



Procedures of the Central Bank of Iceland Monetary Policy Committee

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.

Prior to each interest rate decision, Committee members shall:

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

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

- Prior to each interest rate decision, in-depth one- to two-day meetings shall be held.
- When there are major changes in the economic outlook, the regulatory framework, or issues relating to financial stability, longer meetings or extraordinary meetings will be held as needed.

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.
- *Structure of meetings:* In general, meetings shall be divided into three sessions.
 - During the first session, the Committee discusses recent events that could affect the assessment of the state of economic affairs and the interest rate decision. Presentations are given on developments in financial markets, the Central Bank's market activities, economic developments and prospects, and events of key importance in relation to economic stability. Other presentations may include matters of significance to the

Committee's role, either those included in the agenda by the chairperson or those requested by a majority of MPC members.

- During the second session, monetary policy is discussed and an interest rate decision taken. The Chief Economist begins by summarising the highlights of the analysis from the first session and, on the basis of that analysis, presents an assessment of whether there is reason to change the monetary stance. Following this is a discussion of the issues involved, and members explain their position on monetary policy. The Governor then proposes an interest rate decision and, if it is not supported unanimously, a vote is taken. 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 MPC statement is discussed and composed. At the outset, a draft MPC 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, relevant members of Bank 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 MPC's interest rate decision shall be announced by press release outside the Icelandic financial markets' regular opening hours and shall be explained at a press conference attended by representatives of the media and financial institutions. The announcement shall be prepared early enough to allow for preparation and translation.

Agenda

The secretary of the Committee prepares the agenda for each meeting upon consultation 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. Beginning with the first MPC meeting of 2019, each member's vote shall be specified in the minutes.¹

Public statements by 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 may give interviews in the media on that day, however, or entrust other Committee members with doing so.

Changes in procedure

If a Committee member wishes to propose a change in procedure, the member concerned 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.

These procedures were confirmed at a meeting of the Supervisory Board on 14 December 2018.

On behalf of the Central Bank of Iceland Monetary Policy Committee,

18 December 2018

Már Guðmundsson

Governor of the Central Bank of Iceland and Chair of the Monetary Policy Committee

¹From 2010 through 2019, individual members' votes during the prior year were disclosed in the Bank's *Annual Report*.