are also part of a BIS Asia Climate Network, established in February 2023 to provide a regional perspective on climate-related issues. We co-chair a BIS Innovation Network working group exploring the application of emerging supervisory and regulatory technologies to common challenges facing member central banks.

## Basel Committee on Banking Supervision (BCBS)

### Purpose

The BCBS is hosted by the BIS and is the primary international standard-setting body for the banking sector. It provides a forum for regular cooperation on banking supervisory matters among its 28 member jurisdictions. It seeks to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide.

### RBA involvement

The RBA Governor is a member of the Group of Governors and Heads of Supervision, which is the oversight body for the BCBS. The RBA Assistant Governor (Financial System) is a member of the BCBS.

An ongoing focus over 2023/24 for BCBS members, including the RBA and the Australian Prudential Regulation Authority (APRA), was examining the lessons learnt from earlier banking stresses in Switzerland and the United States. This included assessing whether specific features of the Basel framework performed as intended during the stresses, such as those relating to liquidity risk and interest rate risk in the banking book. The BCBS also assessed trends, and current and emerging risks, in the global banking system in the light of recent economic and financial market developments.

Other work over the year included a consultation paper on a Pillar 3 disclosure framework for bank exposures to climate-related financial risks, revisions to the *Core Principles for Effective Banking Supervision* and a report on the digitalisation of finance.

## Committee on Payments and Market Infrastructures (CPMI)

### Purpose

The CPMI is hosted by the BIS. It serves as a forum for central banks to monitor and analyse developments in payment, clearing and settlement infrastructures, and sets standards for these facilities. The CPMI has 28 member institutions.

Joint working groups of the CPMI and International Organization of Securities Commissions (IOSCO) bring together members of these two bodies to coordinate policy work on the regulation and oversight of financial market infrastructures.

### RBA involvement

Several RBA staff are members of the CPMI, the CPMI-IOSCO Steering Group, the CPMI-IOSCO Implementation Monitoring Standing Group, the CPMI-IOSCO Policy Standing Group, CPMI Future of Payments Working Group and the CPMI-IOSCO Operational Resilience Group. An RBA staff member is the chair of the CPMI messaging workstream contributing to the G20 Roadmap to enhance cross-border payments.

## Cooperative oversight arrangements

### Purpose

These multilateral and bilateral arrangements support oversight of foreign-headquartered financial market infrastructures that play an important role in the Australian financial system.

### RBA involvement

Over 2023/24, RBA staff from the Payments Policy Department participated in forums to oversee or share information relating to CLS Bank International, LCH Limited, CME Inc, SWIFT, Clearstream Banking S.A. and Euroclear Bank SA/NV. They also participated in an information-sharing arrangement with the Reserve Bank of New Zealand, the New Zealand Financial Markets Authority and the Australian Securities and Investments Commission (ASIC).

## International Monetary Fund (IMF)

### Purpose

The IMF oversees the stability of the international monetary system by:

- monitoring, analysing and providing advice on the economic and financial policies of its 190 members and the linkages between them. Article IV consultations are a key mechanism for achieving this and are conducted with Australia every year
- providing financial assistance to member countries experiencing actual or potential balance of payments problems.

### RBA involvement

Australia holds a 1.38 per cent quota share in the IMF and is part of the Asia and the Pacific Constituency, which is represented by one of the IMF's 24 Executive Directors. Australia also contributes to the IMF's supplementary borrowed resources, including the Poverty Reduction and Growth Trust and the Resilience and Sustainability Trust (RST). The RBA supports the Constituency Office at the IMF by seconding an advisor with expertise in economic and financial sector matters and by working with the Australian Treasury to provide support on matters discussed by the IMF's Executive Board.

During 2023/24 the IMF continued to provide financial assistance to vulnerable member countries. While overall lending approved decreased a little, the provision of financial assistance remained strong under the IMF's recently established RST. The RST provides longer term financing to help address deeper structural issues that pose risks to prospective balance of payments stability, including climate change.

In December 2023 the IMF Board of Governors approved a 50 per cent increase in IMF member quotas, which marked the first time an increase has been agreed since 2010. When it comes into effect, this will result in a 50 per cent rise in the IMF's permanent resources, although the IMF's total lending capacity will be largely unchanged as this increase is set to be offset by reductions in other more temporary forms of resources. While Australia's quota will increase by 50 per cent, its quota share in the IMF will remain unchanged.

## Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)

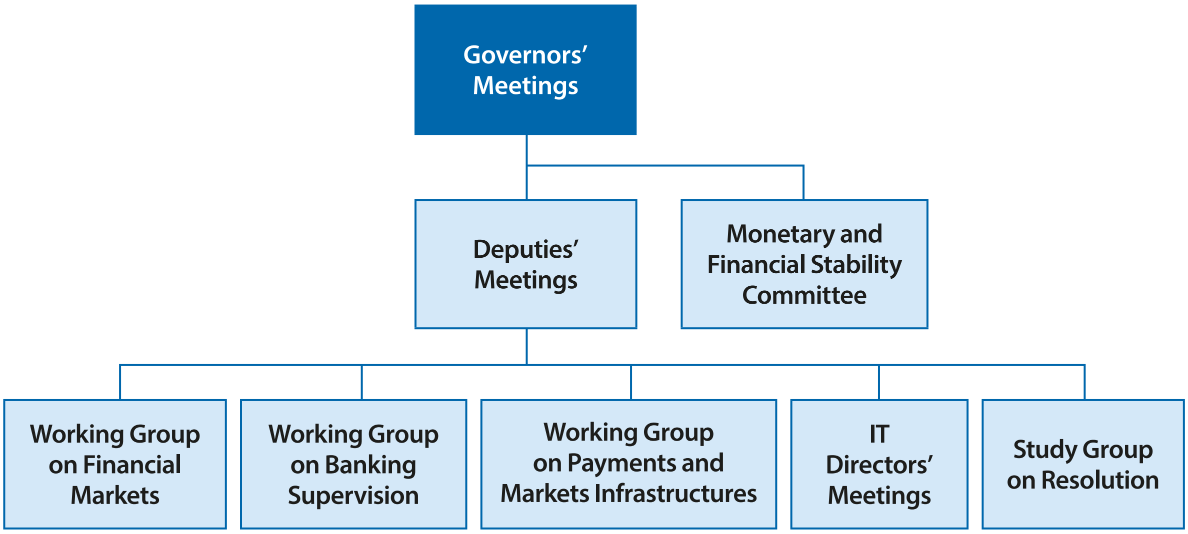
### Purpose

EMEAP brings together central banks in the east Asia-Pacific region to discuss issues relevant to monetary policy, financial markets, financial stability and payment systems. Its members are Australia, China, Hong Kong SAR, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea and Thailand.

### RBA involvement

We participate in EMEAP, including at the Governor and Deputy Governor level (Figure 2.5.3). Our staff also participate in several working-level groups.

**Figure 2.5.3: RBA Involvement in EMEAP**




Source: RBA.

EMEAP Governors meet annually to discuss key issues in the region. The October 2023 EMEAP Governors' meeting covered the impact of policy rate tightening in major advanced economies, the sustainability of the ongoing regional economic recovery, inflationary pressures across the region and potential sources of regional vulnerability. Governors also meet annually with the heads of supervisory authorities in the region to discuss issues related to the financial system.

The EMEAP Monetary and Financial Stability Committee discusses current economic and financial market developments and the associated policy challenges for EMEAP members. In 2023/24 the Committee met twice and discussed topics including regional inflationary pressures, external trade and fragmentation risks, and the outlook for growth and developments in cross-border payment systems.

## Trans-Tasman Council on Banking Supervision (TTBC)

### Purpose

TTBC membership is comprised of the Australian CFR agencies, the New Zealand Treasury, the Reserve Bank of New Zealand and the New Zealand Financial Markets Authority.

The TTBC provides a platform for cooperation and information sharing between the regulators of the banking sectors in Australia and New Zealand. It supports the development of a single economic market in banking services and promotes a joint approach to trans-Tasman banking supervision that delivers a seamless regulatory environment. The TTBC considers issues relating to financial stability, efficiency and integration throughout the financial sector, with a particular focus on the banking system and bank supervision, including crisis preparedness.

### RBA involvement

We are represented on the TTBC by the Governor, Deputy Governor and Assistant Governor (Financial System).

Over the year, the TTBC considered matters related to trans-Tasman bank supervision and regulation, insurance and climate change, the future of money and other topics of mutual interest in the financial sector. TTBC members continued to collaborate in relation to cybersecurity events and have been reviewing the potential for harmonisation of regulation and supervision in relation to cyber risk. The TTBC work program complements the ongoing bilateral engagements between TTBC member agencies and enhances crisis preparedness.

## Network for Greening the Financial System (NGFS)

### Purpose

The purpose of the NGFS is to share best practices, contribute to the development of climate and environment-related risk management in the financial sector, and mobilise mainstream finance to support the transition towards a sustainable economy. Over 130 central banks and supervisors are members of the NGFS.

### RBA involvement

The RBA joined the NGFS in July 2018 and contributed to several workstreams over 2023/24.

A key contribution of the NGFS is the development of climate scenarios that provide a common starting point for analysing climate risks to the economy and the financial system. We participate in the workstream on scenario design and analysis. In 2023 this workstream released a new set of updated long-term scenarios and started work on the development of short-term scenarios.[1]

Over 2023/24 we also participated in workstreams on monetary policy, net zero for central banks, the task force on biodiversity loss and nature-related risks and the experts' network on legal issues.

## Global Foreign Exchange Committee (GFXC)

### Purpose

The GFXC brings together central banks and private sector participants in the wholesale foreign exchange market to promote a robust and liquid market. It does this in part through the maintenance of the FX Global Code, which is a set of principles of good practice for market participants.

### RBA involvement

We sponsor the Australian Foreign Exchange Committee (AFXC) – one of 19 regional committees that comprise the membership of the GFXC. The RBA Assistant Governor (Financial Markets) is Chair of the AFXC and our representative on the GFXC.

In 2023/24 the GFXC initiated a review of the FX Global Code. It also continued to discuss evolving trends in foreign exchange settlement methods and ways to measure the amount of settlement risk within the market more accurately.

## Organisation for Economic Co-operation and Development (OECD)

### Purpose

The OECD is an international organisation of 38 countries that promotes policies to improve the economic and social wellbeing of people worldwide. It provides a forum in which governments can work together to share experiences and seek solutions to the economic, social and governance challenges they face.

### RBA involvement

Our Chief Representative in Europe participates in the OECD's Committee on Financial Markets on behalf of the RBA and in the Advisory Task Force on the OECD Codes of Liberalisation on behalf of the Australian Treasury.

The OECD Committee on Financial Markets promotes efficient, open, stable and sound financial systems that contribute to sustainable and inclusive economic growth. Special focus areas in 2023/24 included environmental sustainability practices in the financial sector, and regulatory and other issues arising from technological developments affecting the financial sector.

The OECD's Codes of Liberalisation promote openness, transparency and international cooperation around cross-border capital movements and financial services. The Codes provide a framework for countries to capture the potential benefits of capital flows while mitigating risks associated with their volatility in an ever-changing global financial system. The Advisory Task Force meets to discuss and address questions relating to the Codes to encourage international cooperation and policy dialogue on management of capital flows.

## Technical cooperation and bilateral relations

We provide technical assistance to foreign central banks. While our technical cooperation activities focus on capacity building in the areas of monetary policy and financial stability, their scope extends to other areas of central banking, including payment systems, note issue operations and risk management. In 2023/24 we assisted the central banks of a number of countries in the South Pacific region, South America, south-east and central Asia, and Europe. We also participate in the Australian Government's Prospera Program to help build the capacity of government institutions in Indonesia.

### Engagement in the South Pacific

We foster close ties with South Pacific countries through participation in high-level meetings, staff exchanges and the provision of technical assistance across a wide range of central banking issues.

In November 2023, we participated in the annual meeting of the South Pacific Central Bank Governors. The Governors discussed recent economic and financial developments, and the challenges presented by de-risking in the region. Over 2023/24, we engaged in work to address the loss of correspondent banking relationships (CBRs) in the Pacific. This included supporting the Australian and US governments in hosting the Pacific Banking Forum, held in July 2024, and engaging with the Pacific Island Forum and World Bank on their CBR Roadmap and Pacific Strengthening CBR initiatives.

Since 1992, we have provided financial support for Bank of Papua New Guinea officers to undertake postgraduate studies in economics, finance or computing at an Australian university. At the request of the Bank of Papua New Guinea, these funds will be reallocated to support secondments of Bank of Papua New Guinea officers to the RBA. The aim of this program is to support the development and 'on-the-job learning' of officers from the Bank of Papua New Guinea. The program was developed over 2023/24 and is expected to commence soon.

## International visitors and secondments

International visits to the RBA in 2023/24 covered the full range of its activities and included delegations from Cambodia, France, the Philippines,South Korea, and Sri Lanka.

During the past year, we hosted secondees from the Deutsche Bundesbank and the Bank of England. In turn, our staff were seconded to other central banks and international organisations, including the Bank of Canada, the BIS, the Bank of England, the IMF and the Federal Reserve Bank of New York. These arrangements provide a valuable opportunity for the exchange of skills and expertise between the RBA and the broader global economic and financial policymaking community.

### Endnotes

1 Network for Greening the Financial System (NGFS) (2023), 'Conceptual Note on Short-term Climate Scenarios', October; NGFS (2023), 'NGFS Climate Scenarios for Central Banks and Supervisors – Phase IV', November.

# 2.6 Communication and Community Engagement

**We are committed to being open, transparent and accountable. Our staff work to understand community priorities and concerns across Australia and, in turn, share and explain our policies and decisions. We engage with the community via a longstanding regional and industry liaison program, consultation programs, public speeches, roundtables, publications, social media and a public education program. We also appear before parliamentary committees, respond to public enquiries, support academic research, publish a broad range of statistics, and operate an online museum where visitors can discover the history of Australia's banknotes and economic development.**

### Key outcomes in 2023/24

- We hosted four media conferences following Reserve Bank Board meetings in the first half of 2024, attracting an average of 2,200 unique views. We also redesigned our flagship publications to streamline content and target a broader audience, and readership and engagement increased over this time.
- Around 7,000 economics students attended our education presentations and we supported economics education in numerous other ways.
- We held over 1,000 liaison meetings with business, industry representatives, government agencies, community organisations, banks and financial market participants to better understand conditions in the economy, financial markets and payments industry.
- We provided almost $450,000 in sponsorship for research and participated in or hosted a wide range of conferences. A further $200,000 was donated to charitable activities.
- We digitised and published a growing number of archival records, while expanding the online offering of our museum.
- We met with around 100 First Nations community representatives from over 40 First Nations organisations to raise awareness about the redesign of the $5 banknote.

## Communication

We communicate information about the RBA's policy decisions, analysis and operations to the public through publications, media releases and appearances by senior staff. We also respond to public enquiries.

Following recommendations of the 2023 RBA Review, we created a new Communications Department, tasked with elevating the role of communications within the RBA (see Part 1.2: Governance and Accountability). This included embedding a communications lens throughout the monetary policy process and providing strategic communications advice to the RBA's executive leaders and the two policy boards.

Consequently, in 2023/24 there has been a significant uplift in the RBA's communication with the public via the media. In particular:

- The Governor now holds a media conference after the announcement of each monetary policy decision. Since February 2024, these have been attended by around 30 journalists from a range of online, print, television and radio outlets. Media conferences are broadcast live by the RBA and video footage is published online after the event. Media coverage significantly expands the reach of these conferences beyond the direct audience.
- Our staff have adopted a more proactive approach to engaging with the media.

These efforts have been supported by a program of work to build a more evidence-based approach to assessing the effectiveness of our communication.

## Public appearances and enquiries

Public appearances provide opportunities for senior staff to explain our role and insights. During 2023/24, the Governor, Deputy Governor and other senior staff took part in 33 public speaking engagements. In addition to prepared speeches, these included an increasing number of interactive 'fireside chats' and panel discussions. Video footage of each address made by the Governor and Deputy Governor, including question-and-answer sessions, are broadcast live on our website. Transcripts, video and audio recordings are also published on our website.

The Governor attended two hearings of the House of Representatives Standing Committee on Economics and four hearings of the Senate Economics Legislation Committee, accompanied by other senior staff. Other senior staff also appeared before several other hearings of parliamentary committees (See Part 1.2: Governance and Accountability).

In 2023/24 we responded to around 5,400 public enquiries. These covered a broad range of topics, including monetary policy, banknotes, financial services and regulation of the payments system. Key themes and messages from public enquiries are shared regularly with senior staff to provide feedback on how our actions and communications are being received.

## Our flagship publications

We explain our analysis through key publications such as the quarterly *Statement on Monetary Policy* (SMP), the biannual *Financial Stability Review* (FSR) and the quarterly *Bulletin*. In 2023/24, the SMP and the FSR were restructured and redesigned to enhance transparency, clarity and readability. Layering of content to support a broader audience was added to the SMP and enhanced for the FSR.

- Readership of the SMP 'Overview' increased by 135 per cent from the November 2023 issue to the February 2024 issue, after it was restructured to provide a narrative-style discussion of how the RBA's assessment of economic and financial conditions led to the monetary policy decisions of the Reserve Bank Board. An 'In Brief' plain English summary of key messages was also added in 2024, attracting an average of 20,000 views in February and May.
- Readership of the FSR 'Financial Stability Assessment' chapter, which was introduced in October 2023, increased by around 150 per cent between that time and April 2024.

**Governor Michele Bullock addressing journalists at the June 2024 monetary policy decision media conference.**
Source: Michael Quelch, *Australian Financial Review*.

Media lock-ups continued to be held shortly before the release of the SMP, the FSR and Reserve Bank Board monetary policy minutes, to facilitate timely and accurate reporting of content to the public.

## Our website and social media presence

We continue to publish new and refreshed content on our website and social media. Followers of the RBA's social media accounts on Twitter, LinkedIn, Facebook and Instagram grew by almost 30 per cent over 2023/24, to a little over 260,000 in total. The number of subscribers to the email alert service for publications grew by around 15 per cent to almost 20,000. Visitors to the website also made use of RSS feeds providing alerts about data updates, media releases, speeches, research papers and other publications, including those related to Freedom of Information requests. In August 2023, SMS alerts were introduced for monetary policy decisions.

## Our education program

A key part of our community engagement is with students and educators through our nationwide public education program that involves presentations to students, the development of curriculum-linked resources, and professional development opportunities for educators.

The main focus of our education program is economics education at senior high school. However, we also provide services for other stages of learning – from senior primary school to university. We have a longstanding commitment to economics education across Australia, with renewed efforts in recent years motivated by a significant reduction in the size and diversity of the high school and university economics student population.[1]

In 2023/24 we completed additional research to inform the strategic direction of our public education program. This included:

- measuring the economic literacy of Australian adults and the relationship between economic literacy and inflation expectations, with articles on both topics published in the *Bulletin*[2]
- research on enrolments in economics and related subjects, along with the transition of economics students from school to university
- a survey of economics teachers about their classroom experiences
- evaluation of the education program – with modelling showing that economics enrolments in schools that had participated in the RBA's education program were higher than would otherwise have been the case.[3]

The Educators Advisory Panel met twice during 2023/24 to review the education program's progress and discuss the future needs of economics students and educators. Members also provided regular feedback on the development of resources. Their work was supported by the establishment of a Teacher Reviewer Pool, which provided additional insights from practising teachers to help refine the RBA's educational resources.

**Members of the Educators Advisory Panel at their mid-year meeting at the HC Coombs Centre.** Source: RBA.

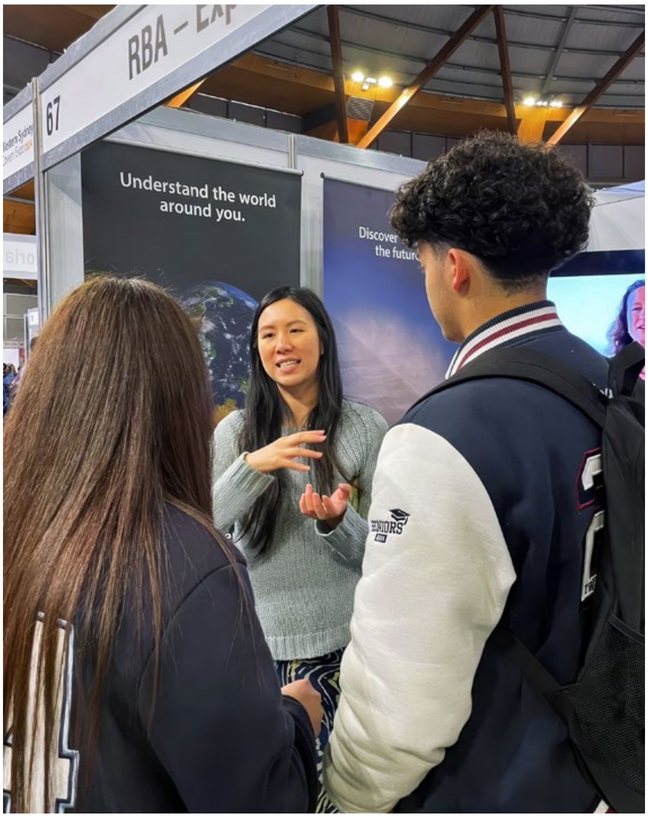
## RBA Ambassador talks and careers expos

The main service we provide under the education program is for RBA Ambassadors – RBA economists who are trained to engage directly with students – to give talks to individual classes (in-person and online) as well as at multi-school webinars, student conferences and careers events. In 2023/24 these talks reached around 7,000 students, of whom around 6,100 were high school students. Online delivery helped maintain the program's geographic reach, including to regional areas of Australia.

More than half of the education program talks were on current economic conditions, with content drawing on the RBA's assessment of the economy in the quarterly SMP. In addition, a short video was prepared after each SMP to provide an accessible resource for students and teachers on current economic conditions.

In 2023/24 our staff also participated in major careers fairs and other events that were attended in-person by a total of more than 45,000 high school students. This provided an opportunity to expose a large number of students to economics and we had over 1,400 substantive discussions with individual students about their subject and career choices.

Other events provided an opportunity to engage with high-potential students. For example, national winners of the Australasian Economics Olympiad attended an 'experience day' at the RBA during which they met with senior staff, received a presentation from the Assistant Governor (Economic) and heard from economics graduates about their work as economists.





At the Western Sydney Careers Expo, students speak with Emma Chow (top) and Christopher Schwartz (above) about studying economics. Source: RBA.

## Explainers and 'Ask an Economist' videos

In 2023/24 our Explainers about economic concepts and events remained an actively used education resource. In response to educator requests, we published an Explainer on the main economic effects of the COVID-19 pandemic in Australia from 2020 to 2021 and policymaker responses.[4] Explainers were widely viewed by both education audiences and the public, with a cumulative 4 million views since 2020 and average monthly views of around 120,000 over the past two years. Explainers about inflation were the most viewed.

Our RBA Ambassadors continued to participate in panel discussions to explain the benefits of studying economics and possible career paths. To complement these discussions, in July 2023 we launched a six-part 'Ask an Economist' video series exploring different aspects of the relevance of economics and employability of economists. In response to teacher queries, we also produced a video on 'Bringing the Aggregate Demand Equation to Life' to showcase the practical application of classroom content.[5]


**Siddarth Roche, RBA Ambassador, is filmed for the 'Ask an Economist' video series.** Source: RBA.

### Educator professional development

In 2023/24 we continued to support educators through professional development activities. Foremost was the in-person Teacher Immersion Event attended by teachers from across the country, including from regional areas. The Governor, Deputy Governor and other staff gave presentations and sessions were recorded for the benefit of those who could not attend. Our staff also presented at professional development events for educators hosted by external parties.

## Our liaison activity

Our extensive program of liaison on economic conditions is conducted by staff based in Adelaide, Brisbane, Melbourne, Perth and Sydney. In 2023/24 we held more than 950 liaison meetings, spanning businesses, industry associations, government agencies and community organisations. We held several of these meetings during in-person visits to Hobart, Darwin and a number of regional centres.

Timely information from liaison contacts helps us to monitor real-time trends in the Australian economy and in specific industries. De-identified high-level and thematic information from liaison contacts is regularly shared with the Reserve Bank Board to better inform board members' understanding of issues affecting businesses and the wider economy, and in turn the Board's policy decisions. We also publish insights from liaison in a dedicated section of the quarterly SMP. Broad messages from liaison also contribute to the RBA's regular public statements, publications and speeches.[6]

Staff in our state offices play an important role in communicating with members of the public. In 2023/24 state office staff presented at schools, conferences, business roundtables and regional chambers of commerce. In addition, our staff presented summaries of the SMP and the FSR to more than 550 participants in the liaison program.


At the 2023 Teacher Immersion Event, Public Education Economist Alex Symonds introduces new resources to teachers.
Source: RBA.

**Deputy Governor Andrew Hauser (centre) and Regional and Industry Analysis staff Ellen Waterman and James Holloway in Perth to discuss local economic conditions.** Source: RBA.

In addition to liaison on economic conditions, staff from Financial Markets Group and Financial Stability Department continued to regularly meet with banks, non-bank financial institutions, investors, issuers, dealers and other financial markets participants. These meetings covered conditions in fixed income, securitisation, equity and other markets, as well as insights about credit demand and supply and loan performance. The insights obtained from these meetings enhance our staff's understanding of developments in financial markets, contribute to our assessment of financial conditions, and inform staff advice to the Reserve Bank Board. De-identified high-level messages from these meetings were also reflected in relevant publications such as the SMP and FSR.

In July 2024 we convened our annual Small Business Finance Advisory Panel. The Panel, which was established over 30 years earlier, discusses issues relating to the provision of finance and the broader economic environment for small businesses. Membership is drawn from a range of industries across the country. Insights from the Panel's discussions and other sources of information on small business finance are shared with the Reserve Bank Board and are published in an annual *Bulletin* article. Staff from the economic liaison program also meet with representatives from the small business sector throughout the year to better understand the conditions they face.

Staff from Payments Settlements Department similarly conduct regular liaison meetings with members of the Reserve Bank Information and Transfer System and industry groups, such as the Australian Payments Network (AusPayNet). Participating in these groups, and a number of other industry forums, helps us remain well informed about developments in these areas.

## Consultations

We engage with a wide variety of groups to inform our policy and operational activities. Senior staff meet regularly with representatives of various domestic and international official agencies, business groups and financial market participants to discuss economic, financial and industry developments.

The Governor, Deputy Governor and other senior staff hold regular panel discussions with market economists and academics to gain insights on monetary policy and the economy. The RBA hosted a panel of academics in March 2024 and panels of market economists in October 2023 and May 2024. Each panel included up to a dozen participants.

During 2023/24 we consulted relevant stakeholders on potential future systems for implementing monetary policy and on several topics related to our policy and oversight responsibilities for payments and financial market infrastructure. The latter included consultations on:

- options for enhancing the competitiveness, efficiency and safety of Australia's debit card market
- the ATM Access Regime
- the pricing of account-to-account payments
- the threshold for the application of the Financial Stability Standards to securities settlement facilities.

We also met with various stakeholders to gather views on issues to be covered in the forthcoming Review of Retail Payments Regulation.

Staff from Payment Settlements Department also participated in various industry forums during the year, including AusPayNet's High Value Clearing System Management Committee. A senior staff member sits on the Board of AusPayNet, and staff from Payments Settlements and Banking departments represent the RBA on New Payments Platform operating committees (see also Part 2.3: Banking and Payment Services).

Staff from Note Issue Department also continued to engage with industry and members of the public in support of counterfeit resistance and banknote functionality testing (see Part 2.4: Banknotes).

## Research

We publish the results of longer term research conducted by staff in the form of Research Discussion Papers (RDPs), which stimulate discussion and comment on policy-relevant issues. The views expressed in RDPs are those of the authors and do not necessarily represent those of the RBA. Eight RDPs were published during 2023/24, on a range of topics across the RBA's core functions. Staff also published their research in various external publications, including the *Economic Record, VoxEu* and *American Economic Association Papers and Proceedings*.

Research conducted at the RBA is frequently presented at external conferences and seminars. In 2023/24, RBA staff presented in Australia and abroad, including at the:

- Australian Conference of Economists
- Women in Macroeconomics Workshop
- Australian Bureau of Statistics and RBA Joint Conference (Human Capital)
- 17th Symposium on Econometrics Theory and Applications
- Pacific Island Centre for Development Policy and Research
- FRB Economics of Payments Conference
- FIRN (Financial Research Network) Banking and Financial Stability meeting hosted by the Australian National University.

The most recent RBA Annual Conference (on inflation) was held in September 2023 and the annual Quantitative Macroeconomic Workshop was held in December 2023. The RBA co-hosted a conference with the Australian Bureau of Statistics in June 2024. In 2023/24 we also hosted workshops with representatives from the Reserve Bank of New Zealand and Norges Bank to share research and discuss issues of common interest.

We regularly host policymakers and academics from various domestic and international institutions. During 2023/24 these included staff from the International Monetary Fund, the Bank of England, the Bank for International Settlements, the Federal Reserve Bank of New York and various Australian and overseas universities.

In 2023/24 we started a collaborative research project with the Digital Finance Cooperative Research Centre. The project explores design options for how central bank money and associated infrastructure could be used to facilitate the settlement of wholesale tokenised asset transactions. This work is part of a broader research agenda on shaping the future of money in Australia, as discussed in our 2024/25 Corporate Plan.[7] We have also collaborated with industry participants to study the potential benefits, design choices and challenges associated with interlinking fast payment systems across countries. A report on our findings was published in April 2024.

In May 2024 we sponsored a special issue of *Australian Economic Papers* (Volume 63, Issue S1) that showcased top-quality economic honours theses from Australian universities. John Simon, Head of Economic Research Department until leaving the RBA in August 2024, noted in his introduction to the issue that:

> *'The honours programs at Australian universities provide a world-class education in economics to some of our smartest students. … by showcasing the wide range of interesting questions that economists are addressing and the quality of both our budding economists and our economics education in Australia, this volume can contribute to a reinvigoration of the study of economics.'*

## Research sponsorship and membership

In 2023/24 we provided $431,424 to support external research and debate. This included continued financial support of:

- a monthly survey of inflation expectations, undertaken by the Melbourne Institute of Applied Economic and Social Research at the University of Melbourne
- a quarterly survey of union inflation and wage expectations, undertaken by the Australian Council of Trade Unions
- the *International Journal of Central Banking*
- the Group of 30's program of research into issues of importance to global financial markets
- the Australian Research Council Centre of Excellence in Population Ageing Research (CEPAR), based at the University of New South Wales (and a senior RBA staff member sat on CEPAR's Advisory Board during 2023/24)
- the Economic Society of Australia's Central Council
- eight conferences in economics and closely related fields
- the periodic Online Banknote Survey to gauge community perceptions and understanding of Australia's banknotes, experiences with counterfeit banknotes, and cash use preferences.

We are a corporate member of several policy institutes and similar entities in Australia. The RBA's criteria for such memberships are that the entity is: independent and not aligned with a political party or some other institution; is not for profit; regularly produces research reports and makes those research reports publicly available; covers a broad range of economic and financial issues that are relevant to the RBA's mandate (rather than specific issues); offers corporate membership that is assessed to provide good value for money; and promotes the public interest. In 2023/24 these criteria saw the RBA renewing its corporate memberships of:

- the Centre for Independent Studies
- the Committee for Economic Development of Australia
- the Ethics Alliance
- the McKell Institute
- the Lowy Institute for International Policy
- the South Australian Centre for Economic Studies
- Women in Banking and Finance.

Comparable principles also underpinned the decision to renew corporate membership of the American Australian Association in New York.

In addition, we:

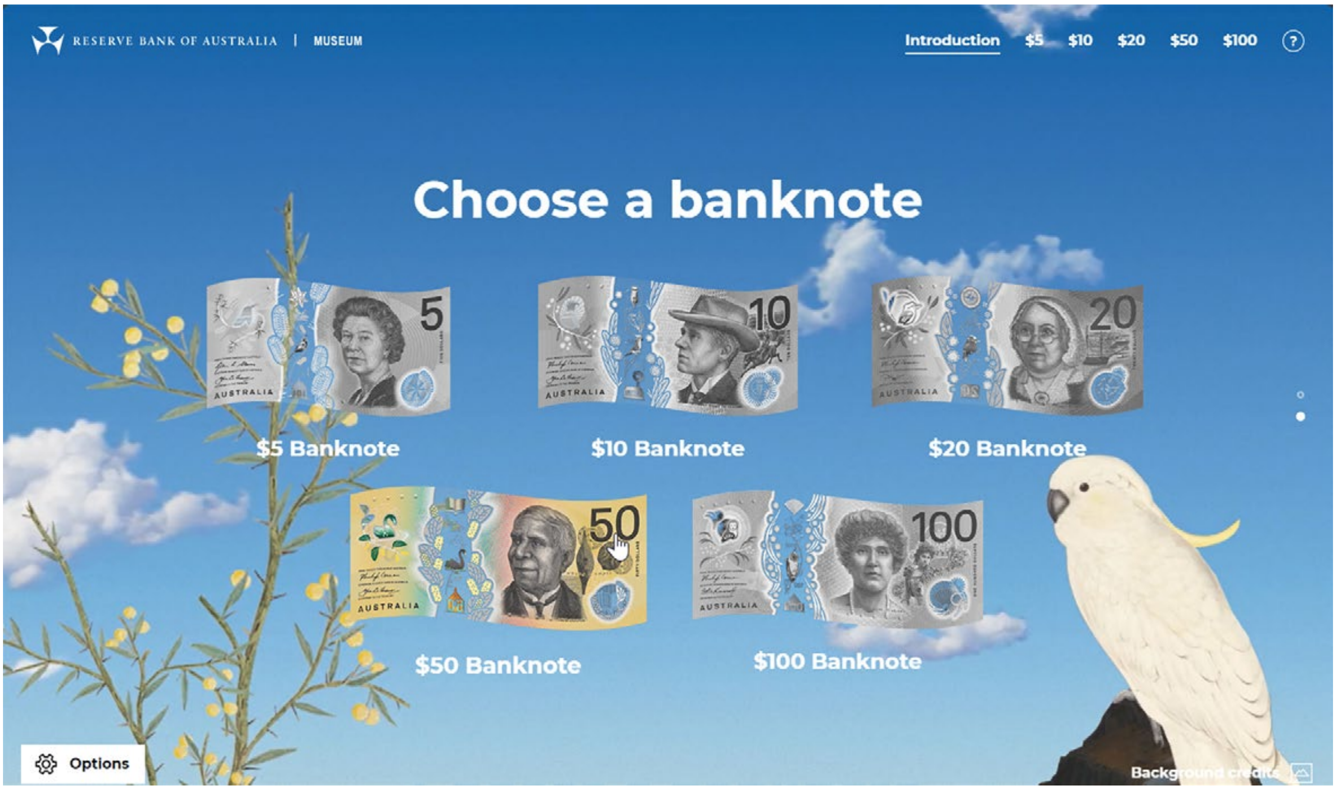
- provided in-kind support for the Grattan Institute by seconding a staff member to the Institute
- continued our associate membership of the South-East Asian Central Banks Research and Training Centre
- continued to sponsor the Brian Gray Scholarship Program in conjunction with the Australian Prudential Regulation Authority – in 2024 one scholarship was awarded, at a cost of $7,500
- continued to sponsor a PhD student under the Digital Finance Cooperative Research Centre's industry PhD program, at a cost of $38,500 in 2023/24.

## Our museum

The RBA Museum has traditionally displayed a permanent collection of artefacts related to the history of currency in Australia, along with thematic exhibitions that showcased our other collections. With construction work in our Head Office building resulting in extended closure of the RBA Museum, its most popular content has been made publicly available online. This year, we launched an interactive website application for users to explore the unique cultural and security features of our current series of 'Next Generation' banknotes.[8]

The RBA Museum also participated digitally in the 2024 History Week NSW 'Voices from the Past'. We promoted audio recordings of the microprint on the current banknote series, with a focus on the $50 banknote, whose microtext from David Unaipon's book *Legendary Tales of the Australian Aborigines* is read by his grandniece, Aunty Elaine Kropinyeri.

In 2023/24 we also began preparing content for an official oral history of the RBA for publication online and possible inclusion in a refurbished museum. To date, we have interviewed five former Governors and Deputy Governors, focusing on their role in key episodes in Australia's contemporary economic history. We have also interviewed others connected with our history, such as Harry Williamson, designer of both Australia's first $100 banknote and the $10 commemorative banknote for the Australian Bicentenary – the first polymer banknote issued in Australia.




Australia's $50 Next Generation Banknote, featuring David Unaipon can be explored on the museum's interactive application 'Exploring the Next Generation of Banknotes'. Source: RBA.


**Harry Williamson, banknote designer, interviewed for our official oral history and holding the $10 commemorative Bicentennial banknote.** Source: RBA.

## Our archives

We have a unique and rich archives collection that includes records about our own operations, as well as Australia's economic, financial and social history over the past 200 years. The records predate the RBA as it is known today because the RBA stems from the original government-owned Commonwealth Bank of Australia, which had a central banking function and had absorbed other banks with a colonial history.

In 2023/24 there were 77,000 views of volumes of records, individual records and collection items in our digital archive, Unreserved – a significant increase from the prior year. Digitisation of archival records is ongoing and in 2023/24 three tranches were publicly released through Unreserved. This included two regular releases and a special release to mark the 40th anniversary of the floating of the Australian dollar.

Digitised records released during the past year include:

- *Early banking records:* Additional ledgers of various State Savings Banks between 1832 and 1932
- *The 1890s Depression:* Financial and accounting records for the period of the Depression of the 1890s and its aftermath between 1891 and 1909
- *School banking records*: Records of various State Savings Banks and the Commonwealth Bank between 1900 and 1959
- *Economic and financial conditions*: Records from the Commonwealth Bank's state offices on economic conditions in the states, and records on financial conditions, between 1930 and 1960
- *Monetary policy*: Correspondence with prominent economists, public servants, research bodies and banks about the Australian economy and monetary policy between 1930 and 1970
- *Legislation*: Records relating to banking legislation between 1944 and 1958 and the projected legislation about the separation of the original Commonwealth Bank's central banking functions from its commercial banking activities
- *Board papers*: Board papers of the original Commonwealth Bank from 1924 to 1959, concluding prior to the first Board meeting of the separate RBA
- *The float*: Records related to the float of the Australian dollar in 1983, including the 'War Book' prepared in anticipation of an instruction to implement a floating exchange rate regime.

In 2023/24 we also published Research Guides to help users of Unreserved conduct independent research on: the Depression of the 1890s; the legislation that created the Commonwealth Bank; the float of the Australian dollar; the history of school banking; and family history.[9]

From the RBA's archival photographic collection, staff in the foreign exchange dealing room, International Department, 1980s. Source: RBA Archives PN-013844.

The Archives continued to provide public access to RBA records in the open access period (20 years from the closure of a record) despite disruption to our repositories due to Head Office building works. Over 2023/24, we responded to nearly 130 research requests, entailing around 400 hours of research by the archivists. Topics of interest were varied and included historical aspects of Reserve Bank Board meetings, visits by Nobel Laureate economists and other leading economists, historical banknote designs (including those of countries in our region), the history of the Bank of Papua New Guinea (in relation to its 50th anniversary in 2023) and heritage aspects of the RBA's Head Office building.

Our archivists also continued to support the Bank's Historian, Associate Professor Selwyn Cornish of the Australian National University, who is documenting the 1975–2000 period of the RBA's official history.

## Banknotes

We actively engage with a range of stakeholders spanning the entire lifecycle of banknotes, from design and planning through to manufacturing and public usage.

As noted in Part 2.4: Banknotes, in February 2023 we announced a redesign of the $5 banknote. Prior to the Australia-wide theme nomination campaign, staff travelled to Alice Springs, Barmah, Bathurst, Broome, Cairns, Condobolin, Darwin, Hobart, Kalgoorlie, Orange, Port Augusta, Shepparton and the Torres Strait to meet with First Nations organisations and raise awareness about the nomination period. Overall, we met with around 100 First Nations community representatives from over 40 organisations. Multiple online information sessions were also conducted to facilitate participation from all parts of the country. We also engaged a First Nations public relations company, Little Rocket, to further raise awareness about the redesign with all Australians, and particularly to ensure appropriate reach to First Nations communities.

Our communication with the cash-handling industry – which includes equipment manufacturers, financial institutions and other high-volume cash handlers – is an important part of ensuring Australian banknotes remain secure and reliable. Across 2023/24, we continued to support the industry in ongoing research and development, as well as equipment upgrades to maintain confidence against counterfeiting. Our staff also attended industry events and engaged with industry representatives in preparation for testing that will be conducted as the $5 redesign project progresses.

**Sarah Panizza and Jake Thomson visiting the Torres Strait to raise awareness of the $5 redesign theme nomination period.** Source: RBA.

## Our charitable activities

In 2023/24 we contributed $208,662 to charitable activities.

This included our 22nd annual contribution of $50,000 to the Financial Markets Foundation for Children, which is chaired by the Governor. The Governor addressed the Anika Foundation's annual fundraising event in September 2024 to support research into adolescent depression and suicide.

We also contribute to charitable activities through staff-led initiatives. Key among these is dollar-matching staff payroll deductions organised by the Reserve Bank Benevolent Fund. The Fund supports 14 recognised charities, chosen based on: the preferences of staff; the effectiveness and transparency of the charities themselves and supporting a diverse range of activities. The current set of charities supported operate in the areas of welfare, education, mental health, illness, disability, international medical aid and animal protection. We also facilitate staff salary sacrificing under a Workplace Giving Program. In 2023/24 dollar-matching of staff payroll deductions totalled $153,434.

Other staff-led initiatives over the past year included matching staff donations for the Benevolent Fund's Christmas appeal for Foodbank Australia, Barnados Australia and Fred Hollows Foundation. In July 2024 we matched staff donations to the appeal for victims of the May 2024 Enga landslide in Papua New Guinea. We also allow volunteer leave for teams that engage in particular charitable activities.

## Endnotes

1 See Dwyer J (2024), 'The State of Economics', Address to the Economic Society of Australia, Sydney, 28 May.

2 McCowage M (2023), 'Economic Literacy in Australia: A First Look', RBA *Bulletin*, September; McCowage M and P Rickards (2024), 'Inflation Expectations and Economic Literacy', RBA *Bulletin*, January.

3 For more detail, see Dwyer, n 1.

4 RBA (2024), 'The COVID-19 Pandemic: 2020 to 2021', RBA Explainers.

5 RBA (2023), 'Bringing the Aggregate Demand Equation to Life', 3 October.

6 See, for example, Johal A, J Kemp, K McLoughlin and M Zang (2024), 'What Do Firms Tell Us About the Inflation Outlook?', RBA *Bulletin*, January.

7 See RBA (2024), 'Corporate Plan 2024/25'.

8 See RBA Museum, 'Exploring the Next Generation of Banknotes'.

9 RBA (2024), 'Guides', Unreserved.