

# **Central Bank Governance: Common Elements or Different Models?**

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October 2003

## **Summary**

This paper evaluates the governance performance of four small, open economy central banks. Two of these, the Reserve Bank of Australia and the Reserve Bank of New Zealand, are inflation targeting; the other two, the Hong Kong Monetary Authority and the Monetary Authority of Singapore, place major emphasis on exchange rate stability. The development of strong central bank governance has been a relatively recent, but steadily evolving process.

In a broad sense, the paper aims to establish whether the considerable successes of these four central banks in achieving primary monetary policy goals can be associated with common elements of governance, or are substantially associated with different statutory and institutional frameworks, governance arrangements and decision-making procedures.

It is shown that the four have in common a considerable number of the elements seen as necessary for excellent governance. These include relevant statutory underpinnings, clarity of primary monetary policy goals, commitment to improved transparency and accountability for monetary policy decision making, and ongoing financial statement accountability. They also display significant differences in principle and in operating procedures, and hence in their monetary policy and corporate governance frameworks. The differences can be associated with different primary goals, different constitutional environments, single-person or “committee” decision-making models, and the central banks having proceeded at different speeds to recognise the need for, and to commit fully to, optimal transparency and accountability.

A key specific conclusion is that there is “no one size fits all” best practice governance framework. The individual central banks should therefore continue aiming for excellence in monetary policy and corporate governance in their own rights, rather than for some common operational governance model. In this respect, a number of key desirable principles should be adhered to. Two specific suggestions on governance reporting and funding of operational expenditure should be considered.