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CONFIDENTIAL

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**Statement by Mr. Ray, Ms. Park, and Mr. Yoo on The Central Bank Transparency Code
- Staff Proposal
(Preliminary)
Executive Board Meeting
July 2, 2020**

We thank staff for the useful paper and engagement with our authorities and the Board on the development of the Central Bank Transparency Code. We support the IMF promoting central bank transparency through the new Code. Transparency facilitates a central bank's accountability, and together with sound communication strategies, can also increase the effectiveness of various central bank policies and operations by promoting a better understanding of those decisions in the community.

We broadly support the principles underlying the Code and welcome the revisions to the Code in response to stakeholder feedback. We continue to stress that, as the introduction to the Code notes, transparency is not an end in itself; rather, it is a tool to enhance accountability and increase policy effectiveness. More disclosure does not necessarily improve policy effectiveness and there can be trade-offs between transparency and effectiveness. In this respect, we welcome the Code's recognition of a legitimate need for confidentiality in the context of market sensitive information, financial stability considerations, and personal data. Central banks may need to balance transparency against the potential for constraints on future policy choices or adverse market reactions, particularly in the current fast changing highly uncertain environment. As an example, there may be a need for caution in information disclosure related to foreign exchange (FX) intervention or of its own assessment of FX reserves adequacy to avoid speculative transactions by some market participants where financial markets are not deep enough.

The Code and guidance note should make clear that each central bank chooses an optimal degree of transparency, given country circumstances such as its institutional environment and financial market development. The Code is not intended to be a tool for transparency ranking of central banks. We also underscore the voluntary nature of the Code

and that assessments should take into account differences in mandates, functions, governance frameworks and institutional arrangements with respect to central banking.

To ensure that the Code fosters constructive discussions and is a useful tool for capacity building, next steps should include developing guidance that expands on *how* transparency facilitates policy effectiveness and accountability. The Code primarily comprises a list of disclosure requirements, which would be usefully supplemented by more information on the potential costs and benefits of transparency practices for each principle. This might include how each disclosure contributes to policy effectiveness and/or accountability, and the trade-offs associated with increasing the degree of transparency within each item – noting that these could differ between countries.

Pilot assessments should be on a strictly voluntary basis and should not detract from the need for IMF surveillance activities to be tightly targeted on the crisis response and recovery in the near term. It will be valuable for the development of the guidance notes and templates to be informed by the current crisis period, which has seen greater use of unconventional tools and emphasized the role of clear communication in maintaining public trust and policy effectiveness. From this perspective, there may be merit in a longer pilot period. *Could staff provide more information on the planned modalities for the pilot assessments?*