



30 November 2010

## Procedures of the Central Bank of Iceland Monetary Policy Committee<sup>1</sup>

According to the Act on the Central Bank of Iceland, the Bank's Monetary Policy Committee (MPC) takes decisions on interest rates and other monetary policy instruments at least eight times a year.

Before each interest rate decision, Committee members shall:

- Have access to all available data that they need to take an informed decision.
- Have sufficient opportunity to exchange views and discuss the decision.

In order to achieve these objectives, the Committee has agreed to the following procedure for its meetings:

- Four times a year, when the Central Bank publishes its assessment of the economic outlook in its *Monetary Bulletin*, or when substantial changes take place in the economic outlook, the regulatory framework, or matters related to financial stability, in-depth two-day meetings shall be held.
- In between these meetings, decisions may be taken at one-day meetings.

If members are unable to attend in person, it is permissible to participate via teleconference.

### **Monetary policy meetings**

- *Preparation and presentation of documents:* Prior to each meeting, Committee members are sent documents and data on financial market developments, the state of the financial system, the state of economic affairs and indicators of economic outlook, and other data that could prove useful during the decision-making process. These documents shall be sent to Committee members no later than at the end of the week prior to each interest rate decision.

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<sup>1</sup> Revised in November 2010.

- *Structure of meetings:* In general, meetings shall be divided into three sessions.
  - During the first session, recent events that could affect the assessment of the state of economic affairs and the interest rate decision are discussed. There is a presentation of financial market developments and Central Bank market actions, of recent economic developments and prospects and of major developments pertaining to financial stability. Also, there can be a presentation of special topics that are relevant to the role of the Committee and are included in the agenda by the Chairman or are requested by a majority of members.
  - During the second session, monetary policy is discussed and an interest rate decision taken. At the beginning of the session, the Chief Economist summarises the analysis from the first session and, on the basis of that analysis, presents his/her appraisal of whether there are grounds for changes in monetary policy. Following this is a discussion of the issues involved, and members explain their position on monetary policy. The Governor then presents a proposal for an interest rate decision and a vote is taken if Committee members are not all in agreement. Even though a consensus is reached, members may request that it be stated in the minutes that they would have chosen a different conclusion but considered the difference small enough that they were willing to agree with the Governor's proposal.
  - During the third session, the Committee's message is discussed and the monetary policy statement written. At the beginning of the session, a draft monetary policy statement is presented. The Committee works jointly on the statement, with the objective of reaching a consensus on the message and its wording.
- *Participants at meetings:* In addition to MPC members and the Committee secretary, the relevant specialists on the Bank's staff participate in the first session. At the latter two sessions, participation is limited to MPC members and the Committee secretary unless otherwise decided.

## **Press releases and press conferences**

The interest rate decision should be announced in a press release outside normal trading hours in Icelandic financial markets and explained in a press conference. The announcement should be made with a reasonable time lag needed to prepare and translate the communication.

### **Agenda**

The secretary of the Committee prepares the agenda for each meeting upon consulting with the Chief Economist, Governor, and Deputy Governor. The agenda shall be sent to the Committee no later than at the end of the week prior to each interest rate decision.

### **Record of Minutes**

The minutes of each Monetary Policy Committee meeting shall be published two weeks after each interest rate decision. The minutes shall contain a summary of the information presented to the Committee by Bank staff. They shall also describe the main points of view expressed by members and state the range in which members considered it appropriate to keep interest rates. In addition, they shall describe the Governor's proposal, other members' response to it, and the final decision. The Bank's *Annual Report* shall reveal the votes cast by each Committee member.

### **Comments by Monetary Policy Committee members**

Committee members are free to express their opinions on the economic outlook and monetary policy, but they should bear the following in mind:

- When members discuss monetary policy, they shall avoid commenting on other members' viewpoints and should state clearly that their opinions need not reflect those of other members, unless this is not applicable.
- Members shall not express themselves publicly about the economic outlook and monetary policy for seven days prior to the announcement of the interest rate decision, nor shall they discuss these matters with investors or other parties that could profit from information on Committee members' views. This also applies to the publication of interviews granted in advance.
- Members shall also avoid making public statements on the day the announcement is published. The Governor, however, may

grant interviews to the media that day, or delegate to other members to do so.

### **Changes in procedure**

If a Committee member wishes to propose a change in procedure, he/she must present a written proposal to the Committee. After the Governor has consulted other members, he/she will take a decision on whether to recommend that procedure be revised. Changes in procedure shall always be included in the agenda if requested by a majority of members.