Supporting Document to the *Code of Good Practices on Transparency in Monetary and Financial Policies*

**Part 1—Introduction**

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Monetary and Exchange Affairs Department

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Supporting Document to the *Code of Good Practices on Transparency in Monetary and Financial Policies*

**INTRODUCTION**

**A. Background and Development of the Supporting Document**

Development of the *Code of Good Practices on Transparency in Monetary and Financial Policies*

1. *The Code of Good Practices on Transparency on Monetary and Financial Policies: Declaration of Principles*\(^1\) was developed in the context of the development of standards and codes for public disclosure and transparency practices designed to strengthen the international monetary and financial system.\(^2\) Calls for greater transparency extend across a wide spectrum—to commercial banks, securities and insurance firms, and other institutions and participants in financial markets, to governments and their policies, and to multinational institutions, including the International Monetary Fund. The adoption of the *MFP Transparency Code*, therefore, is part of a larger focus on transparency.

2. The objective of the *MFP Transparency Code* is to improve transparency of the objectives and operational processes governing monetary and financial policies. The underlying rationale and main elements of the *MFP Transparency Code*, including the benefits and limitations of transparency for monetary and financial policies, are discussed in more detail in the Introduction to the *MFP Transparency Code*.\(^3\)

3. For purposes of the *MFP Transparency Code*, transparency for central banks and financial agencies refers to an environment in which the objectives of monetary and financial policies, their legal, institutional, and policy framework, monetary and financial policy decisions and their rationale, data and information related to these policies, and the terms of central bank and financial agencies accountability are provided to the public in a comprehensible, accessible, and timely manner. The transparency practices listed in the *MFP Transparency Code* focus on: (1) clarity of roles, responsibilities and objectives of central

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\(^1\) Henceforth the Code will be referred to as the *MFP Transparency Code*.


\(^3\) See Appendix I for text of the *MFP Transparency Code*. 
banks and financial agencies; (2) the process of formulating and reporting of monetary policy decisions by the central bank and of financial policies by financial agencies; (3) public availability of information on monetary and financial policies; and (4) accountability and assurances of integrity by the central bank and financial agencies. The public refers to those entities with an interest in the design and implementation of monetary and financial policies.

**Implementation of the MFP Transparency Code**

4. The various internationally developed codes and standards of good practices in the economic and financial spheres, including the *MFP Transparency Code*, are voluntary. These codes and standards are consensus documents directed at countries and institutions with significant diversity in institutional arrangements, market structures, and legal frameworks. Adoption of these codes, therefore, requires adaptation to individual country circumstances, taking into account the benefits and limitations of transparency that could be affected by specific policy and institutional circumstances.

5. On September 26, 1999, the Interim Committee of the Board of Governors of the International Monetary Fund4 adopted the *MFP Transparency Code*. In the Communiqué, the Committee “urges all [Fund] members to implement the Code…” To make the *MFP Transparency Code* operational, the Interim Committee in its Communiqué of April 27, 1999 charged the Fund “…to proceed promptly in preparing, in cooperation with appropriate institutions, a supporting document to the Code.” Since mid-1999, Fund staff, in cooperation with international organizations and others, has been engaged in an intensive effort to develop such a document—the *Supporting Document to the Code of Good Transparency Practices on Monetary and Financial Policies*.5 The *MFP Transparency Code* contains a listing of broad principles related to transparency for monetary and financial policies that central banks and financial agencies should seek to achieve. The *Supporting Document* sets out in detail these practices and offers examples of how the practices of the *MFP Transparency Code* are applied by these institutions. By elaborating and illustrating the practices listed in the *MFP Transparency Code*, the *Supporting Document* serves as a guide to implement the *MFP Transparency Code*.

**Process of developing the Supporting Document**

6. The practices in the *MFP Transparency Code* were drawn from a review of good transparency practices used by a number of central banks and financial agencies. The *MFP Transparency Code* thus represents a distillation of concepts and practices that are already in

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4 The Fund’s high-level policy guidance committee was renamed in September 1999 the International Monetary and Financial Committee.

5 Henceforth this will be referred to as the *Supporting Document*. 
use and for which there is a record of experience. In preparing the Supporting Document, it was felt desirable to include a broad range of experiences of transparency practices of central banks and financial agencies. As a way to elicit more information related to transparency practices by these institutions, the staff mailed a comprehensive questionnaire to the IMF’s membership (as well as to such multinational central bank arrangements as the European Central Bank, the East Caribbean Central Bank, and the Central Bank of West African States). The questionnaire was keyed to each of the transparency practices of the MFP Transparency Code, seeking information about whether and how individual central banks and financial agencies observe the practices of the MFP Transparency Code.

7. By end-July 2000, 265 institutions, representing 135 countries, submitted responses to the questionnaire to the IMF. There were 120 responses from central banks (with many covering monetary policy, banking supervision and payment system oversight) and 145 responses from a variety of financial agencies responsible for the regulation or oversight of banking, insurance, securities and deposit insurance, including 20 responses from composite financial supervisory agencies. The responses represent the full range of the IMF’s membership and of agencies from the principal financial sectors. Table 1 shows the composition of responses by policy function of the respondents.6

<table>
<thead>
<tr>
<th>Policy Function of Respondents</th>
<th>Responses</th>
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<tbody>
<tr>
<td>Monetary Policy</td>
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<td>Financial Policies:</td>
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<td>- Banking supervision</td>
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<tr>
<td>- Insurance regulation</td>
<td>65</td>
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<tr>
<td>- Payment systems oversight</td>
<td>65</td>
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<tr>
<td>- Securities regulation</td>
<td>79</td>
</tr>
<tr>
<td>- Other 2/</td>
<td>35</td>
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</tbody>
</table>

1/ As identified by respondents.

2/ Supervision of non-bank financial institutions, asset management, debt restructuring, commodity futures and options oversight, pension funds oversight, and Ministries of Finance and Economy that did not report specific policy function responsibilities.

6 For central banks and financial agencies that carry several policy functions (e.g., monetary policy, banking supervision, payment system oversight, insurance regulation, or securities regulations), each policy function responsibility is counted separately.
8. The deliberations in the development of the *MFP Transparency Code* demonstrated that there are considerable differences regarding the desired degree of transparency in monetary and financial policies. The information in the responses to the questionnaire and in the assessments of the *MFP Transparency Code* confirm the diversity of central bank and financial agency experience on transparency, with some of these entities more active in promoting transparency than others. The extent of transparency also varies among central banks and financial agencies, with some promoting transparency on the full range of practices and with others being more selective, and advancing some practices and not others.

9. The development of the *Supporting Document* also benefited from direct feedback and input by national authorities. The staff drew on the various assessments of the observance of standards and codes that the Fund staff has undertaken over the past year as part of the IMF-World Bank Financial Sector Assessment Program\(^7\) and Reports on Observance of Standards and Codes (formerly Transparency Reports) activities.\(^8\) In addition, the Fund organized seven regional consultative meetings on the *Supporting Document*.\(^9\) These regional meetings provided an opportunity to broaden the awareness of the *MFP Transparency Code* and to obtain useful feedback and input on an early draft of the *Supporting Document* from national authorities.

10. A *Consultative Group on the Supporting Document to the Code of Good Practices on Transparency in Monetary and Financial Policies* was also constituted. This Group consists of representatives from five international/regional organizations\(^10\) and four international financial sector groupings.\(^11\) In preparing the *Supporting Document*, the IMF staff drew on the expertise of the members of this Group.

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\(^9\) The regional consultative meetings were organized on the basis of the IMF’s area departments. Separate meetings were held for the English-speaking and the francophone countries of the African Department.

\(^10\) The Bank for International Settlements, the Centre for Latin American Monetary Studies, the International Finance Corporation, the Organization for Economic Cooperation and Development, and the World Bank.

\(^11\) The Basel Committee on Banking Supervision, the Committee on Payment and Settlement Systems, the International Association of Insurance Supervisors, and the International Organization of Securities Commissions.
B. Objective and Structure of the Supporting Document

Objective of the Supporting Document

11. The transparency practices in the MFP Transparency Code are expressed in general terms. Phrases such as “should publicly disclose” or “should be publicly disclosed and explained” or “should be specified in legislation” or “should present to the public a report” or “should disclose…. on a preannounced schedule” or “publicly announced and explained in a timely manner,” in which many of the practices in the MFP Transparency Code are couched, leave considerable scope for their interpretation in practice. These wordings leave open the manner of disclosure, the content of the explanations and reports, and the precise time dimensions of disclosure. They necessarily will have to vary from practice to practice and will need to take into account the different institutional arrangements with respect to the conduct of monetary and financial policies, the legal frameworks underlying these policies, and particular circumstances of the countries involved. It would be futile and inappropriate to prescribe precise content to these general terms.

12. As a way to give operational meaning to the practices of the MFP Transparency Code that are expressed in such general terms, the Fund staff has surveyed the range of ways and mechanisms that central banks and financial agencies around the globe are using to practice transparency. The principal objective of the Supporting Document, therefore, is to present in a systematic way information on the various transparency practices of the MFP Transparency Code, including alternative ways to achieve the objective of transparency. In this way, the Supporting Document can serve as a useful reference source for central banks and financial agencies seeking to implement the MFP Transparency Code.

13. For some areas covered by the MFP Transparency Code there are other international standards that have been developed, or that are in the process of being developed by the IMF and other organizations that deal with the conduct of monetary and financial policies and financial sector-related areas (such as accounting, auditing, banking regulation and supervision, bankruptcy, corporate governance, data dissemination, insurance regulation, payment system oversight, and securities market regulation). The focus of these standards is broader than transparency and relate to the underlying content and quality of the policies, as well as to requirements directed to the institutions and firms under the jurisdiction of these standard-setting organizations. However, transparency and disclosure practices are also covered in these standards, and thus have direct relevance to the MFP Transparency Code.

and the Supporting Document, which are intended to be supportive and consistent with these other initiatives.

**Structure and content of the Supporting Document**

14. For each transparency practice of the MFP Transparency Code, the Supporting Document contains a two- or three-part entry.

   i. Under the heading of “Explanation and rationale,” there is some elaboration and clarification of what is meant by the stated practice. In addition, this section offers the rationale for the practice in the context of transparency, i.e., why the particular practice is desirable and in which way it achieves transparency.

   ii. The second entry labeled “Application,” indicates where and how a particular practice is implemented, including alternative ways to achieve the objective. For some practices, particularly those where a considerable number of central banks or financial agencies apply the practice, although perhaps in different forms, the “Application” section quantifies how the practice is followed by central banks and financial agencies as a whole, without providing specific country or institutional examples. These summaries are derived from the responses to the questionnaire that was circulated to the central banks and financial agencies of the IMF’s membership and from the assessments by the Fund’s staff of standards and codes noted above. For other practices, the “Application” entry contains both a quantitative summary of central bank and financial agency practice supplemented by examples of where a central bank or a financial agency is transparent in a clear and distinctive manner.

   iii. Where relevant, for a number of the transparency practices there is a third entry, “Implementation considerations,” which identifies some of the practical factors that may affect the observance and implementation of a particular good transparency practice. For example, benefits and costs of transparency, transition issues of introducing transparency, the nature of the “public” to whom transparency is being directed, the domestic versus international dimensions of transparency, and the scope and content of transparency depending on the monetary policy framework or particular financial sector circumstances, are considerations that need to be taken into account in implementing particular transparency practices.

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13 Because the responses to the questionnaire may suffer from some self-reporting bias, the exact percentages are not cited. Instead, broad qualitative descriptors are used to indicate the prevalence of a particular practice, as follows: “Few/Some” < 33 percent, “Many” > 33 percent, “Most/Majority” > 50 percent, “Significant majority” > 66 percent, and “Nearly all” 85 percent.
15. The specific central bank and financial agency examples in the “Application” sections of the Supporting Document provide additional clarification of the ways in which transparency can be achieved. These examples should prove helpful to institutions seeking to adopt changes in their transparency practices. The examples cited should be viewed as illustrative of a sample of possible examples currently in use, and are not to be regarded as exhaustive, exclusive, or definitive. The examples cited do not imply approval or endorsement; nor should the examples cited be regarded as norms, benchmarks, or “best” practices. The fact that a particular central bank or financial agency is not cited as an example does not mean that it does not follow a particular transparency practice.

16. The principal criteria for citing individual central banks or financial agencies as examples are that they (a) illustrate distinctive and instructive transparency/disclosure features of a practice (distinctive and instructive by the clarity of focus on transparency or special disclosure features); and/or (b) illustrate alternative means of meeting the transparency objective of the practice. In addition, an attempt has been made to select examples from different types of economies and from different regions to give the document a representative global coverage.

17. Some central banks and financial agencies have opted in recent years to become more transparent, and have adjusted their transparency practices accordingly. Similarly, some countries have a tradition and culture for more openness than others do. The frequency that particular countries/institutions are cited in the “Application” sections reflect to a large extent these developments and conditions.

18. The MFP Transparency Code’s transparency practices in Sections V-VIII of the MFP Transparency Code for financial agencies (Part 3 of this document) focus principally on those elements that are applicable to all types of financial agencies. However, not all transparency practices are equally relevant to all financial agencies, and the transparency objectives for different financial sectors vary. For some (e.g., securities regulatory agencies), the emphasis is on market efficiency considerations, for others (e.g., banking supervisory and payment system oversight agencies) the focus is on market and systemic stability, while for others (e.g., insurance regulatory and deposit insurance agencies) the principal consideration is client-asset protection. Moreover, some financial supervisory agencies are composite and responsible for more than one financial sector; some are independent agencies, while others are part of a larger government unit. To reflect some of these differences, where appropriate, the “Explanation and rationale” and “Application” entries for the practices in Section V-VIII of the MFP Transparency Code distinguish among financial agencies.

19. The transparency practices listed in the MFP Transparency Code and elaborated upon in the Supporting Document, where applicable and adjusted as necessary, also apply to financial-sector type policies not specifically covered in the MFP Transparency Code and the Supporting Document. Thus, the Supporting Document is relevant for the conduct of those specialized agencies or bureaus of ministries assigned to manage the public debt, international reserves, foreign exchange controls, debt restructuring, or pension funds.
20. Appended to this introduction are four appendices: the text of the MFP Transparency Code, references to professional literature and official documents that deal with transparency of monetary and financial policies, a glossary of key terms used in the Supporting Document, and a listing of website addresses of composite financial supervisory agencies. These additional items increase the reference value of the Supporting Document.

C. Transparency, Disclosure, and the Supporting Document

Alternative means of disclosure

21. To make transparency effective entails effort by national or, where applicable, multinational authorities to build public understanding of the objectives of policy, the nature of the responsibilities of these authorities, and the policy process. Promoting public understanding of these matters involves authorities being active in developing and conveying information, using the various means available to these institutions to disclose information, and tailoring the message according to the needs of particular audiences.

22. There are a variety of means and methods of communicating with the public on the role, policies, decisions, performance, and operations of the central bank or financial agency. For many of the transparency practices in Sections I and V of the MFP Transparency Code, a fundamental form of disclosure is having those aspects related to the roles, responsibilities and objectives of central banks and financial agencies specified in legislation or regulation, which by their nature are public documents. A publicly available monetary or financial regulation, guideline, or ruling is another way of communicating with the public. For practices related to overlapping responsibilities and relationships between or among different institutions (e.g., central bank and finance ministry or different financial agencies), including consultation arrangements, a publicly released memorandum of understanding is an effective disclosure method. Less formal and more flexible forms of disclosure include written reports to the legislature and/or the public on aspects of policies and functions, press releases, appearances by officials before public audiences or the legislature, official publications (a quarterly or monthly review or bulletin), and the annual report. Finally, dramatic advances in communication technology, and in particular the potential of websites, have opened effective means for institutions to communicate with a wider public about central bank and financial agency policies and operations.

23. In many instances, use of more than one of these forms of disclosure may be necessary if a central bank or financial agency seeks to achieve effective transparency. Depending on the extent that a central bank or financial agency desires to broaden the public understanding of aspects of its institutional mandate, for example, the legislation or regulation could be supplemented and detailed by a publicly released and readily available mission statement, and/or recurring discussion and explanation in the institution’s publications, public statements and public appearances, and/or posting on the central bank’s or financial agency’s website. Similarly, for other practices of the MFP Transparency Code,
central banks and financial agencies can practice transparency by utilizing more than one form of disclosure.

24. In a number of countries, some transparency requirements are imposed on a government-wide basis. These requirements form that part of legislation or regulation that apply to all units of government and to all or identified public servants. These laws and regulations are part of the public record. Central banks and financial agencies are typically subject to these government-wide provisions. Thus, for some of the transparency practices in the MFP Transparency Code, (e.g., 2.5 and 6.4, 3.4 and 7.5, 4.4 and 8.4, and 4.4.1 and 8.4.1), practices that deal with the above-mentioned issues, in countries where government-wide transparency practices are in effect, central banks and financial agencies follow the same practices as other units of government. In some cases, central banks and financial agencies reconfirm or supplement the government-wide transparency practices in their publicly available bylaws or similar document.

25. Some of the alternative means of disclosure have limitations. Disclosure through legislation or regulation has the potential drawback that legislative or regulatory language often is technical or complex. Moreover, texts of laws and regulations are not always readily accessible. However, the development of websites makes it possible to post the text of relevant laws and regulations, thereby allowing institutions to make these available to a wide audience. Memoranda of understanding often are treated as (sensitive) internal documents, and thus may not be released to the public. The annual report, due to its publication a number of months after a calendar or fiscal year, serves better as a document of record than as a timely source of information to the public of ongoing developments and policies. Disclosure through other publications (bulletin and even press releases) and developing and maintaining an effective website involve outlays that some central banks or financial agencies are not able to afford.

Quality of transparency

26. Related to the form of transparency is the quality of information that is disclosed. It is the content, clarity and accessibility of the information and data that are being disclosed that transforms “disclosure” into “transparency.” Creating effective transparency requires more than just making information available about policy objectives, responsibilities, policy decisions, and performance results. In the area of data disclosure, which is an important aspect of the MFP Transparency Code’s practices, the guidelines and procedures of the

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14 Examples of such legislation or regulation are the Administrative Procedures Act in the United States, the Public Access to Official Records Act in Korea, the Law Concerning Access to Information Held by Administrative Organs in Japan, and various forms of freedom of information acts, codes of conduct for public servants, and legal protection of officials and staff in many countries.
IMF’s data dissemination standards and other standards developed by different international organizations and associations aim at presenting readily accessible data in an orderly and timely basis, with an emphasis on reliability. Regarding the release of various statements and reports called for in the MFP Transparency Code, however, there are no equivalent guidelines. In order to achieve the objective of the transparency practices of the MFP Transparency Code, these statements and reports need to contain meaningful and relevant information and need to be released on a timely basis.

27. The content of disclosure is critical for the efficient functioning of markets, which will only increase in importance with the evolving changes in international trading and financing arrangements and sophistication of markets. Failure to present public statements and reports on monetary and financial policy issues with appropriate content could undermine the credibility of central banks and financial agencies and thus become counterproductive. The focus of transparency practices should be on the materiality and relevance of the information that is being provided to the public. The objective of transparency would not be met by releasing reports that offer contradictory assessments, by issuing multiple regulations (particularly if earlier-issued and dated regulations are not revoked and withdrawn), or if regulations are written in highly technical or arcane language. Similarly, not applying transparency practices consistently (e.g., reversals of previously applied transparency practices when developments are unfavorable), would go against the spirit and intent of transparency and could weaken credibility.

28. For monetary policy transparency, the scope for being transparent and the content of transparency is conditioned by the nature of the monetary policy regime. Countries that pursue an inflation target, for example, are disposed to be transparent and rely on frequent public statements and reports that offer detailed information and discussion on their target and performance as a means of establishing credibility. Countries with fixed exchange rates, on the other hand, may at times be inclined to limit certain disclosure practices. For example, extensive disclosure requirements about exchange market operations might disrupt markets. Similarly, moral hazard, market discipline, or financial market stability considerations often may influence the content and timing of the disclosure of some corrective actions or emergency lending decisions. In the same vein, in order to safeguard the confidentiality and

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15 For some financial policies, the standards developed by international sector groupings (e.g., by the Basel Committee on Banking Supervision, the Committee on Payment and Settlement Systems, the International Association of Insurance Supervisors, and the International Organization of Securities Commissions) provide a reference standard on which to judge a country’s supervision, regulatory or oversight performance. However, the transparency practices for financial agencies in the MFP Transparency Code go beyond those contained in the respective standards established by these groupings, and the quality of transparency is a relevant issue even for those agencies that meet the internationally developed principles related to their respective financial sector.
privacy of information on individual firms, financial authorities may feel constrained from making public their supervisory deliberations or enforcement actions related to individual financial institutions, markets, and individuals. The case for limiting transparency in selected areas at particular times for the above-type circumstances, however, is more credible in the context of an otherwise transparent environment.

**Changing environment and transparency**

29. The attitude with respect to transparency by central banks and financial agencies is evolving, reflecting changes in the international environment. There are several developments that are providing impetus for central banks and financial agencies to practice greater transparency in the conduct of their affairs. First, the notion of transparency has gained greater public attention, thus eliciting an increasing number of calls on central banks and financial agencies by legislatures, the media, markets, and the public at large to become more open about their policies and activities. Second, policymakers have recognized that globalization in general, and international integration of financial markets and products in particular, require a greater degree of transparency of monetary and financial policies and of regulatory regimes and processes as a means of containing market volatility. Third, the adoption of the General Agreement on Trade and Services is placing greater attention on the conduct of financial services. Fourth, an increasing number of central banks have adopted forms of inflation targeting as their ultimate policy objective. Public disclosure of how they are meeting these targets has become a critical element to establish credibility, shape expectations, and, thereby, strengthen the effectiveness of monetary policy. Finally, revolutionary advances in communication technology, and increasing public access to means of electronic communication such as websites, have greatly reduced the difficulties, costs, and time delays of disseminating information to the public. An increasing number of central banks and financial agencies are availing themselves of these easier and efficient means of communicating with the public about their policies and activities. As a result of these changes in the international environment, a number of central banks and financial agencies have become more transparent in their disclosure practices. The *Supporting Document* recognizes and takes into account this change in attitude to transparency.

30. At the same time, in recent years a number of significant changes in the policy and regulatory structure have occurred. The creation of a multinational central bank arrangement in Europe and the formation of composite financial regulatory agencies in a number of countries\(^\text{16}\) has required these entities to focus on the role and form of transparency in the

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\(^{16}\) See Appendix IV for a listing of composite financial supervisory agencies and their website addresses.
conduct of their affairs. The transparency practices that they have adopted, therefore, are relatively recent, experimental, and not yet fully tested.
Supporting Document to the *Code of Good Practices on Transparency in Monetary and Financial Policies*

Reference Material
CODE OF GOOD PRACTICES ON TRANSPARENCY IN MONETARY AND FINANCIAL POLICIES: DECLARATION OF PRINCIPLES

(The Code was adopted by the Interim Committee on September 26, 1999)

A. Introduction

1. In the context of strengthening the architecture of the international monetary and financial system, the Interim Committee in its April and October 1998 Communiqués called on the Fund to develop a code of transparency practices for monetary and financial policies, in cooperation with appropriate institutions. The Fund, working together with the Bank for International Settlements, and in consultation with a representative group of central banks, financial agencies, other relevant international and regional organizations, and selected academic experts, has developed a Code of Good Practices on Transparency in Monetary and Financial Policies. The Code parallels the Code of Good Practices in Fiscal Transparency developed by the Fund and endorsed by the Interim Committee in April 1998.

2. The Code of Good Practices on Transparency in Monetary and Financial Policies identifies desirable transparency practices for central banks in their conduct of monetary policy and for central banks and other financial agencies in their conduct of financial policies. The definitions of “central bank,” “financial agencies,” “financial policies,” and “government” as used in this Code are given in the attached Annex.

3. For purposes of the Code, transparency refers to an environment in which the objectives of policy, its legal, institutional, and economic framework, policy decisions and their rationale, data and information related to monetary and financial policies, and the terms of agencies accountability, are provided to the public on an understandable, accessible and timely basis. Thus, the transparency practices listed in the Code focus on: (1) clarity of roles, responsibilities and objectives of central banks and financial agencies; (2) the processes for formulating and reporting of monetary policy decisions by the central bank and of financial policies by financial agencies; (3) public availability of information on monetary and financial policies.

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1 In addition to the Bank for International Settlements, the following international and regional organizations and international financial sector groupings were consulted: Basel Committee on Bank Supervision (BCBS), Center for Latin American Monetary Studies (CEMLA), Committee on Payment and Settlement Systems (CPSS), European Central Bank, International Association of Insurance Supervisors (IAIS), International Finance Corporation, International Organization of Securities Commissions (IOSCO), Organization for Economic Cooperation and Development (OECD), and the World Bank.
financial policies; and (4) accountability and assurances of integrity by the central bank and financial agencies.

4. The case for transparency of monetary and financial policies is based on two main premises. First, the effectiveness of monetary and financial policies can be strengthened if the goals and instruments of policy are known to the public and if the authorities can make a credible commitment to meeting them. In making available more information about monetary and financial policies, good transparency practices promote the potential efficiency of markets. Second, good governance calls for central banks and financial agencies to be accountable; particularly where the monetary and financial authorities are granted a high degree of autonomy. In cases when conflicts might arise between or within government units (e.g., if the central bank or a financial agency acts as both owner and financial supervisor of a financial institution or if the responsibilities for monetary and foreign exchange policy are shared), transparency in the mandate and clear rules and procedures in the operations of the agencies can help in their resolution, strengthen governance, and facilitate policy consistency.

5. In making the objectives of monetary policy public, the central bank enhances the public's understanding of what it is seeking to achieve, and provides a context for articulating its own policy choices, thereby contributing to the effectiveness of monetary policy. Further, by providing the private sector with a clear description of the considerations guiding monetary policy decisions, transparency about the policy process makes the monetary policy transmission mechanism generally more effective, in part by ensuring that market expectations can be formed more efficiently. By providing the public with adequate information about its activities, the central bank can establish a mechanism for strengthening its credibility by matching its actions to its public statements.

6. Transparency by financial agencies, particularly in clarifying their objectives, should also contribute to policy effectiveness by enabling financial market participants to assess better the context of financial policies, thereby reducing uncertainty in the decision making of market participants. Moreover, by enabling market participants and the general public to understand and evaluate financial policies, transparency is likely to be conducive to good policy making. This can help to promote financial as well as systemic stability. Transparent descriptions of the policy formulation process provide the public with an understanding of the rules of the game. The release of adequate information to the public on the activities of financial agencies provides an additional mechanism for enhancing the credibility of their actions. There may also be circumstances when public accountability of decisions by financial agencies can reduce the potential for moral hazard.
7. The benefits for countries adopting good transparency practices in monetary and financial policies have to be weighed against the potential costs. In situations where increased transparency in monetary and financial policies could endanger the effectiveness of policies, or be potentially harmful to market stability or the legitimate interests of supervised and other entities, it may be appropriate to limit the extent of such transparency. Limiting transparency in selected areas needs to be seen, however, in the context of a generally transparent environment.

8. In the case of monetary policy, the rationale for limiting some types of disclosure arises because it could adversely affect the decision-making process and the effectiveness of policies. Similarly, exchange rate policy considerations, notably, but not exclusively, in countries with fixed exchange rate regimes, may provide justification for limiting certain disclosure practices. For example, extensive disclosure requirements about internal policy discussion on money and exchange market operations might disrupt markets, constrain the free flow of discussion by policymakers, or prevent the adoption of contingency plans. Thus, it might be inappropriate for central banks to disclose internal deliberations and documentation, and there are circumstances in which it would not be appropriate for central banks to disclose their near-term monetary and exchange rate policy implementation tactics and provide detailed information on foreign exchange operations. Similarly, there may be good reasons for the central bank (and financial agencies) not to make public their contingency plans, including possible emergency lending.

9. Additional concerns could be posed by some aspects of the transparency of financial policies. Moral hazard, market discipline, and financial market stability considerations may justify limiting both the content and timing of the disclosure of some corrective actions and emergency lending decisions, and information pertaining to market and firm-specific conditions. In order to maintain access to sensitive information from market participants, there is also a need to safeguard the confidentiality and privacy of information on individual firms (commonly referred to as “commercial confidentiality”). Similarly, it may be inappropriate for financial authorities to make public their supervisory deliberations and enforcement actions related to individual financial institutions, markets, and individuals.

10. Transparency practices differ not only in substance, but also in form. With regard to informing the public about monetary and financial institutions and their policies, an important issue concerns the modalities that these public disclosures should take. In particular with regard to monetary policy, should transparency practices have a legislative basis in a central bank law, or be based in other legislation or regulation, or be adopted through other means? The Code takes a pragmatic approach to this issue and recognizes that a variety of arrangements can lead to good transparency practices. On matters pertaining to the roles, responsibilities, and objectives of central banks (and for principal financial regulatory agencies), it recommends that key features be specified in the authorizing
legislation (e.g., a central bank law). Specifying some of these practices in legislation gives them particular prominence and avoids ad hoc and frequent changes to these important aspects of the operations of central banks and relevant financial agencies. Information about other transparency aspects, such as how policy is formulated and implemented and the provision of information, can be presented in a more flexible manner. However, it is important that such information be readily accessible, so that the public can with reasonable effort obtain and assimilate the information.

11. In the context of good governance and accountability, as well as the promotion of efficient markets, reference to the public in this code should ideally encompass all interested individuals and institutions. In some cases, particularly for financial policies, it may be expedient for the purposes of administering or implementing certain regulations and policies to define the concept of the public more narrowly to refer only to those individuals and institutions that are most directly affected by the regulations and policies in question.

12. The focus of the Code is on transparency. While good transparency practices for the formulation and reporting of monetary and financial policies help to contribute to the adoption of sound policies, the Code is not designed to offer judgments on the appropriateness or desirability of specific monetary or financial policies or frameworks that countries should adopt. Transparency is not an end in itself, nor is transparency a substitute for pursuing sound policies; rather, transparency and sound policies are better seen as complements. In the realm of financial policies, there are complements to this code that go beyond transparency to promote good policies, notably the Core Principles for Effective Banking Supervision formulated by the Basel Committee for Banking Supervision, the Objectives and Principles of Securities Regulation formulated by the International Organization of Securities Commissions (IOSCO), and standards being developed by the Committee on Payment and Settlement Systems (CPSS), the International Association of Insurance Supervisors (IAIS), and the International Accounting Standards Committee (IASC). As these and other financial sector groupings develop and make significant adjustments in their principles and standards as they relate to transparency practices for financial agencies (e.g., in data dissemination requirements for financial agencies), this Code may have to be adjusted accordingly.

13. The Code is directed at the transparency requirements of central banks and financial agencies, not at the transparency procedures relating to firms and individual institutions. However, the benefits of transparency for monetary and financial policies may be fostered by appropriate policies to promote transparency for markets in general, for the institutions that are being supervised, and for self-regulatory organizations.
14. Monetary and financial policies are interrelated and often mutually reinforcing, with the health of the financial system affecting the conduct of monetary policy and vice versa. However, the institutional arrangements for these two types of policies differ considerably, particularly with regard to their roles, responsibilities, and objectives and their policy formulation and implementation processes. To take account of this, the Code is separated into two parts: good transparency practices for monetary policy by central banks; and good transparency practices for financial policies by financial agencies. The basic elements of transparency for both policies are, however, similar. It should be recognized that not all transparency practices are equally applicable to all financial agencies, and the transparency objectives among different financial sectors vary. For some, the emphasis is on market efficiency considerations, for others the focus is on market and systemic stability, while for others the principal consideration is client-asset protection.

15. The operation of a country’s payment system affects the conduct of monetary policies and the functioning of the financial system, and the design of payment systems has implications for systemic stability. The institutional structures of the payment system, however, are often significantly more complex than for monetary and other financial policies, and differ considerably across countries. In many instances, the operation of a country’s payment system is split between the public and private sectors, including self-regulatory bodies. Nevertheless, most of the transparency practices listed in the Code for financial agencies are applicable for the roles and functions of central banks or other relevant public agencies exercising responsibility for overseeing the nation’s payment systems. The coverage of transparency practices for financial policies in the Code includes those for the operation of systemically important components of the nation’s payment system, and, where appropriate, makes allowance for the special nature of the payment system’s operations (e.g., 5.3).

16. The Code is of sufficient breadth to span and be applied to a wide range of monetary and financial frameworks, and thus to the full range of the Fund membership. Elements of the Code are drawn from a review of good transparency practices used in a number of countries and discussed in the professional literature. The Code thus represents a distillation of concepts and practices that are already in use and for which there is a record of experience. The manner in which transparency is applied and achieved, however, may differ, reflecting different institutional arrangements with respect to monetary and financial policies and legal traditions. The good transparency practices contained in the Code will, therefore, have to be implemented flexibly and over time to take account of a country’s particular circumstances. A number of Fund members currently lack sufficient resources and the institutional capacity to implement all of the good transparency practices listed in the Code. These practices are included in the Code in the anticipation that countries would aspire over time to introduce such good practices.
GOOD TRANSPARENCY PRACTICES
FOR MONETARY POLICY BY CENTRAL BANKS

I. CLARITY OF ROLES, RESPONSIBILITIES, AND OBJECTIVES OF CENTRAL BANKS FOR MONETARY POLICY

1.1 The ultimate objective(s) and institutional framework of monetary policy should be clearly defined in relevant legislation or regulation, including, where appropriate, a central bank law.

1.1.1 The ultimate objective(s) of monetary policy should be specified in legislation and publicly disclosed and explained.

1.1.2 The responsibilities of the central bank should be specified in legislation.

1.1.3 The legislation establishing the central bank should specify that the central bank has the authority to utilize monetary policy instruments to attain the policy objective(s).

1.1.4 Institutional responsibility for foreign exchange policy should be publicly disclosed.

1.1.5 The broad modalities of accountability for the conduct of monetary policy and for any other responsibilities assigned to the central bank should be specified in legislation.

1.1.6 If, in exceptional circumstances, the government has the authority to override central bank policy decisions, the conditions under which this authority may be invoked and the manner in which it is publicly disclosed should be specified in legislation.

1.1.7 The procedures for appointment, terms of office, and any general criteria for removal of the heads and members of the governing body of the central bank should be specified in legislation.

1.2 The institutional relationship between monetary and fiscal operations should be clearly defined.²

² The practices in this area should be consistent with the principles of the International Monetary Fund’s Code of Good Practices on Fiscal Transparency.
1.2.1 If credits, advances, or overdrafts to the government by the central bank are permitted, the conditions when they are permitted, and any limits thereof, should be publicly disclosed.

2.2.2 The amounts and terms of credits, advances, or overdrafts to the government by the central bank and those of deposits of the government with the central bank should be publicly disclosed.

1.2.3 The procedures for direct central bank participation in the primary markets for government securities, where permitted, and in the secondary markets, should be publicly disclosed.

1.2.4 Central bank involvement in the rest of the economy (e.g., through equity ownership, membership on governing boards, procurement, or provision of services for fee) should be conducted in an open and public manner on the basis of clear principles and procedures.

1.2.5 The manner in which central bank profits are allocated and how capital is maintained should be publicly disclosed.

1.3 **Agency roles performed by the central bank on behalf of the government should be clearly defined.**

1.3.1 Responsibilities, if any, of the central bank in (i) the management of domestic and external public debt and foreign exchange reserves, (ii) as banker to the government, (iii) as fiscal agent of the government, and (iv) as advisor on economic and financial policies and in the field of international cooperation, should be publicly disclosed.

1.3.2 The allocation of responsibilities among the central bank, the ministry of finance, or a separate public agency, for the primary debt issues, secondary market arrangements, depository facilities, and clearing and settlement arrangements for trade in government securities, should be publicly disclosed.

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3 The principles for transparency procedures listed in this Code, where applicable and adjusted as necessary, apply where a separate public agency has been designated to manage the country’s public debt.
II. OPEN PROCESS FOR FORMULATING AND REPORTING MONETARY POLICY DECISIONS

2.1 The framework, instruments, and any targets that are used to pursue the objectives of monetary policy should be publicly disclosed and explained.

2.1.1 The procedures and practices governing monetary policy instruments and operations should be publicly disclosed and explained.

2.1.2 The rules and procedures for the central bank’s relationships and transactions with counterparties in its monetary operations and in the markets where it operates should be publicly disclosed.

2.2 Where a permanent monetary policy making body meets to assess underlying economic developments, monitor progress toward achieving its monetary policy objective(s), and formulate policy for the period ahead, information on the composition, structure, and functions of that body should be publicly disclosed.

2.2.1 If the policy making body has regularly scheduled meetings to assess underlying economic developments, monitor progress toward achieving its monetary policy objective(s), and formulate policy for the period ahead, the advance meeting schedule should be publicly disclosed.

2.3 Changes in the setting of monetary policy instruments (other than fine-tuning measures) should be publicly announced and explained in a timely manner.

2.3.1 The central bank should publicly disclose, with a preannounced maximum delay, the main considerations underlying its monetary policy decisions.

2.4 The central bank should issue periodic public statements on progress toward achieving its monetary policy objective(s) as well as prospects for achieving them. The arrangements could differ depending on the monetary policy framework, including the exchange rate regime.

2.4.1 The central bank should periodically present its monetary policy objectives to the public, specifying, inter alia, their rationale, quantitative targets and instruments where applicable, and the key underlying assumptions.

2.4.2 The central bank should present to the public on a specified schedule a report on the evolving macroeconomic situation, and their implications for its monetary policy objective(s).
2.5 For proposed substantive technical changes to the structure of monetary regulations, there should be a presumption in favor of public consultations, within an appropriate period.

2.6 The regulations on data reporting by financial institutions to the central bank for monetary policy purposes should be publicly disclosed.

III. PUBLIC AVAILABILITY OF INFORMATION ON MONETARY POLICY

3.1 Presentations and releases of central bank data should meet the standards related to coverage, periodicity, timeliness of data and access by the public that are consistent with the International Monetary Fund’s data dissemination standards.

3.2 The central bank should publicly disclose its balance sheet on a preannounced schedule and, after a predetermined interval, publicly disclose selected information on its aggregate market transactions.

3.2.1 Summary central bank balance sheets should be publicly disclosed on a frequent and preannounced schedule. Detailed central bank balance sheets prepared according to appropriate and publicly documented accounting standards should be publicly disclosed at least annually by the central bank.

3.2.2 Information on the central bank’s monetary operations, including aggregate amounts and terms of refinance or other facilities (subject to the maintenance of commercial confidentiality) should be publicly disclosed on a preannounced schedule.

3.2.3 Consistent with confidentiality and privacy of information on individual firms, aggregate information on emergency financial support by the central bank should be publicly disclosed through an appropriate central bank statement when such disclosure will not be disruptive to financial stability.

3.2.4 Information about the country’s foreign exchange reserve assets, liabilities and commitments by the monetary authorities should be publicly disclosed on a preannounced schedule, consistent with the International Monetary Fund’s Data Dissemination Standards.

3.3 The central bank should establish and maintain public information services.

3.3.1 The central bank should have a publications program, including an Annual Report.

3.3.2 Senior central bank officials should be ready to explain their institution’s objective(s) and performance to the public, and have a presumption in favor of releasing the text of their statements to the public.
3.4 Texts of regulations issued by the central bank should be readily available to the public.

IV. ACCOUNTABILITY AND ASSURANCE OF INTEGRITY BY THE CENTRAL BANK

4.1 Officials of the central bank should be available to appear before a designated public authority to report on the conduct of monetary policy, explain the policy objective(s) of their institution, describe their performance in achieving their objective(s), and, as appropriate, exchange views on the state of the economy and the financial system.

4.2 The central bank should publicly disclose audited financial statements of its operations on a preannounced schedule.

4.2.1 The financial statements should be audited by an independent auditor. Information on accounting policies and any qualification to the statements should be an integral part of the publicly disclosed financial statements.

4.2.2 Internal governance procedures necessary to ensure the integrity of operations, including internal audit arrangements, should be publicly disclosed.

4.3 Information on the expenses and revenues in operating the central bank should be publicly disclosed annually.

4.4 Standards for the conduct of personal financial affairs of officials and staff of the central bank and rules to prevent exploitation of conflicts of interest, including any general fiduciary obligation, should be publicly disclosed.

4.4.1 Information about legal protections for officials and staff of the central bank in the conduct of their official duties should be publicly disclosed.
GOOD TRANSPARENCY PRACTICES FOR FINANCIAL POLICIES BY FINANCIAL AGENCIES

V. CLARITY OF ROLES, RESPONSIBILITIES AND OBJECTIVES OF FINANCIAL AGENCIES RESPONSIBLE FOR FINANCIAL POLICIES

5.1 The broad objective(s) and institutional framework of financial agencies should be clearly defined, preferably in relevant legislation or regulation.

5.1.1 The broad objective(s) of financial agencies should be publicly disclosed and explained.

5.1.2 The responsibilities of the financial agencies and the authority to conduct financial policies should be publicly disclosed.

5.1.3 Where applicable, the broad modalities of accountability for financial agencies should be publicly disclosed.

5.1.4 Where applicable, the procedures for appointment, terms of office, and any general criteria for removal of the heads and members of the governing bodies of financial agencies should be publicly disclosed.

5.2 The relationship between financial agencies should be publicly disclosed.

5.3 The role of oversight agencies with regard to payment systems should be publicly disclosed.

5.3.1 The agencies overseeing the payment system should promote the timely public disclosure of general policy principles (including risk management policies) that affect the robustness of systemically important payment systems.

5.4 Where financial agencies have oversight responsibilities for self-regulatory organizations (e.g., payment systems), the relationship between them should be publicly disclosed.

5.5 Where self-regulatory organizations are authorized to perform part of the regulatory and supervisory process, they should be guided by the same good transparency practices specified for financial agencies.

4 Refer to Annex for definitions of financial agencies and financial policies.
VI. OPEN PROCESS FOR FORMULATING AND REPORTING OF FINANCIAL POLICIES

6.1 The conduct of policies by financial agencies should be transparent, compatible with confidentiality considerations and the need to preserve the effectiveness of actions by regulatory and oversight agencies.

6.1.1 The regulatory framework and operating procedures governing the conduct of financial policies should be publicly disclosed and explained.

6.1.2 The regulations for financial reporting by financial institutions to financial agencies should be publicly disclosed.

6.1.3 The regulations for the operation of organized financial markets (including those for issuers of traded financial instruments) should be publicly disclosed.

6.1.4 Where financial agencies charge fees to financial institutions, the structure of such fees should be publicly disclosed.

6.1.5 Where applicable, formal procedures for information sharing and consultation between financial agencies (including central banks), domestic and international, should be publicly disclosed.

6.2 Significant changes in financial policies should be publicly announced and explained in a timely manner.

6.3 Financial agencies should issue periodic public reports on how their overall policy objectives are being pursued.

6.4 For proposed substantive technical changes to the structure of financial regulations, there should be a presumption in favor of public consultations, within an appropriate period.

VII. PUBLIC AVAILABILITY OF INFORMATION ON FINANCIAL POLICIES

7.1 Financial agencies should issue a periodic public report on the major developments of the sector(s) of the financial system for which they carry designated responsibility.

7.2 Financial agencies should seek to ensure that, consistent with confidentiality requirements, there is public reporting of aggregate data related to their jurisdictional responsibilities on a timely and regular basis.
7.3 Where applicable, financial agencies should publicly disclose their balance sheets on a preannounced schedule and, after a predetermined interval, publicly disclose information on aggregate market transactions.

7.3.1 Consistent with confidentiality and privacy of information on individual firms, aggregate information on emergency financial support by financial agencies should be publicly disclosed through an appropriate statement when such disclosure will not be disruptive to financial stability.

7.4 Financial agencies should establish and maintain public information services.

7.4.1 Financial agencies should have a publications program, including a periodic public report on their principal activities issued at least annually.

7.4.2 Senior financial agency officials should be ready to explain their institution’s objective(s) and performance to the public, and have a presumption in favor of releasing the text of their statements to the public.

7.5 Texts of regulations and any other generally applicable directives and guidelines issued by financial agencies should be readily available to the public.

7.6 Where there are deposit insurance guarantees, policy-holder guarantees, and any other client asset protection schemes, information on the nature and form of such protections, on the operating procedures, on how the guarantee is financed, and on the performance of the arrangement, should be publicly disclosed.

7.7 Where financial agencies oversee consumer protection arrangements (such as dispute settlement processes), information on such arrangements should be publicly disclosed.

VIII. ACCOUNTABILITY AND ASSURANCE OF INTEGRITY BY FINANCIAL AGENCIES

8.1 Officials of financial agencies should be available to appear before a designated public authority to report on the conduct of financial policies, explain the policy objective(s) of their institution, describe their performance in pursuing their objective(s), and, as appropriate, exchange views on the state of the financial system.

8.2 Where applicable, financial agencies should publicly disclose audited financial statements of their operations on a preannounced schedule.

8.2.1 Financial statements, if any, should be audited by an independent auditor. Information on accounting policies and any qualification to the statements should be an integral part of the publicly disclosed financial statements.
8.2.2 Internal governance procedures necessary to ensure the integrity of operations, including internal audit arrangements, should be publicly disclosed.

8.3 Where applicable, information on the operating expenses and revenues of financial agencies should be publicly disclosed annually.

8.4 Standards for the conduct of personal financial affairs of officials and staff of financial agencies and rules to prevent exploitation of conflicts of interest, including any general fiduciary obligation, should be publicly disclosed.

8.4.1 Information about legal protections for officials and staff of financial agencies in the conduct of their official duties should be publicly disclosed.
DEFINITIONS OF CERTAIN TERMS

To facilitate presentation, certain general terms are used to capture different institutional arrangements in a summary fashion. The following descriptive definitions are used in the Code.

Central Bank

The institutional arrangements for assigning responsibility for the conduct of a country’s monetary policy differ among the Fund’s membership. For most Fund members, this responsibility is assigned to the central bank or to a system of constituent national central banks in a multinational central bank arrangement. There are a number of countries, however, where this role is designated to a “monetary authority” or to a “currency board.” To facilitate presentation, the term “central bank” in the Code refers to the institution responsible for conducting monetary policy, which may or may not be a central bank.

Financial agencies

A wide range of institutional arrangements prevail among Fund members with regard to which unit of government carries exclusive or primary responsibility for the regulation, supervision, and oversight of the financial and payment systems. In a few countries, an agency has been established with responsibility for regulating and supervising an array of financial institutions (banking, insurance, and securities firms) and markets (securities, derivatives, and commodity futures). For most countries, the oversight responsibility for the financial sector is shared among several agencies. Thus, responsibility for the conduct of bank regulation and supervision or for bank deposit insurance policies in some countries is assigned to the central bank, or to an independent bank supervisory or deposit insurance agency, or split among several units of government. Similarly, responsibility for the conduct of policies related to the oversight of certain categories of financial institutions is assigned to the central bank or to a specialized agency. In some cases (e.g., payment systems) a public agency oversees the activities of private sector self-regulatory bodies. To facilitate presentation, the phrase “financial agencies” is used to refer to the institutional arrangements for the regulation, supervision, and oversight of the financial and payment systems, including markets and institutions, with the view to promoting financial stability, market efficiency, and client-asset and consumer protection. (Where the central bank carries responsibility for financial policies, some of the good transparency practices listed for financial agencies in Sections VBVIII of the Code are already specified in the transparency practices listed for central banks in Sections IBIV of the Code.)

Financial policies

The term “financial policies” in the Code refers to policies related to the regulation, supervision, and oversight of the financial and payment systems, including markets and institutions, with the view to promoting financial stability, market efficiency, and client-asset and consumer protection.
Government

Unless a particular unit of government is specifically identified in the Code, reference to “government” in the Code refers either to the executive branch of government or to a particular ministry or public agency, depending on the issue at hand or the established tradition of government in particular countries.
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GLOSSARY OF KEY TERMS

Accounting standards

Accounting standards are methodologies and disclosure requirements for the preparation and presentation of financial statements. Accounting standards are usually developed within the institutional and professional framework of a country, and promulgated by regulatory or professional accountancy bodies. Standards can also be backed by ethical standards issued by an accountancy body that provide for professional sanctions against members in the event of non-compliance. Accounting standards may also be developed in harmony with, or as an adaptation of, an internationally recognized set of benchmark standards such as International Accounting Standards (as promulgated by the International Accounting Standards Committee), or the U.S. GAAP (General Accepted Accounting Principles as promulgated by the Financial Accounting Standards Board in the United States of America).

Agency

An agency is a government or independent body to which certain operational, oversight, or regulatory functions have been delegated. See also the entry for financial agency.

Agency role

Agency role refers to the various tasks performed by the central bank on behalf of the government that do not relate directly to its monetary policy role. Examples of agency roles include acting as the manager of external reserves or public debt, or providing banking functions for the government (fiscal agent).

Aggregate market transactions

Aggregate market transactions refers to monetary operations, emergency financial support, and foreign exchange reserve activities, and emergency financial support provided to financial institutions by a financial supervisory agency and to the financial activities of deposit insurance agencies.

Central bank

The term central bank refers to the institution responsible for conducting monetary policy, which may be a central bank, a monetary authority, a currency board, or a system of national central banks in a multinational central bank arrangement.
Commercial confidentiality

Commercial confidentiality refers to safeguarding the privacy of sensitive information of individual firms (such as market position, financial health, or whether the firm is receiving financial support). Commercial confidentiality can help to promote the full and free disclosure of pertinent information to official agencies by financial firms, and ensures the fair and equal treatment of all firms.

Data dissemination standards

The International Monetary Fund's data dissemination standards consist of the Special Data Dissemination Standard (SDDS) and the General Data Dissemination System (GDDS). The SDDS was developed in 1996 as a "best practice" to guide countries that have, or that might seek, access to international capital markets in the dissemination of economic and financial data to the public. The GDDS was established in 1997 to guide countries in the provision to the public of comprehensive, timely, accessible, and reliable economic, financial, and socio-demographic data.

Financial agencies

Financial agencies refers to the bodies responsible for the regulation, supervision, and oversight of the financial and payment systems, including markets and institutions, which aim to promote financial stability, market efficiency, and client-asset and consumer protection. Some countries have an agency that has been established with responsibility for regulating and supervising an array of financial institutions (banking, insurance, and securities firms) and markets (securities, derivatives, and commodity futures). For most countries, the oversight responsibility for the financial sector is shared among several agencies. Thus, responsibility for the conduct of bank regulation and supervision or for bank deposit insurance policies in some countries may be assigned to the central bank, or to an independent bank supervisory or deposit insurance agency, or split among several units of government. Similarly, responsibility for the conduct of policies related to the oversight of certain categories of financial institutions may be assigned to the central bank or to a specialized agency.

Financial policies

Financial policies refers to policies related to the regulation, supervision, and oversight of the financial and payment systems, including markets and institutions, with the view to promoting financial stability, market efficiency, and client-asset and consumer protection.
Fiscal operations

Fiscal operations are actions taken by the government to implement budgetary policies, such as revenue and expenditure measures, as well as issuance of public debt instruments and public debt management.

Government

Unless a particular unit of government is specifically identified, reference to “government” refers either to the executive branch of government or to a particular ministry or public agency, depending on the issue at hand or the established tradition of government in particular countries.

Institutional framework

The term institutional framework refers to the overall structure of relations between different financial institutions and the relationship within that structure between the financial agency and other governmental and non-governmental bodies.

Institutional relationship

Institutional relationship refers to the demarcation of roles between agencies responsible for monetary and fiscal operations.

Legal protections of officials and staff

Legal protection of officials and staff relates to whether these individuals are subject to legal suits/liability for any adverse consequences of decisions made in the course of conducting their official duties. For example, if a central bank changes interest rates, and as a result investors incur capital losses, the question may arise whether central bank officials and staff have legal protection from being held accountable for such losses. Or, if a central bank declines to provide emergency financial support to a vulnerable financial institution, or decides to close such an institution, or refuses to license an institution, the question may come up whether officials and staff members of the central bank or a financial agency have legal protection for such decisions.

Memorandum of understanding

A memorandum of understanding is a signed document, which sets out a commonly agreed framework to govern relations between financial agencies within a country or between countries that could be publicly released or treated as a (sensitive) internal document. For instance, a central bank might make an agreement with the government about agency functions that it performs, and sign a memorandum of understanding to clarify the agreement. Financial agencies can also use signed
memoranda of understanding to clarify the procedures for the exchange of information or consultation arrangements.

**Modalities of accountability**

Modalities of accountability refers to the means, methods, and procedures used by a central bank or financial agency to account for its actions and report on its activities.

**Monetary policy instruments**

Monetary policy instruments are the various tools that a central bank can use to influence money market and credit conditions and pursue its monetary policy objectives.

**Monetary operations**

Monetary operations are actions taken by a central bank to implement monetary policy, such as influencing overall money market and credit conditions in the economy. These consist of using the monetary policy instruments according to prescribed monetary policy operating procedures.

**Payment systems**

A payment system consists of a set of rules, institutions, and technical mechanisms for discharging financial obligations assumed by economic actors whenever they acquire real or financial resources.

**Primary dealers**

Primary dealers are a group of dealers in government securities who are usually designated by the authorities to play a role as specialist intermediaries in government securities markets between the authorities and the market. Primary dealers usually have special rights to deal with the central bank in its open market operations or privileges in bidding at primary auctions. In exchange for these special rights, primary dealers are usually obliged to participate in the primary market and perform market-making services in the secondary market, in addition to maintaining standards for minimum capital and skilled human capital.

**Primary markets**

Primary markets are asset markets where securities are first issued and sold through some form of tender or auction process.
Public

Reference to the public in this document should ideally encompass all interested individuals and institutions. In some cases, particularly for financial policies, it may be expedient for the purposes of administering or implementing certain regulations and policies to define the concept of the public more narrowly to refer only to those individuals and institutions that are most directly affected by the regulations and policies in question.

Publication program

The term publication program refer to the full range of publications by a central bank or financial agency, encompassing an annual report, an official bulletin/review, staff research output, speeches and testimony by officials, and non-technical descriptions of role and functions of the agency. A periodic report on principal activities of the central bank or financial agency is a subset of the above, and it could be an annual report that covers the central bank’s or financial agency’s principal activities (policies/decisions) over the previous year or an official public report/statement to the public or parliament that reviews the central bank’s or agency’s principal activities and/or the state of economy or the particular financial sector for which the agency carries official responsibility.

Public consultation

Public consultations are procedures used by central banks and financial agencies to inform the public and provide an opportunity for feedback and input about particular regulatory changes under consideration. Such consultations can range from public hearings (with or without an opportunity for public intervention), an open period for submission of written comments, postings on a website, or meetings with parties most directly affected by the changes.

Publicly disclosed

Public disclosure refers to the act of making information or data readily accessible and available to all interested individuals and institutions. Some examples of the different forms that public disclosure may take include: verbal or written statements released to a public forum, to the news media, or to the general public; publication in an official bulletin, gazette, report, or stand-alone document; and information posted on a website.

Public reporting of aggregate data

Public reporting of aggregate data refers to the dissemination of data on a particular industry or sector as a whole. Such reporting can be facilitated by a central bank or
financial agency publicly reporting the data itself, or by encouraging other public or private entities to do so.

**Regulatory framework**

Regulatory framework is the overall structure of financial laws and regulations governing the behavior of participants in the financial system and the relationship within that structure between the financial agency and other government and non-government bodies.

**Secondary markets**

Secondary markets are asset markets where securities are traded after they have been issued or sold on primary markets.

**Self-regulatory organization**

Self-regulatory organizations are autonomous nonpublic bodies that regulate and monitor the behavior of affiliated participants in financial markets. Self-regulatory organizations may have formal powers delegated to them by financial agencies, and often have some form of relationship with public financial agencies. Examples of self-regulatory bodies include stock exchanges, commodity exchanges, and dealer associations for securities markets.

**Substantive technical changes in regulations**

Substantive technical changes in regulations refer to major modifications in the regulatory framework and environment. A substantive technical change to the structure of monetary regulations could include: significant changes in the rules the central bank uses to govern its activities such as reserve requirements, or procedures in the auctions for treasury or central bank bills. Some examples of a substantive technical change to the structure of financial regulations include a change from off-site bank examinations to on-site bank examinations, a change in the actuarial reserve calculation methods for insurance companies, a change in the coverage of the deposit insurance scheme, a change in the circuit breakers that a financial agency sets in securities markets, or an overhaul in the clearing and settlement procedures.

**Targets**

Targets are specific observable goals that a central bank pursues in the conduct of monetary or financial policy. Examples of central bank targets include numerical goals, such as a level or range of inflation over a specified time frame, or operational targets such as a particular level of interest rates or growth rate of central bank liabilities.
Term of Office

A term of office relates to the tenure of a position for the heads and members of the governing body of a central bank or financial agency. Details of the terms of office include issues such as whether the term is fixed or at the discretion of some other office holder, and whether there are any restrictions on appointment and re-appointment.

Transparency

Transparency refers to an environment in which the objectives of policy, its legal, institutional, and economic framework, policy decisions and their rationale, data and information related to monetary and financial policies, and the terms of agencies’ accountability, are provided to the public in a comprehensible, accessible, and timely manner.
## Composite Financial Supervisory Agencies

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<tr>
<th>Country</th>
<th>Agency</th>
<th>Website</th>
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<tbody>
<tr>
<td>Australia</td>
<td>Australian Prudential Regulation Authority</td>
<td><a href="http://www.apra.gov.au">www.apra.gov.au</a></td>
</tr>
<tr>
<td>Chile</td>
<td>Superintendencia de Valores y Seguros (Superintendency of Securities and Insurance)</td>
<td><a href="http://www.svs.cl">www.svs.cl</a></td>
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<td>Denmark</td>
<td>Finanstilsynet (Danish Financial Supervisory Authority)</td>
<td><a href="http://www.ftnet.dk">www.ftnet.dk</a></td>
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<td>Ecuador</td>
<td>Superintendencia de Bancos (Superintendency of Banks)</td>
<td><a href="http://www.superban.gov.ec">www.superban.gov.ec</a></td>
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<td>El Salvador</td>
<td>Superintendencia del Sistema Financiero (Superintendency of the Financial System)</td>
<td><a href="http://www.ssf.gob.sv">www.ssf.gob.sv</a></td>
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<td>Finland</td>
<td>Financial Supervision Authority</td>
<td><a href="http://www.rata.bof.fi">www.rata.bof.fi</a></td>
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<tr>
<td>Hungary</td>
<td>Hungarian Banking and Capital Market Supervision</td>
<td><a href="http://www.aptf.gov.hu">www.aptf.gov.hu</a></td>
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<td>Iceland</td>
<td>Financial Supervisory Authority</td>
<td><a href="http://www.fme.is">www.fme.is</a></td>
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<td>Japan</td>
<td>Financial Supervisory Agency</td>
<td><a href="http://www.fsa.go.jp">www.fsa.go.jp</a></td>
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<td>Malta</td>
<td>Malta Financial Services Centre</td>
<td><a href="http://www.mfsc.com.mt">www.mfsc.com.mt</a></td>
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<td>Mexico</td>
<td>National Banking and Securities Commission</td>
<td><a href="http://www.cnbv.gob.mx">www.cnbv.gob.mx</a></td>
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<td>Nicaragua</td>
<td>Superintendencia de Bancos y de Otras Instituciones Financieras (Superintendency of Banks and Other Financial Institutions)</td>
<td>None</td>
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<tr>
<td>Norway</td>
<td>The Banking, Insurance and Securities Commission of Norway</td>
<td><a href="http://www.kredittilsynet.no">www.kredittilsynet.no</a></td>
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<tr>
<td>Peru</td>
<td>Superintendencia de Banca y Seguros (Superintendency of Banks and Insurance)</td>
<td><a href="http://www.sbs.gob.pe">www.sbs.gob.pe</a></td>
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<td>Singapore</td>
<td>Monetary Authority of Singapore</td>
<td><a href="http://www.mas.gov.sg">www.mas.gov.sg</a></td>
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<td>South Africa</td>
<td>Financial Services Board</td>
<td><a href="http://www.fsb.co.za">www.fsb.co.za</a></td>
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<td>Sweden</td>
<td>Finansinspektionen (Swedish Financial Supervisory Authority)</td>
<td><a href="http://www.fi.se">www.fi.se</a></td>
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<td>United Kingdom</td>
<td>Financial Services Authority</td>
<td><a href="http://www.fsa.gov.uk">www.fsa.gov.uk</a></td>
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