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**Statement by Ms. Levonian, Ms. McKiernan, and Ms. Vasishtha on The Central Bank
Transparency Code - Staff Proposal
(Preliminary)
Executive Board Meeting
July 2, 2020**

We thank staff for the revised Central Bank Transparency Code (CBT) and continue to strongly support efforts to promote central bank transparency – an essential element of an effective monetary policy framework. This Code will 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 commend staff for the rigorous approach taken in developing the Code, centered around close consultations with the Board as well as extensive engagement with central banks and the external advisory panel.

The CBT will enable central banks to better assess their transparency frameworks and improve communication with their key audiences, in turn contributing to policy effectiveness. The Code rightly acknowledges that central bank transparency is not an end in itself and that transparency needs to be balanced against the legitimate need for confidentiality, while accounting for country-specific circumstances, including legal and financial stability considerations. We welcome the emphasis that the note rightly puts on the fact that the CBT is voluntary in nature. We also welcome the fact that the CBT will not provide a central bank governance framework and is not a means to assess the governance of central banks.

We consider the revised practice labels - “Core, Expanded and Comprehensive” - to be an agreeable compromise that achieves a pragmatic balance of a neutral maturity scale to guide central banks, while limiting possible perceptions of rating, grading, and ranking.

In what follows, we outline some considerations for staff as the CBT is finalized and put into use.

Strengthening the links between the Fund’s work on standards and codes and other lines of work, including capacity development and surveillance, is crucial. The 2017 Review of the Standards and Codes Initiative (RSCI) found that the link between standards and codes output and bilateral surveillance had weakened, outside of FSAPs. In this context, we appreciate staff’s efforts to outline the relationship between the proposed CBT and surveillance and capacity development activities. We encourage staff to consider further strengthening these links as they look towards implementing the CBT and developing a guidance note for staff.

In line with the focus on country-specific considerations, the CBT could benefit from a brief discussion on potential “inhibitors” to the CBT’s effectiveness. Such “inhibitors” could include low levels of financial literacy and/or insufficient market appetite for information disclosures. More specifically, there may be instances where the cost of providing disclosures (e.g., time to prepare disclosures and make them accessible to the public) could outweigh the benefits of such disclosures (i.e., the extent to which market participants access and use the information). The Code may address these “inhibitors” for the benefit of a central bank that is considering transitioning from a “core” to “comprehensive” transparency framework.

While we recognize the value of conducting voluntary pilot assessments of the CBT, we are not convinced that this should be given priority in the current economic conjuncture. Given the uncertainty around the duration and depth of the pandemic and the associated resource constraints facing country authorities and Fund staff, a cautious approach is needed with priority first being given to resuming normal bilateral surveillance activities focusing on policies for crisis management and recovery. *Further details on the modalities of the pilot assessments would be welcome. Also, what would be the potential resource implications of the four to six pilot reviews envisaged over the next two years?*

Transparency standards should be formulated and applied in a way that takes into account the limits of what is possible under the relevant legal framework. In this respect, we welcome that the CBT acknowledges 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.

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.