THE FUNCTIONS OF THE RESERVE BANK

This is an updated (to September 1983) version of an article last published in December 1982. It describes the structure and functions of New Zealand’s central bank, The Reserve Bank of New Zealand.

Background

The Reserve Bank is New Zealand’s central bank. Unlike a commercial or trading bank it does not carry out a full range of commercial banking business; rather it acts as banker to the Government and the financial institutions central to the money transfer clearing system. It performs this role and various others under statutory obligations conferred on the Bank by an Act of Parliament.

In many European countries, such as England, Sweden and France, one bank gradually came to assume the position of a central bank during the nineteenth century, particularly with respect to the right of note issue and acting as the government’s banker and agent. The concept of central banking that developed in Europe subsequently spread to other parts of the world, generally in response to a need for improved oversight of the monetary aspects of the economy. For example, following a financial panic in 1907 in the United States a Commission of Enquiry was appointed whose findings led, in 1914, to the establishment of the Federal Reserve System.

An International Financial Conference held in 1920 resolved that all countries which had not yet established a central bank should do so with a view to facilitating the restoration and maintenance of stability in their monetary and banking systems following the dislocations of the First World War and in the interest of world co-operation. Some countries responded quickly (e.g. South Africa and Australia) but for others the financial crisis resulting from the depression of the thirties was the catalyst (e.g. Canada). Financial crises of this type led to a change in political attitudes — the belief that state intervention in the free working of the economic system should be kept to a minimum increasingly became supplanted by the idea that government should pursue more positive policies if they were to hope to achieve reasonable stability and sustained economic growth.

As in other countries, so too in New Zealand was it thought that if a repetition of the mass unemployment of the depression was to be avoided then the role of the Government should be a more positive one. Thus, largely as a result of a major economic crisis and the change in attitudes which accompanied it, the Reserve Bank of New Zealand was established by Act of Parliament in 1933 and commenced operations in 1934. The Bank’s initial functions were to issue notes, to act as the Government’s banker and adviser on financial policies, to deal in securities and foreign exchange and to maintain an adequate level of overseas exchange reserves. These are still among the Bank’s responsibilities although overall control of the Bank’s activities has tended increasingly to be in the hands of the Minister of Finance. At the same time the Bank’s advisory functions, especially in the field of economic policy, are continually growing.

The Functions of the Bank

Today the Reserve Bank operates under the Reserve Bank of New Zealand Act 1964, as amended, which sets out the primary functions of the Bank (Section 8):

1. To act as the central bank for New Zealand.
2. To ensure that the availability and conditions of credit provided by financial institutions are not inconsistent with the sovereign right of the Crown to control money and credit in the public interest.
3. To advise the Government on matters relating to monetary policy, banking, credit and overseas exchange.
4. Within the limits of its powers, to give effect to the monetary policy of the Government as communicated in writing to the Bank (by the Minister of Finance) and to any resolution of Parliament in relation to that monetary policy.

The Act also makes it clear that the Government’s monetary policy should be directed to the maintenance and promotion of economic and social welfare in New Zealand. Although these concepts are not specifically defined, it is stated that the policy should be related to the desirability of promoting the highest degree of production, trade and employment and of maintaining a stable internal price level. In effect, then, the policy should aim at the basic economic objectives of Government. While the emphasis placed on objectives by different Governments will vary, a Government’s economic policies generally aim to achieve the highest rate of economic growth consistent with a desire to avoid inflation. There is also the important concern
about maintaining a high level of employment and distributing the national income in a broadly acceptable and equitable manner. In broad terms, this means that the aim of the Reserve Bank should be to maintain a level of national spending sufficient to promote growth and to keep resources fully employed, but not so high as to threaten price stability.

While it is a relatively straightforward matter to state these goals of economic policy, it is less clear how to achieve these objectives. As noted, the Bank was established against the background of an increasing belief in the wisdom and efficacy of activist financial policies. More recently however the dominant view, moulded by the experience of the 1970s and early 1980s in particular, has tended to stress the difficulty of adopting an activist policy stance without simultaneously introducing distortions and rigidities which are likely, eventually, to give rise to greater economic welfare losses than gains. As a result of these perceived limitations on the ability of Government to "fine-tune" the economy, there have been a number of major changes in the approach to policy in New Zealand over the last year or so (i.e. since mid-1984). In particular, there is now a greater concentration on medium term objectives, rather than on short term objectives. Considerable emphasis is now placed on the philosophy that improved economic and social equity is likely to be promoted most satisfactorily against the background of improved economic efficiency since this is seen as a prerequisite for sustainable economic growth. To this end, the extent and nature of Government interventions in the economy have come under increasing scrutiny with a view to reducing market rigidities and encouraging flexibility. This in turn should ensure that appropriate and clear signals are given to producers and consumers.

The recent policy changes embody a rejection of short term fine-tuning in financial policies as it is recognised that the process of structural adjustment is a time consuming one involving lengthy lags. Thus, a medium term perspective with respect to the conventional macroeconomic policy instruments is needed.

The role of monetary policy under this approach is aimed in the medium term at achieving suitably moderate and steady rates of growth in the major monetary aggregates. This is directed ultimately at the inflation rate, as control over the monetary aggregates is seen as a prerequisite for a lower, more stable rate of inflation. In the short term, the Bank's financial policies are aimed at managing seasonal and other short term fluctuations in the liquid reserves of the financial sector, subject to the overriding need for short term liquidity management policy to underpin or reinforce the medium term monetary policy stance. Short term management therefore does not take an independent role of seeking to guarantee the availability of liquid reserves at a predetermined cost — the ultimate availability of liquid reserves is guaranteed but the cost may vary considerably depending on the circumstances.

Monetary Policy

As noted, the principal instrument of the Government's medium term monetary policy is the public debt sales programme, while short term fluctuations in the liquid reserves of the financial system are addressed through the Bank's liquidity management policy. The latter involves mainly Treasury bill tenders and open market operations.

The various tools of monetary policy are discussed in detail below. Direct controls on financial institutions are also considered. These were used extensively in the past but have been largely abandoned with the recent policy changes.

Public Debt Policy

Public debt policy relates to the desire to finance the Government's deficit in a non-inflationary manner and is generally achieved by the Government competing for its loan funds on the open market. The major advantage of this approach to debt financing is that, in the context of a flexible interest rate policy, it influences the savings and lending decisions of the private sector directly, in a generalised and non-discriminatory manner, and without the need to resort to official controls and directives. Public debt policy is thus in keeping with the objective of fostering a competitive and efficient financial sector.

The first significant moves to a more active use of public debt policy took place nearly a decade ago following a number of reforms to the financial system in 1976. The most important reform was the partial freeing of interest rates from official control, as interest rate flexibility is seen as an important prerequisite to the operation of an effective public debt policy. However, the partial nature of the reforms, and a lack of willingness to accept the interest rate effects of an active public debt policy (later reflected in direct attempts by the Government to constrain the level of interest rates), led to a gradual erosion in the effectiveness of these policies. Increased reliance came to be placed on direct controls in the effort to simultaneously limit money and credit aggregate growth rates and interest rates.

The policy changes which followed the 1984 snap election included a return to an active public debt policy. The current policy aims to fully fund the Government's deficit (as well as any injections resulting from Reserve Bank transactions with the private sector and maturities of existing government debt) with sales of medium to long term government securities. This approach directly limits the growth in the liquid reserves of financial institutions; has pervasive effects on savings, consumption, lending and borrowing decisions in the private sector through interest rate and credit availability effects; and to the extent that the private sector is persuaded to hold government debt instead of deposits with financial institutions it directly reduces the growth of monetary aggregates.

The public debt programme involves the sale of debt instruments (i.e. government securities) to both the retail market (small investors) and the wholesale market (large investors, mainly financial institutions) although the majority of sales are to the latter group. Sales to the wholesale market are achieved through regular stock tenders — about ten of which are held each year. Under the tender system the authorities set the quantity of debt they wish to sell while allowing the interest rate to be determined competitively in the marketplace. The use of the tender technique for selling government debt rather than the earlier tap loan or cash loan techniques (in which the interest rate was predetermined and the quantity sold varied according to market preferences) is consistent with the active use of public debt policy with
specific debt sales targets (i.e. ‘fully funding’).

Medium to long term debt sales (typically between 5 and 10 years to maturity in recent tenders) are used in order to reduce the liquidity of the financial system. Financial institutions require contingency balances of liquidity reserves over and above their balances on their balance sheets which stem from the financial transactions of their customers. To the extent that these liquid reserves are squeezed by the public debt sales programme a change in institutions’ behaviour with regard to lending will eventually be forced. For the financial system as a whole, the assets which represent liquid reserves are those which can be turned into cash or deposits at the Reserve Bank at reasonable cost. The Bank therefore reinforces the public debt policy by only discounting on demand stock with six months or less to maturity. Thus to the extent that financial institutions exchange liquid reserves for long-dated stock this reduces the liquidity of the financial system and inhibits the ability of financial institutions to expand the money supply through the creation of credit.

**Liquidity Management Policy**

As explained above, the current public debt policy aims to offset the net liquidity injection arising from public sector transactions with the private sector. This implies a relatively stable level of liquid reserves (termed primary liquidity) on average from year to year. Within any year, however, the level of primary liquidity will vary considerably reflecting the uneven nature of liquidity injections and withdrawals arising from net public sector transactions, and in particular the large net withdrawals on account of tax payments in March and September each year. Moreover, these fluctuations are not confined to the tax flow months as considerable variation in liquidity influences is evident on a day to day and week to week basis. The objective of liquidity management is to smooth the impact of these seasonal influences in a manner consistent with the efficient operation of the financial system and subject to the overall stance of monetary policy.

The liquidity management package comprises a range of instruments designed to provide the means of achieving this objective. The instruments are:

- weekly Treasury bill tenders
- Reserve Bank open market operations
- the availability and price of Reserve Bank credit through on demand discounting of government securities (or potentially other mechanisms)
- the interest rate on cash balances held with the Reserve Bank by those financial institutions involved in settlement with the Reserve Bank.

Because the level of primary liquidity varies widely over the course of a year, and because the range of assets within primary liquidity do not possess identical degrees of liquidity (cash is more ‘liquid’ than a Treasury bill with five months to maturity because of the cost involved in exchanging the bill for cash), liquidity management is primary concerned with managing the composition of primary liquidity through the year. In general, liquidity management policy attempts to avoid situations where large volumes of cash

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1 Primary liquidity is defined as cash deposits of the financial system at the Reserve Bank and transferable government securities with less than six months to maturity.

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The sale of Treasury bills at times of excess cash holdings such that those bills mature at the time of drains of cash from the system is thus a dominant feature of the liquidity management policy.

However, the significant variability in liquidity influences on a day-to-day basis cannot always be adequately accommodated through Treasury bill tenders alone. In this context, open market operations afford the Bank an added degree of flexibility in moderating the impact of temporary short term liquidity fluctuations. Open market operations by the Bank may involve either purchases or sales (or both) of short dated (i.e. discountable on demand) government securities, longer government securities, and private sector securities, depending on whether the intention is to alter the composition of primary liquidity or the level of primary liquidity itself. The nature, extent and timing of these operations will depend on current market conditions and forecast liquidity flows over the very short term future.

Since 24 December 1984, the Reserve Bank has limited its willingness to purchase on demand government securities to those with less than six months to maturity. The purpose of retaining this discount window even if on a more limited basis than previously is to provide a liquidity safety valve for financial institutions. However, it is not intended to function as a point of first recourse for individual institutions facing liquidity constraints at any particular time. To ensure this, the Bank imposes a penalty margin (currently 1 per cent) across the discount yield curve thereby increasing the costs associated with discounting. This is intended to encourage institutions to manage their own liquid reserves and asset/liability portfolios in such a manner as to avoid the need to discount securities with the Reserve Bank, and therefore to avoid the costs associated with such a course of action.

Those financial institutions involved in the settlement process, i.e. those through whom liquidity flows to and from the public sector are ultimately channelled, will often hold a positive level of cash balances in their Reserve Bank accounts at the end of each working day. Since January 1985 the Reserve Bank has paid interest on these balances, at a rate of 5 per cent per annum. The interest rate attaching to these balances influences directly the demand for cash balances relative to other assets within primary liquidity, and to a lesser extent for primary liquidity itself.

**Direct Controls**

For most of the fifty years prior to 1984 the New Zealand financial sector had been subject to an extensive framework of controls which restricted the spheres of activity financial institutions could operate in, the volume of funds institutions could borrow or lend, the types of borrower and the purposes for which loans could be made and the rates at which institutions could borrow and lend. For much of this period, such controls constituted the primary instruments of monetary policy.

Starting in July 1984, the Government moved over a period of several months to remove virtually all direct
controls over the operations of financial institutions. These included all controls on lending and borrowing interest rates, public sector security ratios applied to the trading banks and other financial institutions, and quantitative and qualitative guidelines on lending growth by financial institutions.

The recent measures to deregulate financial institutions embody a recognition that the increasing sophistication and integration of the financial sector had rendered direct controls increasingly ineffective as an instrument of monetary control. Moreover, direct controls tend to lead to serious distortions in the direction of financial flows and to inefficient use of resources in the financial sector generally. Market-based controls such as public debt policy on the other hand provide the potential for the Government to exert considerable influence over monetary conditions in the economy generally whilst leaving the private sector free to compete for available resources and adapt to changing conditions.

Although very little use is now made of direct controls, the power to use them remains.

Other Functions

Beyond the general exercise of monetary policy, details of some of the other functions of the Bank are given below.

Exchange Rate Policy and Foreign Exchange Dealings

Since the floating of the New Zealand dollar in March 1985, the Reserve Bank’s role in the foreign exchange market has changed substantially. Before the float, the exchange rate was set by the Reserve Bank in relation to a trade weighted basket of currencies. The Bank effected this by establishing buy and sell rates for United States dollars (based on the market prices of other basket currencies) and by standing in the market ready to buy or sell the quantity of foreign exchange necessary to defend the rate.

Under the floating exchange rate system, exchange rates are no longer set by the Reserve Bank, but instead are determined by the forces of demand and supply in the foreign exchange market operated by the authorised foreign exchange dealers. The Reserve Bank’s activity in the market is now largely confined to meeting the Government’s overseas current account payments, and to a more limited extent market testing. Although the Bank reserves the right to intervene to influence the exchange rate in cases of undue market volatility, it does not expect to exercise that right normally, and would not attempt to influence the underlying direction of exchange rate movements by direct foreign exchange market intervention.

As an extension of the monitoring function, the Bank has a supervisory role in the foreign exchange market, ensuring that foreign exchange market as a whole operates in a satisfactory manner. The Reserve Bank is responsible for the authorisation of foreign exchange dealers.

Economic Research and Analysis

In order to be able to offer sound economic advice to Government and carry out its various functions, it is essential that the Bank should have as full a knowledge as possible of what is actually happening in the economy, what is likely to happen in the future and the ability to interpret this information so that advice on policy, and in particular monetary and exchange rate policy, can be given to Government. Thus, the Bank collects and analyses a wide range of financial and economic statistics. Financial statistics are collected from the major financial institutions including the trading banks, the savings banks, finance companies, stock and station agents, insurance companies and building societies. Overseas exchange transactions (OET) data record foreign exchange transactions at the time they occur, and provide a cash-based measure of New Zealand’s balance of payments. Other information from various sources is also analysed, with the bulk of data on domestic economic developments coming from the Department of Statistics.

Regular forecasts of the economy, for up to one or two years ahead, with particular attention given to monetary and external developments, are prepared to provide a broad framework for assisting with the assessment and implementation of policy. Policy papers, based on the analysis and forecasts of the various departments in the Bank, are prepared for consideration by either the Bank’s officials, the board of directors or the Minister of Finance.

In addition to policy analysis, the Research Section of the Economic Department undertakes research into the economy and maintains an econometric model of the New Zealand economy. For some time now the model has been in regular use for forecasting and policy analysis. This is a computer-based set of mathematical equations which is designed to help improve the understanding of the nature of the inter-relationships between various kinds of economic activity. For example, a model might help to answer such questions as the extent to which consumer spending and imports may increase as a result of a rise in incomes, or the impact that a specified change in Government expenditure or the money supply may have on economic activity.

The Research Section is involved in other research work as well. In many instances the results have been published either as Reserve Bank Research Papers or articles in various publications, including the Bank’s monthly Bulletin. Recent examples include an analysis of wage inflation in New Zealand which was published as a Research Paper in November 1982, and research examining savings in New Zealand during inflationary times, published in May 1984, again as a Research Paper.

The Research and Policy Section of the International Department is also engaged in a range of research activities. These include the study of matters such as the foreign exchange market, exchange rate regimes, external adjustment issues and reserves management.

The Bank maintains contacts with overseas financial organisations such as the IMF, the OECD and the IBRD (World Bank) exchanging and filing a wide range of economic information. Through these contacts, the Bank is kept well informed of international economic developments, both general and country-specific.

As well as producing research findings and explanatory articles, the Bank publishes a wide range of statistical information in its monthly Bulletin and weekly statistical release. Other major publications in recent years include two books — one on monetary
policy and the other on external economic issues. Information and views are also disseminated through speeches and newspaper articles by the Governors and other officers. These provide a useful channel for increasing public understanding of the significance of monetary and external developments and for explaining the aims of various monetary measures. The Bank's Annual Report, which is a formal report from the Directors of the Bank to the Minister of Finance, as well as describing developments over the year concerned, allows the Bank to state its views on policy issues and institutional developments.

Banking Functions

As its name suggests, the Reserve Bank has a number of banking functions. The Banking Office in the Banking and Currency Department is similar to that of a trading bank, with tellers, machines and customers, though the last are not generally members of the public.

The Reserve Bank is banker to the Government and provides services similar to those provided by the trading banks to their customers. All tax receipts are paid into the Public Account at the Bank, and all expenditure on such things as social services and capital works are funded out of this account. In addition, the Bank acts as banker for various Government trading organisations, such as the Post Office.

The trading banks hold accounts at the Reserve Bank to enable them to settle among themselves, as well as with the Government and the Reserve Bank, balances due as a result of their customers' transactions.

Management of the Note and Coin Issue

Notes are supplied to the public in response to the demand for them. They form only a small part of the narrowly defined money supply (M1) — about one-fifth — so the level is not of great significance from an overall monetary or economic point of view. On the other hand, since the public's demand for notes does fluctuate in response to both seasonal and general economic influences, adequate supplies must always be on hand.

As for coins, the Bank issues these as agent for the Treasury. This distinction between note and coin issues is mainly the result of historical accident. The issue of coin and the taking of the profit on it has always been the prerogative of the Crown. However, bank notes were first issued by the forerunners of the banks, such as the goldsmiths of London, and in most countries with developed banking systems notes continued to be issued by the trading banks until central banks took over this function. This was the case in New Zealand, and now just over one-fifth of the Bank's total staff of about 570 is engaged on the note and coin side. These functions are handled within the Banking and Currency Department.

Management of Overseas Reserves

One of the primary functions ascribed to the Reserve Bank under its Act is "to endeavour, within the limits of its powers, to maintain ... an adequate level of overseas exchange reserves".

However, while the Reserve Bank is the statutory holder of the nation's overseas reserves, foreign currency assets have been held by both the Reserve Bank and the Treasury. The Reserve Bank holds the short term, relatively liquid securities, while Treasury holds the longer term securities. The Reserve Bank is responsible for investing its holding of reserves in secure instruments, in a portfolio that maximises the rate of return but which gives highest priority to maintaining liquidity and convertibility.

Management of the Public and Local Authority Debt

The Bank is empowered to keep registers of stock on behalf of the Government of New Zealand or any local authority or public body in New Zealand; and with the prior consent of the Minister of Finance, for any overseas government, authority or public body.

This function, which is a major part of the work of the Registry Department, includes organising the flotation of loans for the Government raised by public subscription, the registration of transfers, the payment of interest and attending to the various matters required in the maintenance of the registers. The securities registered include ordinary government and local authority stock, Kiwi Savings Stock, Treasury Bills, Government Premium Stock, Inflation Adjusted Savings Bonds and various stocks and bonds issued in New Zealand by the Dairy Board and the Western Samoan Government. At the end of April 1985 the registers included 191,500 holders with 438,634 holdings.

The Bank also plays an important role in advising the Government on the terms of its public issues.

Overseas Investment in New Zealand

In 1973, Parliament passed the Overseas Investment Act, which established the Overseas Investment Commission. The Commission's functions are to administer the Act and the Overseas Investment Regulations 1974 in accordance with government policy and to advise the Government on all matters relating to overseas investment in New Zealand. It comprises five members: two members are appointed from the private sector (one of whom is Chairman) and there are three ex officio members (comprising the Secretary to the Treasury, the Secretary of Trade and Industry and the Governor of the Reserve Bank).

Although autonomous, the Overseas Investment Commission works closely with Government, particularly the Reserve Bank and the Department of Trade and Industry. Under the provisions of the Overseas Investment Act, the Reserve Bank is required to provide 'such secretarial and clerical services as may be necessary to enable the Commission to discharge its functions'.

The Commission operates under powers delegated by the Minister of Finance and considers applications which require consent under the Overseas Investment Regulations 1974. Under the provisions of these regulations individuals resident overseas, companies based overseas or any New Zealand registered company which has 25 per cent or more of any class of shares held overseas, require consent to carry on business in New Zealand, takeover an existing company or purchase assets used in carrying on a business, where the assets are valued at more than $500,000.
Exchange Control

New Zealand has had some form of exchange control since 1938, when the first exchange control regulations were introduced. Over the last decade or so these controls have been progressively eased, with the controls being primarily focussed on restraining outward capital remittances by New Zealand residents. On 21 December 1984, almost all the remaining controls were removed, leaving only the residual requirements that transactions be conducted through authorised foreign exchange dealers and that data on transactions and dealers’ foreign currency exposures be reported to the Bank for the purposes of compiling OET data and providing adequate prudential supervision.

Reflecting these changes, the Reserve Bank’s role has changed considerably. Prior to December 1984, the Bank was required to administer the regulations, which involved the consideration of applications for overseas investment by New Zealand residents and the holding of scrip of overseas securities. Following the relaxation of the regulations, these functions have been removed. With no prior approval of transactions necessary, most recent activity related to the Exchange Control Regulations has related to the authorisation of new foreign exchange dealers and the winding up of the previous set of regulations.

Structure of the Reserve Bank

Despite the increasing range and complexity of its functions and responsibilities, the organisational structure of the Bank survived until recently largely unchanged from its early years. In 1984, however, the Bank undertook a significant restructuring of its organisation. The number of departments was increased with some rearrangement of functions and responsibilities.

The Bank is organised into eight departments under a Governor and Deputy Governor appointed by the Governor General in Council. Overall responsibility is vested in a Board of Directors (which includes the two Governors) also appointed by the Governor General in Council.

1. The Economic Department is responsible for economic analysis and forecasting, research and the overall formulation and co-ordination of monetary policy. It is also responsible for the production of the Bank’s publications and administration of the Library. The department maintains the Bank’s econometric model of the New Zealand economy which is used for forecasting and research.

2. The International Department brings together all aspects of external operations and policy, including matters relating to overseas reserves and investment management, supervision of the foreign exchange market, foreign exchange dealings, exchange rate policy, and liaison with overseas financial institutions and international organisations. It also undertakes economic analysis and research into matters pertaining to foreign exchange and international trade and prepares forecasts of likely external developments. To this end the department collects and processes a substantial quantity of data relating to the external sector. The department also provides the secretariat for the Overseas Investment Commission.

3. The Financial Markets Department has oversight of liquidity management policy, and is responsible for the overall implementation of monetary policy. This includes the running of Government stock and Treasury bill tenders and open market operations. The department is also responsible for prudential supervision of financial institutions and for policy relating to financial institutions in general. Numerous statistical returns on the activities of financial institutions, the capital markets and the corporate sector are obtained for analysis and publication.

4. The Registry Department is responsible for the registration of government securities and local authority stock.

5. The Corporate Services Department is responsible for the internal administration of the Bank — its accounting systems and financial reports, personnel, premises and purchasing. It also provides secretarial services for the Bank’s Governors and Board of Directors.

6. The Banking and Currency Department is responsible for banking operations, the management of the note and coin issue, and security.

7. The Computer Services Department is responsible for maintaining and developing the Bank’s computer facilities.

8. The Internal Audit Department is responsible for checking and reviewing the Bank’s systems and operational procedures, and ensuring they are carried out in accordance with Bank policy.

The Bank’s branches in Auckland and Christchurch carry out functions in relation to the registration of Government and local authority stock. In addition, the branches maintain currency depots and provide a general liaison service with head office.

Conclusion

The functions of the Reserve Bank are clearly many and varied. While they involve a genuine mixture of administrative tasks and policy formulation, this article has concentrated on providing relatively more detail on the policy side of the Bank’s operations. The Bank has recently undergone a number of changes with respect to its organisational structure and the policies it pursues. It is anticipated that the recent policy changes will result in a more efficient financial sector and assist in improving the overall performance of the economy.