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**Statement by Mr. Villar, Mr. Guerra, Mr. Moreno, Ms. Arevalo Arroyo, and Mr. Montero on The Central Bank Transparency Code - Staff Proposal
(Preliminary)
Executive Board Meeting
July 2, 2020**

We thank staff for the proposal on the Central Bank Transparency Code (CBT) and their extensive engagement with relevant stakeholders, in particular with central banks and monetary authorities, and with the Executive Board. We welcome the valuable insights provided by the High-level Advisory Panel (AP) that shaped the outcome. Throughout the process, our chair and its central banks have provided detailed comments, so we will now add the following remarks for emphasis.

We support the view that transparency is a key component of the central banks' accountability frameworks and thus of their necessary degree of autonomy. Given the changing policy environment, the update of the Monetary and Financial Policies Transparency Code (MFPT) with CBT was both overdue and warranted. Since the Global Financing Crisis, and now in light of the COVID-19 pandemic, central banking and monetary policy have evolved and become more sophisticated in order to address the unprecedented challenges posed by these crises, including with the implementation of unconventional measures. Central banks have thus become more scrutinized and are held accountable in line with requirements of independent bodies. Against this backdrop, the CBT objectives become more relevant.

We broadly agree with the CBT proposal and the five pillars. We share staff's stated purposes to enhance the relevance of this Fund transparency standard, to avoid overlap with other well-established transparency standards of financial policy, to include new areas of influence of monetary policy and the broadening of central bank mandates post GFC, as well as to facilitate risk-based assessments to support policy objectives.

We strongly welcome that the focus of the principles that guide CBT is solely on central banks and consider the diversity of their institutional arrangements and governance frameworks in

which they operate and execute their mandates. We take positive note of the emphasis placed on the fact that CBT is **voluntary in nature** and we expect that it will be an important benchmark to help central banks assess their transparency frameworks. **Considering country specific circumstances is key to make the code relevant to all countries.** In this regard, we welcome that CBT accounts for the diverse political and legal realities of the membership, including those derived from belonging to a monetary union. We support that CBT was designed mindful to avoid the perception that its function is similar to a ranking tool, since it cannot straightforward compare the different governance arrangements given central banks' heterogeneous circumstances. In this vein, **we welcome the revision of the practice labels**, as requested by the Executive Board. This provides for a more nuanced scale that contributes to better mapping transparency frameworks.

We welcome the focus of the Code on evaluating the degree of transparency of the institutional setup rather than assessing its adequacy. We strongly welcome that the CBT is not geared to pass judgement on the adequacy of existing institutional arrangements, but rather to evaluate the degree of transparency that underpins those choices.

Balance between compliance of transparency standards and policy and operational effectiveness should be pursued while exercising flexibility according to countries' circumstances and legal frameworks. While we acknowledge that central bank transparency has been conducive to a more effective monetary policy and accountability in the past years, we also believe that, at the domestic level and in the case of currency unions or other international obligations, countries circumstances, legal frameworks and confidentiality considerations highlight the limits to the degree of transparency. In this regard, we are of the view that CBT should strive not to become a checking box exercise but instead consider the substance of compliance.

Additionally, we uphold the believe that balance between transparency and confidentiality is important in order to ensure the effectiveness of monetary policy. We note CBT strives to strike this balance and agree with the two-pronged approach. We also take positive note that input from AP contributed in this regard.

Of particular concern is the publication of decision-makers' voting behavior. This is especially relevant in the context of currency unions. The Code needs to recognize the important trade-offs involved when specifying best practices without being overly prescriptive. This is critical in the case of the euro area, as discretion is intended 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.

Implementation of the Central Bank Transparency Code

We welcome the view of CBT as a potential diagnostic blueprint to achieve better tailored, focused capacity development to Central Banks. The voluntary assessment provides a good

opportunity for central banks and the Fund to effectively engage in focused technical assistance aimed at efficient implementation planning and monitoring of the efforts.

We fully support the outlined pilot assessment but consider that given the current circumstances, its deployment might need to be deferred to a later phase. We also agree that the outcomes be presented to the Board in an aggregate manner and that the takeaways of this exercise may contribute to the establishment of a guidance note. However, given that surveillance activities have been postponed, that requirements for safeguards assessments of central banks have increased, and that Fund resources are constrained, we wonder if it would be desirable to temporarily delay this useful exercise to at least a phase in which a broader share of the membership is on the stabilization phase.

Finally, the outreach with other international organizations and central banks should continue when the implementation phase is kickstarted. As it has been useful in the design phase of the Code, we consider that continued collaboration with central banks, other international organizations, such as the Bank for International Settlements, and regional monetary fora such as CEMLA, could be also useful in sharing experiences and insights in this process, and in promoting the voluntary assessment across the membership.