

IMF Working Paper

Monetary and Capital Markets Department

Central Bank Legal Frameworks in the Aftermath of the Global Financial Crisis¹

Prepared by Ashraf Khan

Authorized for distribution by Ghiath Shabsigh

May 2017

IMF Working Papers describe research in progress by the author(s) and are published to elicit comments and to encourage debate. The views expressed in IMF Working Papers are those of the author(s) and do not necessarily represent the views of the IMF, its Executive Board, or IMF management.

Abstract

Drawing on the 2016 update of the IMF’s Central Bank Legislation Database, this paper examines differences in central bank legal frameworks before and after the Global Financial Crisis. Examples from select countries show that many central bank laws have undergone changes in objectives, decision-making, accountability, and data collection. A wider cross-country survey illustrates the common occurrence of price stability in central bank objectives, and varying practices in defining financial stability, “independence” versus “autonomy,” and who within a central bank determines monetary policy. The highlighted facts illustrate the uses of the database and could be a starting point for further analyses.

JEL Classification Numbers: E5, E6, F5, F6, G3, K1, K2.

Keywords: Central banking, law, governance, financial supervision, financial stability, independence, autonomy, financial crisis, monetary policy.

Author’s E-Mail Address: akhan4@imf.org

¹ The author is grateful for comments from Ghiath Shabsigh, Veronica Bacalu, Rudy Wytenburg, Hans Weenink, Joanna Grochalska, Tumar Kapan, Salim Darbar, and Deniz Igan. Karen Lee provided invaluable research assistance. Special thanks to Tahsin Saadi Sedik for his encouragement to write this working paper, Marcela Matamaros for her expert opinion, and Florence Dotsey, Patricia Neidlinger, and Jay Chang for their relentless focus on excellence in production of the paper. All remaining errors are my own.

Contents	Page
Glossary	3
I. Introduction	4
II. Central Bank Legislation Database	4
III. Selected Central Bank Examples	6
A. Canada.....	8
B. Chile	8
C. France	9
D. Georgia.....	10
E. Israel	11
F. Korea.....	12
G. Liberia	12
H. Macedonia.....	13
I. Malaysia.....	13
J. Mauritius	14
K. Mexico	15
L. Pakistan.....	16
M. Russia	17
N. Singapore	18
O. Turkey	19
IV. Examples of Cross-country Differences.....	20
A. Independence and Autonomy.....	20
B. Defining Financial Stability	25
C. Price Stability as a Central Bank Objective	27
D. Locus of Monetary Policy Determination.....	31
V. Conclusion	32
References.....	33
Tables	
1. International Monetary Fund’s Central Bank Legislation Database.....	5
2. Overview of Legal Terminology Relating to Independence/Autonomy in Central Bank Laws and Constitutions.....	22
3. Financial Stability Terminology in Central Bank Laws	26
Figures	
1. Objectives That Include ‘Price Stability’ (by region) After 2014 Update.....	28
2. Objectives that Include ‘Price Stability’ (by region) Before 2014 Update.....	28
3. Objectives that Include ‘Price Stability’ (by income level) After 2014 Update.....	29
4. Objectives that Include ‘Price Stability’ (by income level) Before 2014 Update	29
5. ‘Price Stability’ as a Central Bank Objective Before 2014 Update.....	30
6. ‘Price Stability’ as a Central Bank Objective After 2014 Update	30
7. Monetary Policy Determination.....	31
Annexes	
I. List of IMF Member Countries and Monetary Unions (not) Included in the CBLD	35
II. Overview of Central Bank Legislation Database (Sub C Categories)	37

GLOSSARY

AMLCFT	Anti-Money Laundering and Countering the Financing of Terrorism
CBLD	IMF's Central Bank Legislation Database
ECB	European Central Bank
EMU	Economic and Monetary Union of the European Union
ESCB	European System of Central Banks
FIU	Financial Intelligence Unit
FS	Financial Stability
FSC	Financial Stability Committee
GFC	Global Financial Crisis
IMF	International Monetary Fund
MPC	Monetary Policy Committee
WB	World Bank

I. INTRODUCTION

Central banking is subject to ongoing changes, even more so since the Global Financial Crisis. Noteworthy developments include, for instance, the usage of unconventional monetary policies in many advanced economies, which in part, led to significant expansion and diversification of central banks' balance sheets. Moreover, discussions on the mandates of central banks, and the functions they should perform, are ongoing. Relatively "new" functions such as macro prudential policies and resolution are at the forefront. Discussions on the role of central banks in maintaining financial integrity and contributing to consumer protection are relevant as well.

To facilitate these discussions amongst policy makers, proper data and information on central banks is required. This relates to quantitative data on balance sheets in general, including exposures, reserves, and aspects relating to (quasi) fiscal financing, but also to quantitative and qualitative data on mandates and objectives, governance arrangements, disclosure, transparency and accountability arrangements, and a host of other issues relating to the central bank and the context in which it operates.

The IMF's Central Bank Legislation Database (CBLD) fulfills part of this need, as the most comprehensive central bank law database in the world.

II. CENTRAL BANK LEGISLATION DATABASE

The CBLD now holds central bank laws and excerpts from constitutions of 142 IMF member countries and monetary unions, grouped in more than 100 categories. It also includes historic laws from the previous update, for 132 countries and monetary unions. All legal texts are collected in English. If an English version is not available, translated versions will be included as received from the authorities, or provided unofficially by the IMF. Of the IMF member countries, 116 submitted updated legislation for the 2016 update; another 28 reported no changes compared to the 2012 update. Annex I provides a comprehensive view of the CBLD's country coverage and its expansion over time.

Table 1 below summarizes the historic development of the CBLD. The main goal of the database is to enhance technical cooperation and knowledge sharing between the IMF and member country central banks. It also includes a law library with the full text of most central bank laws, and contains references to relevant IMF Working Papers (relating to, for instance, transparency, financial provisions, governance and organization).

The database is managed by the IMF's Monetary and Capital Markets Department, and was updated in 2016. Its users so far have been internal to the IMF and the World Bank Group, as well as central banks and the authorities of monetary unions. At this point in time, the CBLD is only accessible for staff of central banks, monetary unions, and international financial institutions. The 2016 update builds on data collected from central banks and monetary unions in the period 2014/2015, and reflects almost a year's work by an IMF team reaching

out to all central banks and monetary unions, formatting and coding according to the CBLD categories the legal texts, and subsequently running tests to filter out errors.

Table 1. International Monetary Fund’s Central Bank Legislation Database: Historic Overview

Year of Data Collection	Cut-off Date for Data Submission	Identifying year of update	Comments
1997	n/a	n/a	First CBLD set up in limited form, for internal use
2004	n/a	n/a	CBLD launched IMF-wide
2006	n/a	2008	Full overhaul (update of coding/creation of categories)
2008	December 2008	2010	Update
2010	December 2010	2012	Update
2014	December 2014	2016	Update

Source: IMF.

The CBLD’s classification categories allow easy, tailor-made search queries. The CBLD has 12 main categories, each further divided into subcategories. In the “tagging” process of each central bank law (and excerpt of constitution) contribution that the Fund staff has received, every single article/section of the law would be assigned at least one CBLD subcategory. The added benefit for the user is that he/she does not need to read through the entire law to find relevant central banking elements relating to, for instance, capital. The tagging process ensures that all relevant articles in the law relating to, in this example, capital, will be highlighted for the user, regardless of their location(s) in the law.

The categories cover all aspects of central banking. The 12 main categories are:

(1) background information (e.g., foreword and definitions), (2) establishment, objectives, functions, and powers (e.g., list of objectives, autonomy/independence issues, prohibited activities for the central bank), (3) organization and administration (e.g., all aspects relating to the governor, governing bodies, other officers, staff in general, as well as structure of the central bank), (4) financial provisions (e.g., capital, budget, and profit allocation), (5) monetary unit, banknotes, and coins (e.g., definition of the legal tender, name of the currency), (6) monetary policy and operations (e.g., how monetary policy is determined, open market operations, and reserve requirements), (7) foreign exchange policy and operations and international reserves, (8) relations between the central bank and the state (e.g., (quasi) fiscal activities), (9) relations between the central bank and financial institutions (e.g., micro and macro prudential supervision, lender of last resort arrangements, resolution arrangements, AMLCFT arrangements), (10) payment systems and security settlement

systems, (11) accounts, financial statements, audit, and their publication, and (12) miscellaneous (e.g., collection of statistics, immunity from taxation). Annex II presents the full list of CBLD (sub)categories.

The CBLD also allows queries focused on specific groups of countries. Pre-selected groups are those that are part of an existing monetary union, as well as groups based on geographical region, exchange rate arrangement (conventional peg, crawling peg, currency board arrangement, exchange arrangement with no separate legal tender, free floating, floating, pegged exchange rate with horizontal bands, crawl-like arrangement, stabilized arrangement, and other), and income level (low, lower middle, upper middle, high-income, and unclassified).

This paper is structured as follows: Section II describes developments in legal frameworks of a selection of countries. Section III provides information on additional cross-country data-examples, that is: general central bank topics that are relevant for multiple countries, in particular: independence versus autonomy; defining financial stability; price stability as a central bank objective; and the locus of monetary policy determination within a central bank. Section IV provides a brief summary of the paper.

III. SELECTED CENTRAL BANK EXAMPLES

The subsections below examine legal changes in the frameworks of 15 select countries.² The changes are highlighted by comparing the laws that the respective countries had submitted during the previous (2012) update, with those of the current (2016) update. The selected country examples are not necessarily representative of policy changes, but form an interesting sample. The country examples have been selected from those countries that provided submissions for both the previous (2012) CBLD update, as well as for the current (2016) update. Additionally, the country examples were chosen from different regions, different country sizes, and different monetary unions. The sample also includes some countries with seemingly minor changes to the central bank legislation, in order to show the range of recent legal amendments (readers for example may infer that some countries that already had updated legislation not long before the GFC did not require significant changes after the GFC). The paper thus highlights factual changes to central bank legal frameworks without drawing policy conclusions, but as a starting point for further analyses and research.

While the majority of countries reported in the recent update at least some changes to their central bank legal framework, a significant minority reported no changes. Out of the 142 countries and monetary union legal frameworks included in the most recent CBLD update, 114 countries show some form of change; 28 countries³ show no change to either their central bank law and/or the relevant parts of the national constitution (compared to their

² Canada, Chile, France, Georgia, Israel, Korea, Liberia, Macedonia, Malaysia, Mauritius, Mexico, Pakistan, Russia, Singapore, and Turkey.

³ Afghanistan, Bangladesh, Bolivia, Bosnia Herzegovina, Brazil, Bulgaria, Cambodia, China, Congo (DRC), Cyprus, Denmark, Finland, Greece, Guyana, Honduras, Indonesia, Japan, Mauritania, Nepal, Paraguay, Peru, Philippines, Romania, Saudi Arabia, South Africa, Thailand, Uganda, and Yemen.

submission for the 2012 update). Some of those countries do have legislative amendments in process, or are pending approval of the legislative power—the CBLD only includes the final, official legislation. It is worth noting that, as with all laws, the de jure situation can in practice also differ from the de facto situation in a country—much of which is related to the legal and judicial system, and the rule of law in general. Such differences go beyond the scope of the CBLD and this paper.

The central bank laws of the countries examined have most notably have undergone changes in four areas: (1) objectives, (2) decision-making, (3) accountability, and (4) data collection. The selected country examples below demonstrate that since central banks submitted their laws during the previous CBLD update (of 2012) a number of substantial changes, with sometimes large operational and policy effects on central banks, have occurred in their legal frameworks. For example, the central bank law of Israel has undergone a full overhaul, with significant changes relating to mandate, autonomy, and operations. In contrast, Korea has undergone only a minor change to its central bank legal framework recently, perhaps reflecting that the previous legal amendments date back only to 2008.

More specifically, changes in these four areas have included the following:

(1) *Central bank objectives have come to include financial stability and financial supervision. Financial supervision is sometimes merged with the central bank, and sometimes the mandate of one or more stand-alone agencies.* Of the 15 select countries discussed below, Russia, Mexico, Georgia, Singapore, and Israel, have either come to include their financial supervision function within the central bank, or strengthened their already existing supervisory function. In many cases, the link to financial stability is introduced in the law, for instance, in Chile (see also Section III B on the complexities of defining “financial stability”), and/or inter-institutional arrangements between the central bank and other agencies are strengthened (for instance, by introduction of a Financial Stability Commission/Committee, as in the case of Mauritius, and Chile, or by further enhancement of such a Commission’s powers, for instance, in the case of Malaysia).

(2) *Decision-making is focused on more strongly, by arrangements relating to central bank board member selection criteria, appointment procedures, and by changes in size of the Board.* France, Pakistan, Russia, Singapore, and Liberia increased the size of their central bank Board between 10-50 percent. Fit and proper criteria (Macedonia, Pakistan, Turkey) are made more granular—with for example the Macedonian focus on English language proficiency being very detailed. Specific requirements for the Chairman of the Board are introduced (e.g., to prevent conflicts of interests (Russia)—sometimes also extending to all Board members and staff (Georgia, Mauritius). In the case of Israel, the entire top structure is changed, strengthening autonomy by means of limiting possible government influence, while introducing internal oversight.

(3) *Accountability mechanisms are strengthened.* Some of these measures relate to expanding the number of Board members (who can be representatives from stakeholders such as the central bank’s own staff—see France), the strengthening of accounting rules (Russia, and Mauritius),

and increased disclosures in general (Canada, Mexico, Pakistan, Israel, Mauritius). In the case of Mauritius, a complaint mechanism for commercial banks vis-à-vis the central bank is introduced. In Malaysia, the Secretary General of the Treasury is explicitly allowed to participate in financial stability meetings relating to individual institutions.

(4) ***Central banks are mandated to collect more, and more specific, data and information.*** This often relates to the expansion of their objectives and/or functions, for instance, Russia (direct investment data), France, Georgia, Mexico, Singapore, and Mauritius (financial stability/financial supervision data, and inter-agency cooperation).

The subsections below provide a more detailed view of the individual central bank laws of the 15 selected cases. Note that not all changes in the central bank laws are necessarily highlighted here; some selection has been made to reflect the more material and/or noteworthy changes. Note also that it cannot be ruled out that in some cases new translations have contributed to mentioned changes in laws.

A. Canada⁴

Changes in the Bank of Canada Act are relatively minor. The most recently submitted CBLD version contains small changes compared to the version submitted for the CBLD 2012 update.

Some amendments relate to administrative flexibility for the Bank. For instance, Article XV (Returns) seems to create more flexibility for the Bank in disclosing its weekly financial information (sub 1), moving from a weekly basis to “as soon as practicable after the last business day of the week.” As for the monthly balance sheet, Article XV (sub 2) was amended to post the balance sheet on its website, from the previous situation of transmitting it to the Minister.

B. Chile⁵

A Council on Financial Stability (CFS), and arrangements for information sharing by the Central Bank of Chile and among financial authorities, are introduced. Law Number 20.789 of 2014, describes the CFS as “a consultative body reporting to the Ministry of Finance.” Its purpose is to “facilitate technical coordination and exchange of information among its participants, in matters related to the prevention and management of situations that may imply risk to the financial system, in order to preserve the integrity and financial stability of the economy” (Article 1). The CFS consists of the Minister of Finance (as chair), as well as the three relevant financial supervisors, including the Superintendent of Banks and Financial Institutions.

⁴ Bank of Canada Act: 2008 version compared to 2014 version.

⁵ Basic Constitutional Act of the Central Bank of Chile: 2010 version compared to 2014 version.

The law also specifies that the CFS “shall rely on the permanent advisory services of the Central Bank.” For that purpose, the Chairman of the Central Bank is allowed to participate in “all meetings of the Council, with the right to be heard and to be informed of all matters and materials being considered at the Council”. The Central Bank may perform analysis or research deemed necessary to monitor the stability of the financial system, upon the request of the CFS. In addition, it is expressly indicated that any recommendations on policy or regulation issued by the CFS concerning the powers of the Central Bank, shall be explained by the Minister of Finance before the Board of the Bank.

Article 11 of the law stipulates the amendment of Article 66 in the Basic Constitutional Act of the Central Bank of Chile, providing for a legal exception to the central bank’s secrecy and confidentiality duties, when the CFS needs information “deemed necessary for the performance of its legal duties, for the sole purpose of preventing situations that may imply systemic risk to the stability of the financial system.” In the event that such information could be provided by the Bank, the CFS shall be subject to the same confidentiality duty contemplated in the Act, including for transparency purposes.

As such, the CFS acts as an advisory agency to the Minister of Finance, with the aim of preserving financial stability regarding issues related to the scope of powers and functions pertaining to the group of Financial Superintendencies. However, this does not pose limits on the powers conferred to the Central Bank of Chile regarding its own functions and exclusive powers in connection with the aim of preserving the stability of the financial system (see Articles 3 and 36).

C. France⁶

The Bank’s role in financial stability is explicitly introduced. Articles L 141-5-1, L 141-6, and L 141-6-1 were added to accommodate the Banque de France’s role in financial stability. The 2004 law did not assign such a function to the Banque de France. In the 2014 version of the law the High Council for Financial Stability is introduced, with the explicit objective for the Bank to “monitor... the stability of the financial system” (Article L141-5-1). This includes the requirement for financial institutions to provide all necessary information (Article L 141-6 sub I), establishing the balance of payments of France (sub II), an arrangement for sanctions on non-compliance with the reporting requirements of sub I and II (sub III), an arrangement for data exchange between the Bank and the National Institute for Statistics and Economic Research, as well as ministerial statistics departments (sub IV). Finally, as part of its financial stability role, the Bank is required to “alert as soon as possible” the French prudential and resolution authority (Article L 141-6-1).

At the decision-making level, the Banque de France’s Monetary Policy Council (MPC) is dissolved. Article L142-2 clarifies that the General Council (GC) is responsible for all issues that do not fall within the remit of the European System of Central Banks (ESCB).

⁶ Statutes of the Banque de France: January 2004 version compared to June 2014 version. The discussion here is based on non-binding courtesy translation provided by Banque de France.

Previously, the Banque de France had an MPC which was to “examine monetary trends and analyze the implications of the monetary policy formulated within the framework of the [ESCB].”

The new, expanded General Council is made to include members from different stakeholders. The old GC consisted of the seven members of the MPC (Governor, two Deputy Governors, and four external members). The new GC (see Article L 142-3) consists of 11 members: The Governor, two Deputy Governors, two members appointed by President of the National Assembly, two members appointed by the President of the Senate, two members appointed by Cabinet decree, an elected representative of the Bank’s employees, as well as the Vice-Chairman of the prudential and resolution authority.

A stronger focus on the operation of the payments system is introduced. Article L 141-4 changes the “smooth operation and the security” of the payments system to “function correctly, and securely, consistent with the smooth functioning.”

D. Georgia⁷

The management structure of the National Bank of Georgia is adjusted. The size of the Board is increased from five to seven members. The law also clarifies in Article 7 that two Vice-Presidents are Board members, as opposed to one Vice President under the previous version of the law. Article 8 clarifies that the Board “shall manage and supervise” the National Bank of Georgia. Previously this was more ambiguously worded as: “carry out supreme authority and supervision.”

The National Bank of Georgia assumes the lead role on financial supervision. Article 16 introduces a Financial Sector Supervision Committee, with the National Bank assuming all supervisory functions of the former Financial Supervision Agency, a separate and independent organization (Article 70—Transitional Provisions), as part of a reorganization of the Bank (Article 70—Transitional provisions). Chapter VIII further outlines the scope and modalities of financial supervision and regulation by the Bank.

The arrangements for conflicts of interests are further specified. Article 20 (sub 8) introduces the obligation for Board Members and employees, and their family members, to notify the Bank in case of providing a loan or other material liability to a “financial sector representative,” if exceeding a certain threshold.

Profit distribution rules are strengthened to enhance financial autonomy. Article 22 (sub 3) stipulates that the Bank is authorized to decide on distribution to the reserve fund, “in order to facilitate the stability and transparency of the financial system, and sustainable economic growth in the country.” Additionally, under the latest version of the law, the Board of the Bank can decide to use remaining net profits (after the distribution rules have been applied) to fill the general reserve fund of the National Bank, until its volume is less than 15 percent

⁷ Organic Law of Georgia on the National Bank of Georgia: 2008 version compared to 2014 version.

of the amount of the base money at the end of the financial year. Sub c of the same article lengthens the time for transferring remaining profits to the Ministry of Finance from four to six months after completion of the fiscal year.

The Bank can decide on what collateral to accept for loans to commercial banks and non-bank depository institutions. Under the previous version of the law (Article 29), the assets qualifying for collateral were listed in a limited manner. Under the new Article 31 (sub 2), it is the Board that can approve lists of which assets qualify for collateral.

Information and data requirements are tightened. Under the new Article 33¹ the Bank is authorized to request “statistical and accounting reports for maintaining monetary, financial external sectors statistics” (sub 1). This can specifically include information of a confidential nature (sub 2).

E. Israel⁸

The Bank of Israel Law has been changed substantially, including in terms of its objectives to its structure, and organization. Compared to the previous version of the law, a clear distinction between objectives and functions has been made (Articles 3 and 4). The main objective has been changed from currency stabilization (Article 3 sub 1 old) to price stability, with secondary objectives on financial stability, and supporting other objectives of the Government’s economic policy (Article 3, sub a). The establishment of the Bank’s autonomy has been added (Article 5), and the Governor’s personal autonomy has been strengthened (Article 13, regarding reasons for termination).

Prohibitions regarding conflicts of interest have been significantly expanded. Article 11 highlights an extensive list of prohibited “additional occupations,” including government related and commercial positions, as well as holding of securities of corporations registered in Israel.

The decision-making structure is completely overhauled; a Monetary Committee and Administrative Council are introduced. The Monetary Committee (Article 15) is introduced with the specific goal of determining monetary policy and relevant actions. A supervisory organ called Administrative Council is responsible for “supervising the orderly and efficient management of the Bank,” as well as issues relating to the approval of the budget, financial statements, and appointing the internal auditor. The Council has a separate Audit Committee (Subchapter C, Article 23–25). Both the Monetary Committee and the Administrative Council consist of the Governor, Deputy Governor, and a number of “members from amongst the public.”⁹

⁸ Bank of Israel Law: 2008 version compared to 2010 version. An unofficial English translation was made available by the Bank of Israel.

⁹ The members from amongst the public are selected via an extensively specified search procedure, outlined in Subchapter E.

The old Advisory Committee and Advisory Council are abolished. The Advisory Committee (Article 20 old) consisted of a maximum of 11 Government appointed members to “advise the Governor on every matter.” The Advisory Council (Article 23 old) consisted of the 11 members of the Advisory Committee, and an additional 10 government appointed members, to “advise the Governor on any such matter relating to the functions of the Bank,” with the obligation for the Governor to report to the Council on monetary policy. Both the committee and the council have been abolished with the new law, presumably strengthening the autonomy of the Bank.

While the prohibition of loans to Government is maintained, the relative cap on exceptions is replaced by an absolute one. Article 45 sub a (old) prohibited loans to the Government, with the exception of a “provisional advance” of 1.6 percent of the total ordinary annual budget. The new law changes this relative cap to an absolute one: NIS 10 billion, and not for more than 150 days per year.

Reporting and disclosure arrangements are strengthened, in quite some detail. For instance, Article 19 (sub a) introduces publication, and reporting to the Government, of the Monetary Policy Committee’s “summary of its deliberations and resolutions, the reasoning behind the resolutions, and the numerical results of voting on the resolutions.” Chapter 11 of the new law provides further details on reporting to the public.

There are no longer arrangements regarding the paid-up capital of the Bank. Under the previous version of the law (Article 5) the Bank’s capital was set at ten million Pounds (sub a). The new law seems not to refer to the Bank’s capital.

F. Korea¹⁰

The update of the CBLD indicates only minor changes to the Bank of Korea Act. Nearly all articles from the 2008 amended version of the law remain the same in the 2010 version. A seemingly minute exception is that Article 32 changes the titles of the executives/senior staff. Whereas the Bank previously had (in addition to the Governor) a Deputy Governor and Assistant Governors, this has now been changed to respectively a Senior Deputy Governor and Deputy Governors (effectively deleting the title, but not the position, of Assistant Governor).

G. Liberia¹¹

The Liberian central bank legislation remains unchanged, with the exception of expanding the central bank’s executive management. Article 10 was amended to introduce a second Deputy Governor, in addition to the Executive Governor. Additionally, a new sub 3 allows a third Deputy Governor to be appointed by the President, in case the Executive Governor and

¹⁰ Bank of Korea Act: 2008 version compared to 2010 version.

¹¹ Act to Authorize the Establishment of the Central Bank of Liberia: 1999 version compared to version submitted during the CBLD update of 2014—the actual year of passing of the mentioned amendment is not clear.

the Board of Governors recommends this—subject to the same terms and conditions of service as for the other Deputy Governors.

H. Macedonia¹²

Additional fit and proper selection criteria for Council members of the National Bank are introduced. Article 50-a requires a public note to be published for the positions of Vice Governors and nonexecutive National Bank Council (the governing body of the National Bank) members. Such a note needs to be published in “at least three daily newspapers,” with the additional criterion that one of those newspapers should be “issued in the language spoken by at least 20 percent of citizens speaking an official language other than the Macedonian.” The additional requirements for Vice Governors and nonexecutive members relate to tests of psychological health and integrity and of English language proficiency (including specifying minimum scores on such language tests).

A minor change in central bank functions is added. Article 42-A adds the power of the National Bank to issue coins for collection purposes (in addition to Article 42 which already arranged for the issuance of jubilee coins).

I. Malaysia¹³

The scope for financial stability measures is broadened. Article 31 (old) already included a list of measures Bank Negara Malaysia could take “in the interest of financial stability.” The amended Article 31 adds a new sub (a), highlighting that the Bank more broadly can specify measures which “would contribute to the resilience of the financial system or limit the accumulation of any risk to financial stability, to a class, category or description of persons engaging in financial intermediation.” The article then proceeds to establish the general duty of such a person to comply with the Bank’s measures or orders (sub 5), due diligence measures from the Bank to assess that compliance (sub 6), and remuneration of a person conducting the due diligence described in sub 7).

The Secretary General to the Treasury is allowed to participate in all financial stability meetings, including those relating to individual institutions. Previously, Article 37 sub 4 (old) (Financial Stability Executive Committee) allowed the Secretary General to the Treasury to be informed of, and be invited to all meetings of the Committee, with the notable exception of meetings relating to financial institutions. The amended Article 37 sub 4 deletes that exception, and specifies that the Secretary General “shall be informed of and be invited to all meetings of the Financial Stability Executive Committee.”

¹² Law on the National Bank of the Republic of Macedonia: 2010 version compared to the 2014 version. An unofficial consolidated version was provided by the authorities.

¹³ Central Bank of Malaysia Act: 2009 version compared to the 2013 version.

“Financial collateral” is specifically defined. The amended Article 2 (sub 1) now includes a definition of “financial collateral,” defining this in terms of cash or equivalents, securities, or futures.

J. Mauritius¹⁴

The functions of the Bank of Mauritius have been expanded to include financial awareness, and countering illegal practices. Article 6 (Functions of the Bank) sub e and f respectively add the promotion of public understanding of the financial system, as well as carrying out investigations and taking “measures to suppress illegal, dishonorable and improper practices.” Additionally, the Bank’s powers now also include the possibility to “set up a development fund for the benefit of small and medium enterprises” (Article 6 sub 1 aa), to “develop foreign exchange and derivatives markets” (Article 6 sub 1 ba), and to establish an Islamic money market (Article 6 sub 4).

Arrangements for preventing conflicts of interest are strengthened. Article 15 (tenure of office and declaration of assets) sub 4 specifies that a declaration of assets needs to be submitted by the Governor and Deputy Governors to the Minister, for himself, his spouse, children and grandchildren.

Arrangements for sharing Bank of Mauritius data with the Financial Services Commission and the Statistics Bureau have been broadened. Article 26 (Confidentiality) sub 4 (a) (old) provided for sharing Bank information with the Financial Services Commission, and other public sector and law enforcement agencies. In the amended Article 26 sub 4 (a) the Financial Services Commission is removed, and a separate sub 4 (aa) is added, allowing the Bank to disclose any “such information as may be required by the Commission for the purposes of assisting it in the discharge of its functions,” effectively broadening the possibilities to share information with the Commission. Also, a newly added sub 4 (d) specifies that the Bank should disclose any information or data to “Statistics Mauritius to enable the Director of Statistics to discharge, or assist him in discharging, any of his functions under the Statistics Act.” Additionally, the information collected by the Bank’s Credit Information Bureau (Article 52), and shared with other institutions, is expanded as well.

Accounting and capital arrangements have been clarified further. In particular, Article 47 (sub 1(A)) specifies that unrealized gains or losses should be respectively credited or debited to the Special Reserve Fund. The previous version of the article did not mention any arrangements for unrealized gains or losses.

A Banking Services Review Panel is introduced. Part VIIIA of the updated law specifies the introduction of an ad hoc panel, tasked with reviewing complaints from financial institutions that are “dissatisfied with a decision of the Bank” relating to mostly penalties.

¹⁴ Bank of Mauritius Act: 2004 version compared to 2013 version.

The composition of the Monetary Policy Committee (MPC) is changed. Previously, the MPC consisted of the executives and three outsiders, as well as two Bank Directors. The amended law replaces the Bank Directors with “two other persons,” effectively allowing Bank staff (including those below the level of Director) or (additional) outsiders on the MPC. Article 54 sub 2 (A) additionally introduces a Code of Conduct for the MPC, “to govern its meetings and report once a year to the Board regarding its compliance with the Code of Conduct”—thus enhancing the MPC’s accountability.

A Financial Stability Committee is introduced. While Article 33 (old) referred indirectly to the Bank’s financial stability policies, the new Section IX A introduces an explicit arrangement for financial stability policies, by means of setting up a Financial Stability Committee (FSC). The FSC is chaired by the Minister, and additionally consists of the Governor, the Financial Secretary, the Chief Executive of the Financial Services Commission, and the Director of the FIU.

K. Mexico¹⁵

The Banco de Mexico Law seeks to strengthen compliance by financial entities. Article 26 (older version) already contained the obligation for credit institutions to “abide by the regulations issued by the Central Bank.” In 2014 it was amended by adding the sentence that financial entities “must comply with those other provisions of general nature that are issued by the Banco de México.” Similarly, the amended Article 27 now contains more detailed instructions for the Banco de Mexico of what to take into account when considering sanctions against financial entities. Additional considerations include, for instance, the term of the default, and—in the case of recidivism—doubled fines. The article also allows for reprimands (instead of fines), and mitigation factors (of which it gives examples) to be taken into account, allowing a more varied enforcement palette for the Bank. Articles 36 bis, 36 bis 1, and 36 bis 2 introduce detailed arrangements for administrative penalties.

Supervision on financial intermediaries is strengthened, as is financial stability cooperation. The new Article 35 bis allows the Banco de Mexico to supervise financial intermediaries, which include inspections and surveillance. This comes in addition to the already existing requirement that financial intermediaries need to share relevant information with the Bank (Article 36). Article 36 is further amended to strengthen financial stability cooperation. The previous version of the article only allowed the supervisory committees of the financial system to “perform visitations” at financial intermediaries, with possible participation of Bank staff. The amended article stipulates that the Bank coordinates such visits to intermediaries with the supervisory committees, without prejudice to its own visits that it could conduct on the basis of Article 35 bis. This places a stronger role with the Bank on supervising financial intermediaries, whilst strengthening inter-agency cooperation from a financial stability perspective.

¹⁵ Banco de Mexico Law: 1993 version compared to the 2014 version.

The Governor is now appointed by the Federal Executive. The Federal Executive is the Mexican Cabinet consisting of the 18 Secretaries of State, the head of the federal executive's legal office, and the Attorney General. Under the previous version of the law, it was the President of the Republic who appointed the Governor.

Disclosure arrangements are strengthened. Article 41 (General Provisions) clarifies in its amended version that—instead of the previous once a year—every trimester a report on inflation, economic evolution, economic indicators, and execution of monetary policy needs to be submitted to the Mexican Congress (i.e., its Permanent Commission). This is a clear increase in disclosure and reporting requirements to the legislative power.

L. Pakistan¹⁶

The Bank's autonomy is strengthened, whilst limiting (possible) Government influence. Article 46 B (sub 2) prohibits instructions to the Bank, Board Members and staff: “[t]he autonomy of the Bank shall be respected at all times.” Similarly, the old Article 52 (Powers of Government to supersede the Central Board) is repealed. This article allowed the Government to step in, if “in the opinion of the Federal Government, the Bank fails to carry out any of the obligations.”

The size of the Board is expanded, and fit and proper criteria are introduced. Article 9 (sub 2) indicates that the Board consists of the Governor, the Finance Secretary, and eight other Board members (seven under the previous version of the law). Sub 3 introduces fit and proper criteria for Board members. Previously, these Board members were to ensure “representation to agriculture, banking and industrial sector.” This has been replaced by “eminent professionals from the fields of economics, finance, banking and accountancy.” Additionally, sub 3 stipulates a prohibition of “conflict of interest with the business of the Bank.”

Similarly, the Monetary and Fiscal Policies Coordination Board of the Bank is expanded with two economist members. Article 9 B (sub 1) specifies, in addition to the members designated under the previous version of the law, that the Board should also include “two eminent macro or monetary economists with proven record of research and teaching.”

The scope for fiscal financing is further reduced, whilst strengthening public disclosure. New Article 9 C covers limitations on federal government borrowing, which “at the end of each quarter... shall be brought to zero.” The Finance Minister is obliged (sub 3) to give a detailed justification before Parliament if the arrangements of Article 9 C are not observed by the Federal Government.

¹⁶ The State Bank of Pakistan Act: 2002 version compared to 2012 version.

Open market operations are explicitly specified. Article 18 introduces arrangements for the Bank to operate in financial markets (sub 1), with the Board determining (sub 2) the instruments and the likes required for monetary control, including Shariah-based instruments.

M. Russia¹⁷

The most significant change is the introduction of the Bank of Russia's legal objective to supervise and regulate financial markets. Chapter X of the 2014 version of the law introduces the Bank's role in financial market regulation, control and supervision. It specifies (Article 762) that the Bank shall exercise regulation, control and supervision over non-credit financial institutions (defined in Article 761). It highlights (in Article 761) that the main objective of this function is to "maintain stable development of the financial market of the Russian Federation and effectively manage risks emerging on financial markets." It lists an extensive number of measures that the Bank can take (relating to crisis situations, and investor and consumer protection), but stresses that that the Bank "shall not interfere in the day-to-day activities of non-credit financial institutions."

The 2014 law expands the Bank of Russia's objectives. In the 2011 version the "purposes" (Article 3) were listed as protection of the ruble and ensuring its stability; developing and strengthening the banking system; and ensuring the effective and uninterrupted functioning of the payment system. The 2014 version leaves these three unchanged (though the latter one is changed to "ensure stability of and develop the national payment system"), but adds both development and ensuring stability of the financial market. This is similarly reflected in Article 4, highlighting the functions of the Bank of Russia, which adds functions relating to non-credit financial institutions (Article 4, sub 91), as well as regarding securities issues (Article 4, sub 10).

The Bank of Russia's role regarding accounting rules has been refined. In the 2011 version of the law Article 14 (sub 14) specified that the Bank "shall set the accounting and reporting rules for the banking system of the Russian Federation." In the 2014 version this subsection (in Article 3) is replaced by a more expanded text, making a stronger differentiation between different institutions applying accounting standards, as well as a number of operational issues: "it shall approve sectoral accounting standards for credit institutions, the Bank of Russia and non-credit financial institutions, a chart of accounts for the accounting of credit institutions and the procedure for its application, a chart of accounts for the Bank of Russia and the procedure for its application."

Additionally, the Bank of Russia should take an active role regarding direct investment data. The 2011 law highlights in Article 4 (sub 18) that the Bank has a role in analyzing and forecasting the Russian economy, whilst publishing relevant materials and data. The 2014 version of the law adds a number of subsections to Article 3 dealing with compilation of

¹⁷ Russian Federation Federal Law on the Central Bank of the Russian Federation (Bank of Russia): 2011 version compared to 2014 version.

statistical data on direct investment (sub 162), and develop its own statistical methodology for direct investment (sub 163).

Preventing conflicts of interest within the Bank of Russia is explicitly added in the new version of the law. In the 2014 version of the law (the new) Article IV1 reads: “fulfilling its functions stipulated by federal laws, the Bank of Russia shall be obliged to elaborate and pursue a policy for preventing, detecting and managing conflicts of interests.”

This is further stressed in the stipulations regarding the Bank of Russia Chairman in particular. To the already existing list (Article 14, 2011 version of the law) of reasons for dismissal of the Chairman is added an entire paragraph (Article 14, end) describing “failure to take measures for prevention or settlement of conflict of interest.” These relate in particular to “incomplete or unreliable information on his/her income, expenses, property or property-related obligations,” as well as that of his/her spouse and underage children.

The size of the Board of the Bank of Russia is expanded from 13 to 15 members, including the Chairman. (See Article 15, though it is not directly clear from the law why the two extra members were added.)

N. Singapore¹⁸

Financial stability and financial supervision are added to the Monetary Authority’s objectives; a distinction between objectives and functions is made. Article 4 specifies “objects and functions.” The 2013 amended version of the law includes the following changes in the Authority’s objectives and functions:

- Monetary policy: in the first listed objective “monetary stability” is changed into “price stability,” and promoting such stability within the context of the “general economic policy of the Government” is deleted.
- Financial stability: financial stability is the second listed objective, which has been added as compared to the 1999 version of the law. It also focuses on fostering Singapore as a “sound and reputable” financial center, rather than the former “sound and progressive.” The theme of promoting Singapore as a financial center is strengthened in the listing of both objectives (article 4, sub 1 (d)) and functions (article 4, sub 2 (d)).
- Functions: added are the functions of conducting “integrated supervision of the financial services sector”, “financial stability surveillance.”, as well the management of “the official foreign reserves of Singapore” (article 4, sub 2 (b) and (c)). Part IVA of the Act stipulates the arrangements for “control over financial institutions.”; Part IVB clarifies the resolution regime.

¹⁸ Monetary Authority of Singapore Act: 1999 version was compared to the 2013 version.

The possible size of the Board of Directors is expanded significantly, and stronger disclosure arrangements are introduced. Under the 2013 version of the law (Article 7, sub 3 b), the Board can now be not less than four, and not more than 13 Directors, whereas previously this was a maximum of nine Directors. Sub 4 adds that the Board is required to present the Minister with any information that he/she might require “in respect of the duties and functions of the Authority.”

Arrangements for loans to government are clarified. Article 23 (sub 1 ea) introduces the possibility for the Authority to “grant any loan, advance, overdraft or other credit facility to the Government on such terms and conditions as the Authority thinks fit.” However, sub 4 stresses that such grants can only be made if it is “required by the Government to meet unexpected and temporary shortfall in the Government’s revenue relative to its expenditure.”

Anti-money laundering powers are explicitly assigned to the Authority. Article 27B (sub 1) allows the Authority to issue directions and regulations on the prevention of money laundering and the financing of terrorism, including sanctioning institutions that fail to comply with these directions and regulations (sub 2).

Issuing its own securities is added to the powers of the Authority. Article 23 (sub 1 ga) allows for issuance (linked to Part VA of the Act), as well as purchasing, repurchasing, selling, redeeming, discounting, and re-discounting these securities, for “purposes of money market operations.”

Dispute resolution schemes are added to the Authority’s powers. Article 28A allows the Authority to “approve any dispute resolution scheme for the resolution of disputes arising from or relating to the provision of financial services by financial institutions,” and provides further tools and measures for the Authority to make regulations, sets sanctions and publication requirements, and so on.

O. Turkey¹⁹

Turkey has made some changes relating to its operational decision-making. Article 22 (sub o) now specifies that the Central Bank of Turkey’s Board “may delegate part of its powers to other organs.”

A change regarding the Board’s Audit Committee allows more flexibility in selecting its members. Article 23 (Audit Committee) specifies that the four members of the Audit Committee shall be elected by the General Assembly, consisting of the central bank’s shareholders. Under the previous version of the law, each of the four members was to be selected by the four groups of shareholders (the central bank has shareholders consisting of

¹⁹ Law on the Central Bank of the Republic of Turkey: 2010 version compared to 2013 version.

(a) the Treasury; (b) national banks; (c) non-national banks; and (d) Turkish commercial institutions and legal and real persons of Turkish nationality).

Qualifications for Vice-Governors are expanded. Article 29 lists, in addition to the previously existing requirements of “law, public²⁰ finance, economics, business administration, banking,” also the specific areas of “finance, engineering, public administration, political science, international relations and statistics or in faculties of economics and administrative sciences.”

Another minor change relates to the frequency of meetings of the Monetary Policy Committee. Article 22/A sub 4 now specifies that the Monetary Policy Committee meetings shall be held at least eight times a year upon the call of the Governor.

IV. EXAMPLES OF CROSS-COUNTRY DIFFERENCES

In addition to the study of country-specific developments over time, as discussed in the previous section, the CBLD also allows for cross-country comparisons on select topics. This section discusses examples in four topic areas: (a) independence and autonomy; (b) defining financial stability; and (c) price stability as a central bank objective, including a comparison with data from the last CBLD update, and (d) the locus of monetary policy determination within the central bank. All four examples relate to key central banking issues where examining legal frameworks of (relevant peer) central banks and monetary unions could provide helpful input for both research and policy-making alike.

A. Independence and Autonomy

The ability of a central bank to operate, in particular in the realm of monetary policy, independently of government is widely accepted as desirable. The Basel Core Principles on Effective Supervision extend this to financial supervision as well. However, there seems to be a lingering question of the distinction between “independence” and “autonomy.” This extends to academic papers, central bankers themselves, and the language used in central bank legal frameworks.²¹

As far as the legal definition of both terms goes, the CBLD allows examination of how central banks’ legal frameworks deal with independence and autonomy. The table below comprises information from the CBLD on which countries specify some form of “independence” (including “independent,” and “independently”), which countries use “autonomy” (including “autonomous,” and “autonomously”), and which countries use a

²⁰ The word “public” was added as a clarification in the 2013 version of the law.

²¹ See, for a recent discussion, Khan, A., IMF Working Paper 16/34 (2016), *Central Bank Governance and the Role of Nonfinancial Risk Management*. Other relevant papers include: Balls (2016), Berger (2000), Cochrane (2016), Fischer (1995), Lybek (1998), BIS (2003), Crowe (2008), Dincer (2014), Arnone (2007). Most recently, Garriga (2017) conducted an extensive analysis of central bank independence.

combination of both. In a single case, neither term is used (i.e., Argentina with “self-administered”).

“Independence” is the legal term used in the majority of central bank legal frameworks, but with some variations. The ESCB Statute uses “independence,” though only as a section title, not in the text that follows it. A number of countries (Dominican Republic, Iraq, Slovenia,) use “independence” in their constitution, but “autonomy” in the central bank law (only Macedonia has it the other way round). Some countries combine independence and autonomy in the same sentence. For example, in Liberia the central bank law specifies an “independent central bank with autonomous regulatory powers.” Discussions in relevant literature highlight the difficulty of defining independence and/or autonomy. See, for instance, BIS (2009), BIS (2011),

Additionally, the CBLD findings show a difference in using adjective and noun forms. When independence and autonomy are used as adjectives, i.e., “independent” and “autonomous”, they would appear to be referring to a narrower context than that of the central bank as a whole. Similarly, some laws refer to the narrower context of “financial autonomy” only.

The distinction made by Lybek (2004) may provide a helpful clarification: autonomy could entail operational freedom; independence could indicate a lack of institutional constraints.²² On the other hand, it is also possible that the terms are used interchangeably, and in some cases were chosen without an intended distinction in meaning. As such, the CBLD findings presented here could feed into academic and policy discussions regarding independence versus autonomy.

²² Lybek (2004).

Table 2. Overview of Legal Terminology Relating to Independence/Autonomy in Central Bank Laws and Constitutions

<p>“(1)” Refers to the fact that the country listed also has a reference to “autonomy” in its legal framework. “(2)” Refers to the fact that the country listed also has a reference to “independence” in its legal framework. In cases where different terminology is used in different legal texts (i.e., central bank law and constitution), the specific legal text is mentioned as well.</p>			
No.	Legal Terminology	Country Examples	Selected Textual Examples
1	Independence/independent	Albania Armenia ECB/EMU Azerbaijan Belarus Belgium Bulgaria CAMU China Congo (DRC) (1) Croatia (1) Cyprus Czech Republic Denmark Dominican Republic (1-Constitution) Egypt Estonia Fiji Finland France Georgia Germany Ghana Greece Hungary Iceland Indonesia Iraq(1-Constitution) Ireland Italy (1) Kazakhstan Korea (1) Kosovo (1) Kyrgyz Republic Latvia (2) Liberia Lithuania Luxembourg (1) Macedonia (1-CB law)	Independent balance sheet (Azerbaijan) Independence of autonomous institutions (Egypt) Independent central bank with autonomous regulatory powers (Liberia) Independently and without fear, favour or prejudice (South Africa) Independently set inflation target (Georgia— though the law separately also states the National Bank “shall enjoy autonomous (independent) regulatory power”). Independent budget arrangement (China)

		<p>Malta Mauritania Mauritius Moldova Montenegro Netherlands Oman Paraguay (1) Philippines Poland Portugal Qatar Romania Russia San Marino Serbia (1-Constitution & CB law) Slovak Republic Slovenia (1-Constitution) South Africa Spain (1) Sudan Sweden Syria Tonga Turkmenistan Ukraine UK Yemen (1)</p>	
2	Autonomy/ autonomous	<p>Algeria Angola Bahrain Bolivia Bosnia and Herzegovina Brazil Cambodia Chile Congo (DRC) (2) Croatia (2) Dominican Republic (2-CB law) Ethiopia Georgia (see note above) Guatemala Guyana Haiti Iraq (2-CB law) Israel Italy (2) Japan</p>	<p>Financial autonomy (Algeria, Luxembourg, Morocco)</p> <p>Administrative and financial autonomy (Mozambique, Yemen)</p> <p>Administrative, financial and real estate autonomy (Angola)</p> <p>Autonomous state institution (Bolivia)</p> <p>Management autonomy (Congo (DRC))</p> <p>Independent management and assets</p>

		<p>Jordan Korea (2) Kosovo (2) Latvia (2) Luxembourg (2) Macedonia(2-Constitution) Madagascar Malaysia Mexico Morocco Mozambique Myanmar Nepal Pakistan Paraguay (2) Peru Serbia (2-CB law) Slovenia (2-CB law) Solomon Islands Spain (2) Tanzania Tunisia Turkey Uruguay Yemen (2)</p>	<p>and operational autonomy (Paraguay)</p> <p>Permanently empowered and shall have operating autonomy (Cambodia)</p>
3	Other	<p>Self-administered (Argentina)</p> <p>Administrative and budget autonomy (Ecuador)</p>	<p>Ecuador is one of the very few countries where the central bank is “a component of the executive branch.” The drafting of monetary and financial policies is done by the executive power, and “implemented through the Central Bank.”</p> <p>Hence, its autonomy extends to administrative and limited budgetary issues only.</p>

Source: IMF CBLD, category 2.04.

B. Defining Financial Stability

In the literature and policy discussions,²³ there does not exist one precise and standard definition of financial stability, or the macro-prudential function as part of the financial stability objective; the same applies to central bank laws. Table 3 below offers insights into different financial stability-related terminology used in selected central bank laws.²⁴ The lack of a more precise definition of financial stability in the legal mandate of central banks on the one hand allows flexibility for the central bank, but on the other hand could create a certain level of ambiguity on what the central bank is responsible for, and what it is not.

Surveying the legislation, “stability of the financial system” and “financial stability” are the terms most commonly used (and perhaps used interchangeably, as in the case of the EMU where both terms are used). However, other formulations also occur relating to stability of the banking system only (thus seemingly excluding other non-banking sectors), and references to, for instance, “a stable market-based financial system.”

²³ See, for instance, IMF, 2015, *Monetary Policy and Financial Stability*, Staff Report; BIS (2011); Schinasi. Garry J., 2004, *Defining Financial Stability*, IMF Working Paper No. 04/187; BIS, 2003, "Fiscal Issues and Central Banking in Emerging Economies," BIS Papers Series 20; Bayoumi, T, Giovanni Dell’Ariccia, Karl Habermeier, and others, “Monetary Policy in the New Normal,” IMF Staff Discussion Note No. 14/3, 2014.

²⁴ “Financial stability” as an *objective* can also include central bank *functions* such as micro and macro prudential supervision, resolution and/or crisis management. For the discussion here of financial stability in central bank legal frameworks these functions have been left out, unless a distinct reference in the law is made (see, e.g., Thailand and the reference to “financial institution system stability”).

Table 3. Financial Stability Terminology in Central Bank Laws

No.	Financial Stability Terminology Used in Central Bank Laws	Selected Country Examples
Most Frequently Occurring Legal Terminology		
1.	Stability of the financial system	Bahamas, Botswana, Chile, EMU (and member states), Ireland, Kosovo, Mauritania, Mauritius, Mexico, Montenegro (CB Law), Myanmar, Papua New Guinea, Paraguay, San Marino, Serbia, Solomon Islands, Sri Lanka, Tonga (Constitution), Tunisia, United Kingdom, Ethiopia, Namibia, Seychelles, Uruguay, Gambia, Georgia, Ireland, Israel, Japan, Kazakhstan, and New Zealand.
2.	Financial stability	Argentina, EMU (and member states), Iceland, Korea, Malaysia, Montenegro (Constitution), Oman, Singapore, and Tonga (CB Law).
3.	Stability of the banking system	Armenia, Azerbaijan, Belarus, Ukraine, and Turkmenistan
4.	Stable and/or competitive market-based financial system	Afghanistan, Iraq, Macedonia, Moldova, and Yemen.
5.	Stable market-based banking system	Albania
Other Occasionally Occurring Legal Terminology		
6.	Financial sector confidence	Bahrain
7.	Liquidity and solvency of financial institutions	Brazil
8.	Stability/functioning of the banking and financial system/sector	Djibouti, Nepal, and Qatar
9.	Functioning of the system	Dominican Republic
10.	Sound financial structure	ECCU, Malawi, and Maldives
11.	Integrity of the monetary and banking system	Egypt (Constitution)
12.	Banking system soundness	Egypt (CB Law) and Sudan
13.	Banking and credit systems (<i>plural</i>)	Ghana
14.	Stability of the financial intermediary system	Hungary
15.	Financial institution system stability	Thailand
16.	Financial systems stability (<i>plural</i>)	Zambia

Source: IMF staff.

C. Price Stability as a Central Bank Objective²⁵

Central bank laws specifying objectives that focus on price stability with subsidiary macro-objectives remain the predominant legal choice.²⁶ Of the 154 countries of the 2016 CBLD update, 127 countries have a reference to price stability in their objectives. Figures 1 (after 2014 update) and 2 (before 2014 update) demonstrate the percentage of these countries that refer to *only* price stability, or price stability with *subsidiary* macro objectives, or price stability *alongside* macro objectives. When examined by income level, lower and upper middle income countries show an increase in countries that combine price stability with macro-objectives, see Figures 3 (after 2014 update) and 4 (before 2014 update).

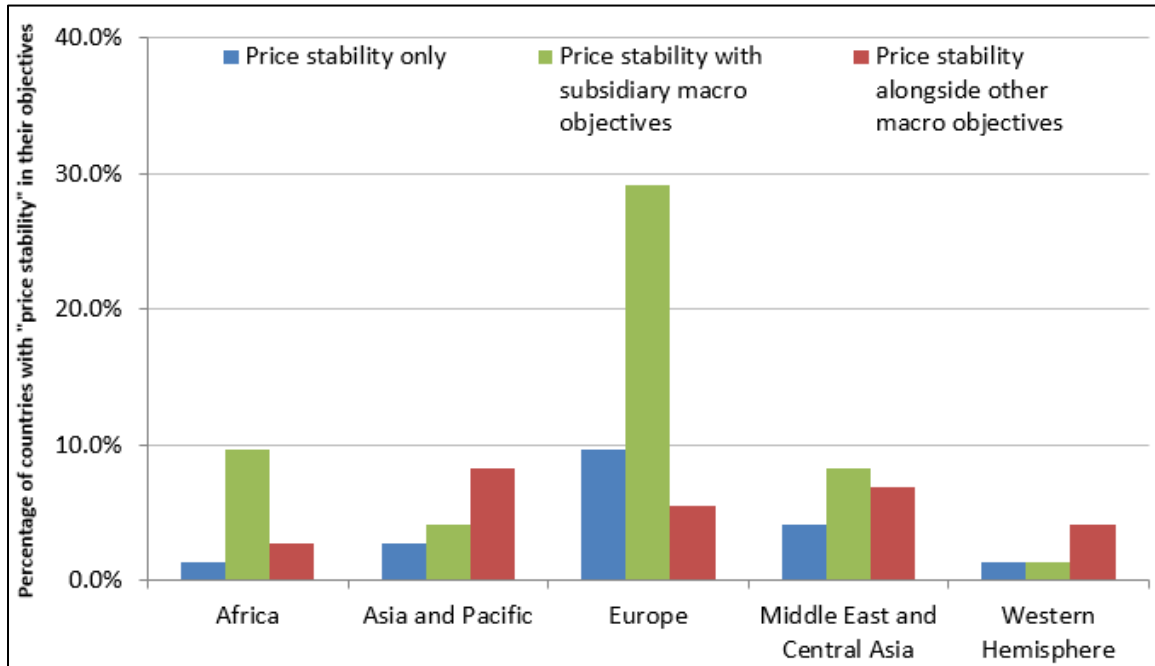
Of the countries that were included in the previous (2012) update, only three countries have changed their objectives in terms of price stability related aspects. Czech Republic²⁷ and Singapore now included price stability together with other macro objectives (they had only “price stability” in the previous version of the law). Georgia’s law now explicitly refers to price stability, whereas the previous version did not.

²⁵ This Section is based on research conducted by Ms. Karen Lee of the Monetary and Capital Markets Department of the IMF.

²⁶ Each central bank article dealing with objectives of the central bank (or monetary union) was checked for inclusion of the phrase “price stability.” Treated as similar to price stability were phrases like “stability of price,” “stability of prices,” and “stable price” (as in the case of the United States).

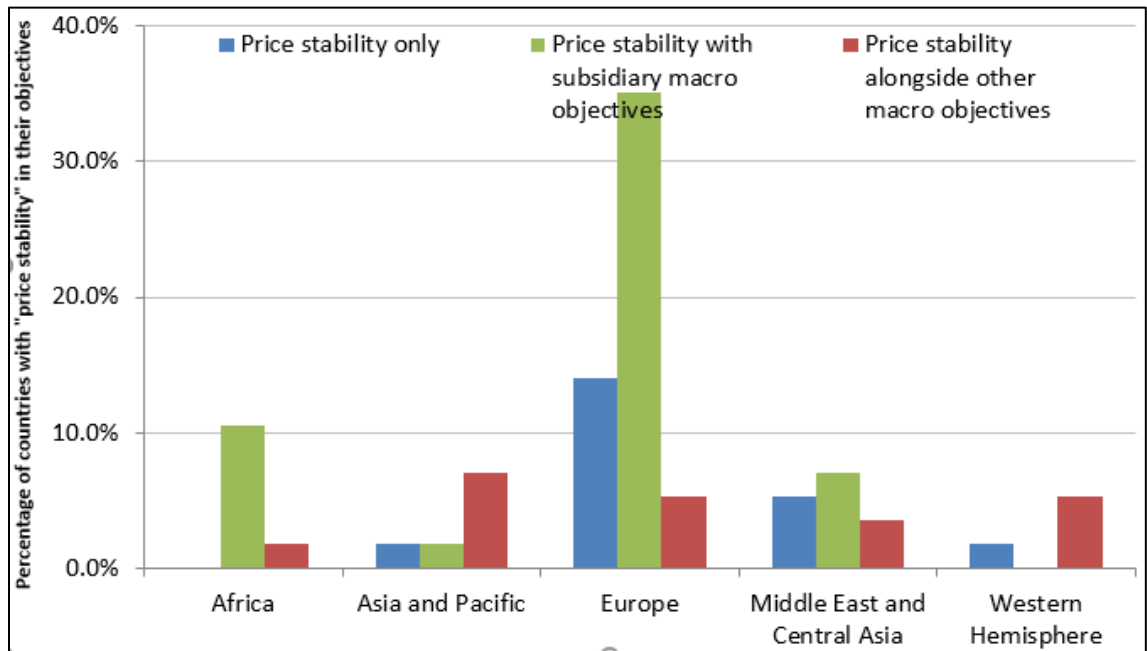
²⁷ Note that for this Section each EMU country counts as one entry, as well as the EMU counting as an additional entry. This is noteworthy, as the EMU Statute’s wording on price stability is not necessarily the same in EMU members’ domestic legislation.

Figure 1. Objectives That Include ‘Price Stability’ (by region) After 2014 Update



Source: CBLD, IMF staff.

Figure 2. Objectives That Include ‘Price Stability’ (by region) Before 2014 Update



Source: CBLD, IMF staff.

Figure 3. Objectives That Include 'Price Stability' (by income level) After 2014 Update



Source: CBLD, IMF staff.

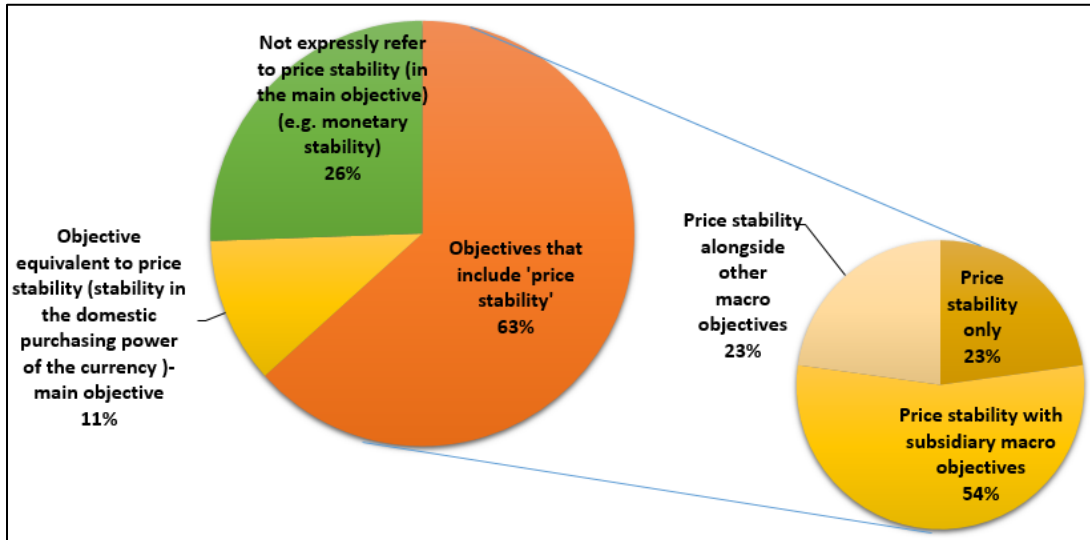
Figure 4. Objectives That Include 'Price Stability' (by income level) Before 2014 Update



Source: CBLD, IMF staff.

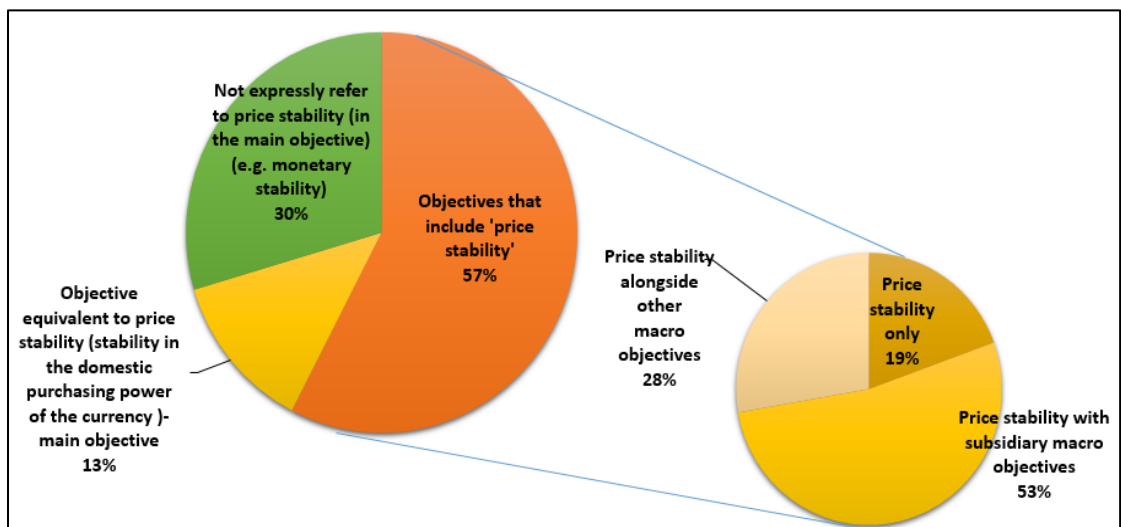
In examining the overall reference to price stability as a central bank objective, there is no noticeable difference between before and after the 2014 update of the CBLD. Figures 5 (before 2014 update) and 6 (after 2014 update) below demonstrate this. As before, somewhat more than half (now 57 percent) of central banks have objectives (see figure 6) that include price stability. Of those, 53 percent have price stability combined with *subsidiary* macro objectives.

Figure 5. 'Price Stability' as a Central Bank Objective Before 2014 Update



Source: CBLD, IMF

Figure 6. 'Price Stability' as a Central Bank Objective After 2014 Update



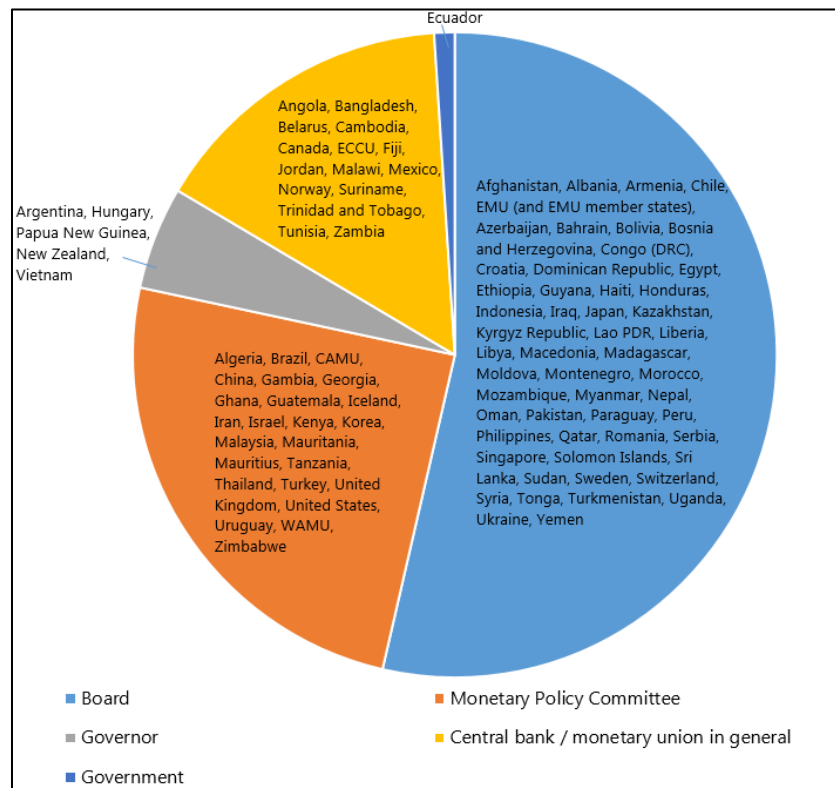
Source: CBLD, IMF.

D. Locus of Monetary Policy Determination

Monetary policy in most cases is determined by decisions of the board of a central bank or by a Monetary Policy Committee. The CBLD allows filtering central bank laws for those sections specifying the arrangements for monetary policy determination. As Figure 7 shows, in the majority of countries/monetary unions this takes place in either the Board (as the highest decision-making authority within the central bank), or in a Monetary Policy Committee (MPC), separate from the Board. In most cases the MPC includes executive management of a central bank (Governor/President, and often Deputy/Vice-Governors), relevant internal managers, and in some cases external experts and/or representatives from the government.

In other cases, monetary policy determination is by the Governor, or the law assigns this to the central bank without specifying explicitly how such decisions are to be made within the bank. Five countries (Argentina, Hungary, Papua New Guinea, New Zealand, and Vietnam) specify the responsibility of the central bank's Governor for determining monetary policy. In some other cases the law assigns monetary policy determination to the central bank, but not to a specific person or forum within the bank (Angola, Bangladesh, Belarus, Cambodia, ECCU, Fiji, Jordan, Malawi, Mexico, Norway, Suriname, Trinidad and Tobago, Tunisia, Zambia). Ecuador is the only country assigning this power to the government, which is consistent with the central bank being part of the executive branch in that country.

Figure 7. Monetary Policy Determination



Source: CBLD (category 6.01), IMF staff.

V. CONCLUSION

For central banks and monetary unions, international financial institutions, and policy makers more broadly, central bank legislation is a crucial source of information regarding the mandate/objectives, functions, and tasks of central banks and monetary unions. Not only to assess the current framework in which an individual central bank's actions take place, but also to examine broad tendencies and developments in central banking over time. The IMF's Central Bank Legislation Database is a key central resource for information on such legislation, covering most IMF member countries. The CBLD can thus greatly facilitate research and analysis on a wide range of topics pertaining to central banks.

As an illustration of the content of the CLBD and of its potential use for gaining insights into central bank legal frameworks, this paper has examined a sample of countries and discussed how their frameworks have changed in recent years. When examining a diverse sample of 15 countries and their legislative changes since the previous CBLD update, a number of areas of interest are found. The central bank laws of a number of these countries have undergone various changes, most notably in terms of: (1) objectives; (2) decision-making; (3) accountability; and (4) data collection. In many cases these changes took place after the GFC events of 2008. Some of these changes may have had large operational and policy effects on central banks.

The extensive information and wide country coverage of the CBLD also make possible cross-country perspectives on many topics. This paper has illustrated this by a wide survey of country legislations' references to a number of pertinent issues that the central banking community is currently confronting: the definition of financial stability, the treatment of independence and autonomy, the identification of price stability as an objective, and the institutional modalities of monetary policy determination.

REFERENCES

Arnove, M., Bernard Laurens, Jean-François Segalotto, Martin Sommer, 2007, Central Bank Autonomy: Lessons from Global Trends, IMF Working Paper No. 07/88

Balls, E., J. Howat, and A. Stansbury, "Central Bank Independence Revisited: After the Financial Crisis, What Should a Model Central Bank Look Like?," M-RCBG Associate Working Paper Series No. 67, 2016.

BIS, 2003, "Fiscal Issues and Central Banking in Emerging Economies," BIS Papers Series 20.

Bayoumi, T, Giovanni Dell'Ariccia, Karl Habermeier, and others, "Monetary Policy in the New Normal," IMF Staff Discussion Note No. 14/3, 2014.

Berger, H, Jacob de Haan, and Sylvester C. W. Eijffinger, 2000, "Central Bank Independence: An Update of Theory and Evidence," *Discussion Paper Series* No. 2353, Centre for Economic Policy Research.

BIS, 2009, *Issues in the Governance of Central Banks – A Report from the Central Bank Governance Group* (Basel: Bank for International Settlements).

BIS, 2011, *Central Bank Governance and Financial Stability*, (Basel: Bank for International Settlements).

BIS, 2013, "Central Bank Finances," BIS paper no. 71.

Cochrane, J.H., and J.B. Taylor (eds.), 2016, *Central Bank Governance & Oversight Reform* (Stanford: Hoover Institution Press).

Crowe, C., and Ellen Meade (2008). "Central Bank Independence and Transparency: Evolution and Effectiveness," *European Journal of Political Economy*, vol. 24 (December), pp. 763-77.

Dincer, N., and Barry Eichengreen (2014). "Central Bank Transparency and Independence: Updates and New Measures," *International Journal of Central Banking*, vol. 10 (March), pp. 189-253.

Eijffinger, S., Donato Masciandaro, (eds.), 2014, *Modern Monetary Policy and Central Bank Governance* (London: Edward Elgar Publishing).

Fischer, S., 1995, "Central Bank Independence Revisited," *American Economic Review, Papers and Proceedings*, May, pp. 201-206.

Garriga, A.C., 2017, "Central Bank Independence in the World: A New Data Set," *International Interactions*, Vol. 42, No. 5, pp. 849-868.

Khan, A., 2016, *Central Bank Governance and the Role of Nonfinancial Risk Management*, IMF Working Paper 16/34.

Lybek, T., 2004, “Central Bank Autonomy, Accountability, and Governance: Conceptual Framework,” IMF Legal Department Seminar August 2004 (available at: <https://www.imf.org/external/np/leg/sem/2004/cdmfl/eng/lybek.pdf>)

Lybek, T., 1998, “Elements of Central Bank: Autonomy and Accountability,” Monetary and Exchange Affairs Department *Operational Paper* 98/1 (Washington: International Monetary Fund).

**Annex I. International Monetary Fund Member Countries and Monetary Unions Included,
or Not Included, in the Central Bank Legislation Database**

2012 – No changes reported since 2012 update (28)
* – Historic law(s) available in CBLD (132)

Countries and Monetary Unions Included in CBLD 2016 Update (142)

Afghanistan (2012)	Libya *	Yemen (2012)
Albania	Macedonia *	Zambia, Republic of
Algeria	Madagascar *	Zimbabwe *
Angola *	Malawi	European Monetary Union (EMU) *
Argentina *	Malaysia *	Austria *
Armenia	Maldives	Belgium *
Australia *	Mauritania (2012)	Bulgaria (2012) *
Azerbaijan *	Mauritius *	Croatia *
Bahamas *	Mexico *	Cyprus (2012) *
Bahrain *	Moldova *	Czech Republic *
Bangladesh (2012)	Montenegro	Denmark (2012) *
Belarus *	Morocco *	Estonia *
Belize	Mozambique	Finland (2012) *
Bolivia (2012) *	Myanmar *	France *
Bosnia and Herzegovina (2012) *	Namibia *	Germany *
Botswana	Nepal (2012) *	Greece (2012) *
Brazil (2012) *	New Zealand *	Hungary *
Cambodia (2012)	Norway *	Ireland *
Canada*	Oman *	Italy *
Central African Monetary Union (CAMU) *	Pakistan *	Latvia *
Chile *	Papua, New Guinea	Lithuania *
Congo (DRC) (2012)	Paraguay (2012)	Luxembourg *
Djibouti	Peru (2012) *	Malta *
Dominican Republic *	Philippines (2012)	Netherlands *
Ecuador	Qatar *	Poland *
Egypt *	Russia *	Portugal *
Ethiopia	Saudi Arabia (2012) *	Romania (2012) *
Fiji *	Serbia *	San Marino
Georgia *	Seychelles	Slovak Republic *
Ghana	Singapore *	Slovenia *
Guatemala *	Solomon Islands	Spain *
Guyana (2012)	Sri Lanka *	Sweden *
Haiti	Sudan *	United Kingdom *
Honduras (2012) *	Suriname	Eastern Caribbean Currency Union (ECCU)
Iceland *	Switzerland *	Anguilla
India *	Syrian Arabic Republic	Antigua and Barbuda *
Indonesia (2012)	Tanzania – EAC *	Dominica *
Iran *	Thailand (2012) *	Grenada
Iraq	Tonga *	Montserrat
Israel *	Trinidad and Tobago *	St. Kitts and Nevis
Japan (2012) *	Tunisia *	St. Lucia
Jordan *	Turkey *	St. Vincent and the Grenadines
Kazakhstan *	Turkmenistan	South Africa (2012)
Kenya *	Uganda (2012) *	
Korea *	Ukraine*	
Kosovo	United Arab Emirates	
Kyrgyz Republic *	United States of America *	
Lao PDR *	Uruguay *	
Lebanon *	Vietnam *	
Liberia	West African Monetary Union (WAMU) *	

Countries Not Included in Central Bank Legislation Database 2016 Update (60)

Aruba	Kiribati
Barbados *	Kuwait *
Benin – WAMU *	Lesotho *
Bhutan	Macao
Brunei Darussalam	Mali – WAMU *
Burkina Faso – WAMU *	Marshall Islands
Burundi - EAC	Micronesia
Cameroon – CAMU *	Mongolia
Cape Verde*	Netherlands Antilles
Central African Republic – CAMU *	Nicaragua *
Chad *	Niger – WAMU *
Colombia *	Nigeria *
Comoros	Palau
Congo (Republic) *	Panama *
Costa Rica *	Rwanda – EAC
Cote d’Ivoire *	Samoa
Curacao	Sao Tome and Principe
East African Community (EAC)	Senegal – WAMU *
East Timor	Sierra Leone *
El Salvador *	St. Maarten
Equatorial Guinea – CAMU *	Somalia
Eritrea	South Sudan
Gabon – CAMU *	Swaziland
Gambia	Tajikistan
Gaza and West Bank	Timor-Leste
Guadeloupe *	Togo – WAMU *
Guinea *	Tuvalu
Guinea-Bissau (WAMU) *	Uzbekistan *
Hong Kong	Vanuatu
Jamaica *	Venezuela *

Annex II. Overview of Central Bank Legislation Database (Sub C Categories)

No. Category Name

1.00 Background Information

- 1.01 Name of the Central Bank Law/Constitution/Internal Statute or Bylaw
- 1.02 Foreword
- 1.03 Definitions
- 1.04 Table of Contents
- 1.05 Amendments
- 1.06 Other Background Information

2.00 Establishment, Objectives, Functions, and Powers

- 2.01 Establishment and Legal Status of the Central Bank
- 2.02 Objectives of the Central Bank
- 2.03 General Functions and Powers of the Central Bank
- 2.04 Autonomy/Independence of the Central Bank
- 2.05 Accountability and Communication Between the Central Bank and Stakeholders
- 2.06 Legislation with Direct Implication on the Status of the Central Bank
- 2.07 Power to Adopt Internal Regulations/Bylaws
- 2.08 Directives to the Central Bank and Conflict Resolution
- 2.09 Prohibited Activities of the Central Bank
- 2.10 International Cooperation/Agreements of the Central Bank
- 2.11 Regulatory Power
- 2.12 Other Issues Concerning the Establishment, Objectives, Functions and Powers of the Central Bank

3.00 Organization and Administration

- 3.01 Governing Bodies: Functions and Powers
- 3.02 Governing Bodies: Composition, Terms, Qualification Requirements, Nomination, Selection, Appointment, Obligations and Liabilities, Legal Protection
- 3.03 Governing Bodies: Compensation
- 3.04 Governing Bodies: Ineligibility/Inability to Serve in the Board
- 3.05 Governing Bodies: Disqualification and Removal
- 3.06 Governing Bodies: Resignation
- 3.07 Governing Bodies: Vacancies
- 3.08 Governing Bodies: Meetings, Proceedings and Decisions
- 3.09 Governing Bodies: Conflict of Interest
- 3.10 Governing Bodies: Disclosure of Personal Information
- 3.11 Governing Bodies: Subsequent Employment
- 3.12 Governor: Functions and Powers
- 3.13 Governor: Requirements, Terms, Nomination, Selection, Appointment, Obligations and Liabilities, Legal Protection
- 3.14 Governor: Compensation
- 3.15 Governor: Ineligibility/Inability to Serve
- 3.16 Governor: Disqualification and Removal
- 3.17 Governor: Resignation
- 3.18 Governor: Subsequent Employment

- 3.19 Other Officers: Deputy Governor(s)/General Manager(s)
- 3.20 Other Officers: Comptroller General /Internal Auditor/External Auditor
- 3.21 Secrecy and Confidentiality
- 3.22 Central Bank Staff
- 3.23 Interaction between Departments and Governing Bodies
- 3.24 Structure of the Governing Bodies/Management

4.00 Financial Provisions

- 4.01 Capital
- 4.02 Budget
- 4.03 Profit Allocation
- 4.04 Coverage of the Deficits of the Central Bank and its Recapitalization
- 4.05 Other Issues Concerning Financial Provisions

5.00 Monetary Unit, Banknotes and Coins

- 5.01 Monetary Unit, Legal Tender, Authority to Issue Banknotes and Coins
- 5.02 Currency Design, Features, etc.
- 5.03 Currency Production and Safekeeping
- 5.04 Currency Exchange
- 5.05 Unfit Currency and its Treatment
- 5.06 Currency in Circulation and Inventory
- 5.07 Accounting Treatment of Currency Issued
- 5.08 Currency Withdrawal, Destruction
- 5.09 Counterfeiting of Currency
- 5.10 Other Issues Concerning Monetary Unit, Banknotes and Coins

6.00 Monetary Policy and Operations

- 6.01 Monetary Policy Determination
- 6.02 Monetary Policy Consultation with the Government
- 6.03 Open Market Operations
- 6.04 Central Bank Discount and Deposit Facilities
- 6.05 Reserve Requirements
- 6.06 Credit and Interest Rate Controls
- 6.07 Central Bank Credit to Financial Institutions
- 6.08 Interest Rates, Commissions and other Fees applicable to Central Bank Transactions
- 6.09 Other Issues Concerning Monetary Operations and Reporting by the Central Bank

7.00 Foreign Exchange Policy and Operations, and International Reserves

- 7.01 Foreign Exchange Policy
- 7.02 Responsibilities of the Central Bank in Foreign Exchange Operations
- 7.03 International Reserves
- 7.04 Accounting for Foreign Exchange Reserves' Gains and Losses
- 7.05 Reporting of Foreign Exchange Transactions to and by the Central Bank
- 7.06 Central Bank Foreign Exchange Controls
- 7.07 International Agreements of the Central Bank Related to Foreign Exchange Transactions
- 7.08 Other Issues Concerning Foreign Exchange Policy and Operations, and International Reserves.

8.00 Relations between the Central Bank and the State

- 8.01 Central Bank as Advisor to the Government
- 8.02 Fiscal Agency, Depository Functions and Cashier of the Government
- 8.03 Central Bank Credit to the Government and Purchase of Government Securities
- 8.04 Consultation and Reporting on Public Sector Debt
- 8.05 Regulation of Public Sector Securities Transactions
- 8.06 Lending and Guaranteeing for Development Purposes and Other Quasi-Fiscal Activities
- 8.07 Exchange of Information between the Central Bank and Public Sector Institutions.
- 8.08 Other Issues Concerning relations of the Central Bank and the State

9.00 Relations between the Central Bank and Financial Institutions

- 9.01 General Policies, Licensing and Registration of Financial Institutions
- 9.02 Institutional Arrangements for Financial Supervision and Sanctions Regime
- 9.03 Cooperation with Domestic and Foreign Supervisory Agencies
- 9.04 Issuing Prudential Regulations
- 9.05 Submission of Information to the Central Bank and Reporting
- 9.06 Lender of Last Resort
- 9.07 Deposit Insurance
- 9.08 Prompt Corrective Actions and Bank Resolution
- 9.09 Accounts of Financial Institutions with the Central Bank
- 9.10 Anti-Money Laundering and other Financial Crimes
- 9.11 Other Issues Concerning Relations between the Central Bank and Financial Institutions

10.00 Payment Systems and Securities Settlement Systems

- 10.01 The Central Bank's Role in Determining Payment and Securities Settlement Systems. Policies and Operations
- 10.02 Central Bank's Oversight of Payment and Securities Settlement Systems
- 10.03 Other Issues Concerning the Central Bank in the Operation of Payments and Securities Settlement Systems

11.00 Accounts, Financial Statements, Audit and their Publication

- 11.01 Financial Year of the Central Bank
- 11.02 Accounting Standards and Procedures
- 11.03 Role of Internal and External Auditors
- 11.04 Preparation of the Financial Statements of the Central Bank
- 11.05 Transmittal and Publication of Financial Statements of the Central Bank
- 11.06 Other Issues Concerning Central Bank Accounts, Financial Statements, Audit and their Publication

12.00 Miscellaneous Provisions

- 12.01 Head Office Location and Branches of the Central Bank
- 12.02 Agents and Correspondents of the Central Bank
- 12.03 Collection of Statistics and Information and Reporting to the Public
- 12.04 Immunity of the Central Bank from Taxation
- 12.05 Standards of Good Administration
- 12.06 Penalties and Sanctions: Application and Contestation
- 12.07 Repealed or Abrogated Provisions

12.08 Transitional Provisions

12.09 Entry into Force

12.10 Other Miscellaneous Provisions