

**FOR  
INFORMATION**

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June 26, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **The Central Bank Transparency Code—Staff Proposal—Statement by  
the European Central Bank Representative**

Board Action: Executive Directors' **information**

Additional Information: For the Executive Board discussion on the Central Bank  
Transparency Code—Staff Proposal to be held on Thursday,  
July 2, 2020.



26 June 2020

**Statement by Rasmus Ruffer (ECB Representative) and Dimitrios Rakitzis (Advisor) on  
the Central Bank Transparency Code–Staff Proposal**

**(Preliminary)**

**IMF Executive Board Meeting**

02 July 2020

*Over recent years, the role of central banks has evolved and the diversity and complexity of their operational toolkits increased, reflecting in part the need to deal with a number of extraordinary shocks. In order to fulfil their mandates, central banks adopted a number of monetary policy measures taken both from within and outside their standard toolkits. As a result, they have been subject to close attention and increased scrutiny, in line with the necessity for independent authorities to be held accountable by democratically elected bodies. Against this background, the IMF’s Central Bank Transparency Code (CBT) can be a useful tool for central banks to guide their transparency practices as they pursue their objectives within an operationally and institutionally more complex environment. We appreciate the extensive outreach efforts made by Staff in the preparation of the Code and would like to highlight the following points.*

Voluntary nature

**We welcome the emphasis that the note rightly puts on the fact that the CBT is voluntary in nature.** We note that paragraph 11 in the introduction underlines the voluntary nature of the CBT, and expect that it will be an important benchmark to help central banks assess their transparency frameworks. For the CBT to adhere to this voluntary nature in letter as much as in spirit, it is therefore important that wordings such as “apply”, “should be applied to” – in particular as can be found in paragraphs 5 and 12 of the Introduction to the CBT – not be misunderstood as suggesting a legally relevant or even binding nature of the document.

Practice Labels

**We consider the revised practice labels, as proposed by IMF Staff, to be an agreeable compromise.** Relabelling the practices into “core, expanded and comprehensive” achieves a pragmatic balance of providing a neutral maturity scale to guide central banks in mapping and assessing the evolution of their transparency frameworks, while limiting possible perceptions of rating, grading and ranking.

## Legal framework and currency unions

**We concur that the degree of a central bank's transparency is shaped by its legal framework which could be stressed systematically throughout the Code.** Unless the Code aims to assess the transparency principles underlying the legal framework applicable to a central bank, transparency standards should be formulated and employed in such a way as to take into account the limits of what is possible under the relevant legal framework. In that respect, we welcome that the CBT notes that *the degree of a central bank's transparency is shaped by its legal framework and central banks may be subject to domestic legal and regulatory frameworks that restrict their ability to be transparent about specific information.* This legal and regulatory context could be usefully stressed throughout the document to make clear that publication or disclosure of information is not always at the discretion of the central bank (e.g. points 7 and 10 of the introduction).

**In this context, it is important that the Code also expressly take into account legal and transparency features specific to currency unions.** We welcome provisions in the CBT regarding the fact that membership in a currency union might make central banks subject to additional information-sharing agreements. More generally, it is important that the CBT, both in its formulation and concrete application, recognizes the specificities of the legal frameworks applying to central banks that are part of currency unions. This would also be in line with feedback on currency union features put forward by several respondents during the CBT survey in March 2020.

**Any transparency gains from the publication of voting behavior should be carefully weighed against legal and institutional independence considerations.** We note that a new feature under the “comprehensive” practice on monetary policy decisions has been introduced regarding the publication of decision-makers' voting behaviour (page 42). In that respect, it is important to recognise that decisions can be taken in ways other than by voting (notably by consensus) and that the publication of voting behaviour has to be carefully considered. The latter is particularly relevant in the context of currency unions and the Code needs to recognise the important trade-offs involved when specifying best practices without being overly prescriptive. Moreover, the publication of decision-makers' voting behaviour is another example where the specific legal framework of a central bank might define limits that are not at the discretion of the central bank, as it is the case for the Eurosystem regarding the confidentiality of the proceedings of the meetings of the ECB Governing Council (Article 10.4 ESCB Statute). The reason for the confidentiality requirement is due to the institutional framework of the euro area as a currency area: the discretion is intended in particular to protect national central bank governors from national influence so that they can make decisions independently of public opinion in their home country and in the interests of the entire euro area.

## Transparency and Confidentiality

**A benchmark for central bank transparency cannot be set in isolation of the legal framework and constraints regarding confidentiality and professional secrecy.** The CBT acknowledges that there are many central bank activities where there are legitimate needs for confidentiality. In this context, we have noted point 10a in the introduction to the Code which reads *‘Transparency requirements throughout the CBT are qualified for market sensitive information, financial stability considerations, and personal data’*. In order to cover the whole spectrum of confidentiality reasons set by the different legal frameworks (e.g. Public Access Regimes/Freedom of Information Laws) a broader definition of qualified confidentiality reasons might be considered which would also cover inter alia monetary policy considerations, third party business secrets or international financial, monetary or economic relations as well as internal AML/CFT regulations and controls. Therefore, it would be preferable to speak more broadly of “sensitive information”. This would also be in line with the current wording in the rest of the CBT (see e.g. 1.8 Confidentiality).

**We agree with Staff on the need to maintain confidentiality under certain circumstances and believe this should be reflected consistently across policy areas in the Code.** Point 10 of the CBT introduction expands in terms of areas where confidentiality is warranted, mentioning that *“Confidentiality is particularly pertinent in key areas, including foreign exchange interventions, reserve management, supervisory decisions on individual institutions, and emergency liquidity assistance. The CBT recognizes that a diversity of transparency practices across jurisdictions reflect different legal, structural, and cultural backgrounds”*. In order to avoid that this statement regarding legitimate confidentiality concerns remains mostly declaratory, it would be useful to more consistently and explicitly apply it to the design of transparency in all policy areas.