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"This paper explores the effects of central bank transparency on the performance of optimal inflation targeting rules. I assume that both the central bank and the private sector face uncertainty about the "correct" model of the economy and have to learn. A transparent central bank can reduce one source of uncertainty for private agents by communicating its policy rule to the public. The paper shows that central bank transparency plays a crucial role in stabilizing the agents' learning process and expectations. By contrast, lack of transparency can lead to expectations-driven fluctuations that have destabilizing effects on the economy, even when the central bank has adopted optimal policies"--Federal Reserve Bank of New York web site.

The National Bank of the Republic of North Macedonia (NBRNM) is implementing advanced transparency practices. The long-standing commitment to transparency noted by a number of stakeholders and forcefully re-affirmed in the recent period is well anchored in the law, and it has been designated by the NBRNM as a strategic objective to fulfill its mandate. This policy has earned the NBRNM noteworthy trust from stakeholders met by the mission, and it has paid significant dividends in terms of anchoring its autonomy and ensuring policy effectiveness.

The economic influence of central banks has received ever more attention given their centrality during the financial crises that led to the Great Recession, strains in the European Union, and the challenges to the Euro. The Oxford Handbook of the Economics of Central Banking reflects the state of the art in the theory and practice and covers a wide range of topics that will provide insight to students, scholars, and practitioners. As an up to date reference of the current and potential challenges faced by central banks in the conduct of monetary policy and in the search for the maintenance of financial system stability, this Oxford Handbook covers a wide range of essential issues. The first section provides insights into central bank governance, the differing degrees of central bank independence, and the internal dynamics of their decision making. The next section focuses on questions of whether central banks can ameliorate fiscal burdens, various strategies to affect monetary policy, and how the global financial crisis affected the relationship between the traditional focus on inflation targeting and unconventional policy instruments such as quantitative easing (QE), foreign exchange market interventions, negative interest rates, and forward guidance. The next two sections turn to central bank communications and management of expectations and then mechanisms of policy transmission. The fifth part explores the challenges of recent developments in the economy and debates about the roles central banks should play, focusing on micro- and macro-prudential arguments. The implications of recent developments for policy modeling are covered in the last section. The breadth and depth enhances understanding of the challenges and opportunities facing central banks.

The Bank Al-Maghrib (BAM) has implemented expanded and comprehensive transparency practices in a number of areas, notably related to the primary mandate of price stability and the shared mandate of financial stability. This reflects the BAM's public commitment to transparency anchored in the new 2019 BAM Law and articulated as a strategic orientation under the quinquennial plan for 2019-2023. This level of transparency enabled the BAM to gain the noteworthy trust of the stakeholders met by the mission and to safeguard its autonomy.

This is the fourth chapter of a forthcoming monograph entitled "On Implementing Full-Fledged Inflation- Targeting Regimes: Saying What You Do and Doing What You Say." It examines a number of issues related to transparency and accountability in an inflation-targeting regime. It first looks at the factors behind the move to increased transparency in recent years and the important role of a communications strategy in transparency. It then turns to the role of the forecast in communications, how risks surrounding the forecast are communicated, and whether there should be limits on what is made public. It concludes with a short discussion of accountability.

Transparency in the economic sphere involves making public sector action visible and understandable to the private sector. Transparency in central bank operations can be seen a complement to the greater transparency being established in policy formulation. Among the most important areas in this regard and the central bank's operations in the foreign exchange market. This paper looks at the respective roles of overt and covert foreign exchange market operations, and considers that each may be appropriate under particular conditions. Reconciling covert operations with transparency requires rules for full disclosure with as short a lag as possible.

The paper reports to the Executive Board on its decision of April 29, 2019, to prepare an IMF Central Bank Transparency Code (CBT), which is linked to the 2017 Review of the Standards and Codes Initiative (RSCI), for a revision and update of the 1999 Monetary and Financial Policies Transparency Code (MFPT). Directors asked that the CBT should remove the overlap on financial policies covered by other international standards, expand the transparency standards to broader set of activities undertaken by many central banks since the 2008 financial crisis, and reorient the transparency standards to facilitate risk-based assessments to support policy effectiveness and address macroeconomic risks.

This paper develops a new central bank transparency index for inflation-targeting central banks (CBT-IT index). It applies the CBT-IT index to the Czech National Bank (CNB), one of the most transparent inflation-targeting central banks. The CNB has invested heavily in developing a Forecasting and Policy Analysis System (FPAS) to implement a full-fledged inflation-forecast-targeting (IFT) regime. The components of CBT-IT index include measures of transparency about monetary policy objectives, the FPAS designed to support IFT, and the monetary policymaking process. For the CNB, all three components have shown substantial improvements over time but a few gaps remain. The CNB is currently working on eliminating some of these gaps.

In contrast to previous empirical attempts to examine the effect of increasing central bank transparency on macroeconomic magnitudes, we investigate how the link between inflation and inflation expectations alters with increasing transparency. Our motivation stems from the belief that changes in the institutional features or operations of the Central Bank affect, first and foremost, the way that private agents form their expectations about the future behaviour of the Central Bank, and only through them, inflation. We apply the framework used by Levin et al (2004) who differentiate between inflation targeters and countries that do not have explicit quantitative objectives. They discover that inflation targeters benefit from a weaker link between inflation and expectations, and the more so for longer horizons. We, in turn, examine whether this observation still holds as central banks become more transparent. Our attempt is facilitated by the recent development of quantitative measures for transparency, used in the main text. We find that our results provide some evidence to substantiate the beneficial impact of transparency, on helping fix private sector expectations.

The Central Bank of Seychelles (CBS) sets a high benchmark for transparency, given the economic, and financial development and literacy circumstances of Seychelles, which is recognized by the stakeholders, thus maintaining a high level of trust and accountability. Despite constrained human capital resources, the CBS has taken commendable actions to facilitate an open and dynamic dialogue with key stakeholders. The CBS took the lead in communications on extraordinary support programs during the COVID-19 pandemic, regularly engaging with the public using plain language and various communication tools. It is also making great efforts to promote financial inclusion in Seychelles by developing and implementing a broad agenda on financial education and enhancing consumer protection in the financial sector.

The Central Bank of Chile (CBC) has implemented broadly advanced transparency practices. This reflects the CBC's strong public commitment to transparency, which is anchored in the law and has been designated by the CBC as a strategic objective to fulfill its mandate. This policy has earned the CBC the broad trust of its stakeholders and has paid significant dividends for the CBC in terms of safeguarding its autonomy and ensuring its policy effectiveness.

Transparency regulation aims at reducing financial fragility by strengthening market discipline.There are however two elementary properties of banking that may render such regulation inefficient at best and detrimental at worst.First, an extensive financial safety net may eliminate the disciplinary effect of transparency regulation.Second, achieving transparency is costly for banks, as it dilutes their charter values, and hence it also reduces their private costs of risk-taking.We consider both the direct costs of complying with disclosure requirements and the indirect transparency costs stemming from imperfect property rights governing information and specify the conditions under which transparency regulation can (and cannot) reduce financial fragility. Key words: information disclosure, market discpline, bank transparency, deposit insurance, financial safety net.

Abstract: We define and study transparency, credibility, and reputation in a model where the central bank's characteristics are unobservable to the private sector and are inferred from the policy outcome. A low-credibility bank optimally conducts a more inflationary policy than a high-credibility bank, in the sense that it induces higher inflation, but a less expansionary policy in the sense that it induces lower inflation and employment than expected. Increased transparency makes the bank's reputation and credibility more sensitive to its actions. This has a moderating influence on the bank's policy. Full transparency of the central bank's intentions is generally socially beneficial, but frequently not in the interest of the bank. Somewhat paradoxically, direct observability of idiosyncratic central bank goals removes the moderating incentive on the bank and leads to the worst equilibrium.

Banks may be unable to refinance short-term liabilities in case of solvency concerns. To manage this risk, banks can accumulate a buffer of liquid assets, or strengthen transparency to communicate solvency. While a liquidity buffer provides complete insurance against small shocks, transparency covers also large shocks but imperfectly. Due to leverage, an unregulated bank may choose insufficient liquidity buffers and transparency. The regulatory response is constained: while liquidity buffers can be imposed, transparency is not verifiable. Moreover, liquidity requirements can compromise banks' transparency choices, and increase refinancing risk. To be effective, liquidity requirements should be complemented by measures that increase bank incentives to adopt transparency.

The Central Bank of Uruguay (BCU) is implementing transparency practices that are broadly aligned with the good practices for central banks (Table 1). The institution's comprehensive communication tools and strategy underpin the commitment to transparency and its accountability for the price stability and financial system soundness mandates. In addition, the adoption of transparency among its value statements supports its mission "to contribute to the wellbeing of the society." The BCU management wants to make further improvements in the transparency practices and envisions that by relying on its strong legal and institutional arrangements this can be achieved. Ultimately, the BCU intends to be recognized as an "independent, effective, and reliable institution with the capability to anticipate and respond to new challenges."

This book explores three key areas of central banking and governance - autonomy, accountability and transparency. It looks at links between the areas, as well as assessing the impact of central bank autonomy on macroeconomic performance. The issues are approached from theoretical and empirical perspectives.

Greater transparency in central bank operations is the most dramatic change in the conduct of monetary policy in recent years. In this paper we present new information on its extent and effects. We show that the trend is general: a large number of central banks have moved in the direction of greater transparency since the late 1990s. We then analyze the determinants and effects of central bank transparency in an integrated empirical framework. Transparency is greater in countries with more stable and developed political systems and deeper and more developed financial markets. Our preliminary analysis suggests broadly favorable if relatively weak impacts on inflation and output variability.

To mitigate the risks of contagion from problems arising in the banking sector, many countries operate some form of banking sector safety net. Such safety nets generally involve a judicious mixture of transparency and ambiguity. This ambiguity may be important to counter moral hazard effects but may lead to excessive forbearance in the face of banking problems. While the scope for ambiguity has been declining, some ambiguity in the handling of individual institutions remains. In any case, ex post transparency is essential for reviewing the propriety of any assistance and preserving the authorities' future reputation and policy credibility.

The Bank of Canada (BOC) sets a high benchmark for transparency, which is recognized by its stakeholders, thus maintaining a high level of trust and accountability. The BOC's transparency practices are broadly aligned with expanded and comprehensive practices as defined by the IMF Central Bank Transparency Code (see Table 1). This is acknowledged by the BOC's external stakeholders, who view the central bank as an open, dynamic, and transparent public institution.

In this paper, we investigate the relationship between the transparency of banks and the fragility of the banking system. We show that information-based bank runs may be inefficient because the deposit contract designed to provide liquidity induces depositors to have excessive incentives to withdraw. An improvement in transparency of a bank may reduce depositor welfare through increasing the chance of an inefficient contagious bank run on other banks. A deposit insurance system in which some depositors are fully insured and the others are partially insured can ameliorate this inefficiency. Under such a system, bank runs can serve as an efficient mechanism for disciplining banks. We also consider bank managers' control over the timing of information disclosure, and find that bank managers may lack the incentive to reveal the information about their banks.

An examination of the debates on European Central Bank monetary policy, focusing on issues of transparency, credibility, and accountability and the effect of the ECB's decentralized structure. The adoption of the euro in 1999 by 11 member states of the European Union created a single currency area second in economic size only to the United States. The euro zone's monetary policy is now set by the European Central Bank (ECB) and its Governing Council rather than by individual national central banks. This CESifo volume examines issues that have arisen in the first years of ECB monetary policy and analyzes the effect that current ECB policy strategy and structures may have in the future. After a detailed description and assessment of ECB monetary policy making that focuses on such issues as price stability and the predictability of policy decisions, the book turns to two important issues faced by European central bankers: the transparency and credibility of decision making and the ECB's decentralized structure. After showing that transparency in decision making enhances credibility, the book discusses the ECB's efforts at openness, its political independence as guaranteed by law, and its ultimate accountability. The book then considers the effects of the decentralized ECB structure, focusing on business cycle synchronization, inflation differentials, and differences in monetary policy transmission in light of the enlargement of the monetary union. The book also discusses options for ECB institutional reforms, including centralization, vote weighting, and cross-border regional banks.

"In this study, we investigate how central bank transparency about views on future productivity growth influences social welfare. To this end, we use a New Keynesian framework in which both the central bank and private agents are engaged in filtering problems regarding the persistence of productivity growth. Since the central bank and private agents do not know the true value of the signal-to-noise ratio, the gain parameters used in the filtering problems can be heterogeneous. If the central bank is not transparent, private agents must conjecture the central bank's estimate of the efficient level of the real interest rate. Under this setup, we show that central bank transparency does not necessarily improve social welfare. It can potentially yield a welfare loss, depending on (i) the gain parameters used by the central bank and private agents and (ii) private agents' conjecture on the gain parameter used by the central bank. If the central bank is uncertain about the combination of these gain parameters, it is sensible for the central bank to respond strongly to the variations of the inflation rate, because the misperceptions about these parameters become the source of demand shock."--Author's abstract.

This paper reports to the Executive Board on the outcomes of the Central Bank Transparency Code (CBT) pilot reviews. The pilot CBT reviews helped central banks evaluate their transparency practices and strengthen dialogue with external stakeholders. The CBT pilots provided valuable information on the resources required for the reviews going forward. Staff will continue to offer CBT reviews to the rest of the membership. The staff will report back to the Board in FY2026 on the progress of the CBT reviews and an update to the Code following five years of implementation.

Tiivistelmä: Pankkien läpinäkyvyys ja informaatioperusteisten talletuspakojen tehokkuus.

In this paper, we investigate the relationship between the transparency of banks and the fragility of the banking system. We show that information-based bank runs may be inefficient because the deposit contract designed to provide liquidity induces depositors to have excessive incentives to withdraw. An improvement in transparency of a bank may reduce depositor welfare through increasing the chance of an inefficient contagious bank run on other banks. A deposit insurance system in which some depositors are fully insured and the others are partially insured can ameliorate this inefficiency. Under such a system, bank runs can serve as an efficient mechanism for disciplining banks. We also consider bank managers' control over the timing of information disclosure, and find that they may lack the incentive to reveal information about their banks.

This paper empirically investigates the induced effect of a more and less transparent central bank intervention (CBI) policy on rumors that can emerge. Using the case of Japan, we estimate a dynamic-probit model that explains the main determinants of false reports (i.e. falsely reported interventions)and anticipative rumors (i.e. rumors about future interventions) with reference to the intervention strategy adopted by the central bank for actual and oral interventions, and to the uncertainty climate of the market captured by two volatility measures. Our results suggest that the induced effect of a transparent CBI policy on market rumors critically depends on the type of speeches made by officials.

The Bank of Uganda (BOU) is implementing transparency practices that are broadly aligned with the good practices for central banks. The BOU's initiatives on a comprehensive communication strategy and broad use of tools underpin the commitment to transparency and its accountability for the price stability mandate. The BOU seeks to improve public accountability and intends to use the results of the CBTC review to further improve its communications and transparency practices.

The IMF's development of the code of good practices on transparency in monetary and financial policies and introduction of safeguard assessments has increased the importance of the transparency of the disclosures found in central bank financial statements. This study looks at the disclosure requirements for central banks under International Accounting Standards and provides practical guidance for those responsible for preparing central bank financial statements.

This paper examines the current level of central bank independence (CBI) and transparency in a broad sample of countries using newly constructed measures, and looks at the evolution in both measures from an earlier time period. Increases in CBI have tended to occur in more democratic countries and in countries with high levels of past inflation. More independent central banks in turn tend to be more transparent, while transparency is also positively correlated with measures of national institutional quality. Exploiting the time dimension of our data to eliminate country fixed effects and using instrumental variable estimation to overcome endogeneity concerns, we present evidence that greater CBI is associated with lower inflation. We also find that enhanced transparency practices are associated with the private sector making greater use of information provided by the central bank.

Should central banks increase their degree of transparency any further? We show that there is likely to be an optimal intermediate degree of central bank transparency. Up to this optimum more transparency is desirable: it improves the quality of private sector inflation forecasts. But beyond the optimum people might: (1) start to attach too much weight to the conditionality of their forecasts, and/or (2) get confused by the large and increasing amount of information they receive. This deteriorates the (perceived) quality of private sector inflation forecasts. Inflation then is set in a more backward looking manner resulting in higher inflation persistence. By using a panel data set on the transparency of 100 central banks we find empirical support for an optimal intermediate degree of transparency at which inflation persistence is minimized. Our results indicate that while there are central banks that would benefit from further transparency increases, some might already have reached the limit.

This note examines the observance by the National Bank of the Republic of Belarus (NBRB) of the good practices on transparency in monetary policy. The transparency analysis was based on a review of relevant laws and regulations and the International Monetary Fund (IMF s) code of good practices on transparency in monetary and financial policies without carrying out a formal principle-by-principle assessment. It was conducted as part of the joint IMF-World Bank Financial Sector Assessment Program (FSAP) mission to Belarus that took place in November 2004. NBRB displays a satisfactory degree of transparency in formulation and implementation of its monetary policy although improvements are possible in several areas. The objectives and responsibilities of the NBRB, and the broad modalities of accountability and public dissemination of the information, are defined in the Statute of the National Bank of the Republic of Belarus and the Banking Code. The monetary policy process is generally well structured and open. In several areas, however, the NBRB should further improve its monetary policy transparency and accountability practices.

The paper responds to a request made by the Executive Board at the time of the 2017 Review of the Standards and Codes Initiative (RSCI) for a revision and update of the 1999 Monetary and Financial Policies Transparency Code (MFPT). Directors asked staff that the new code remove the overlap on financial policies covered by other standards, expand the transparency standards to broader set of activities undertaken by many central banks since the Global Financial Crisis, and reorient the transparency standards to facilitate risk-based assessments to support policy effectiveness and address macroeconomic risks.