

Banco de México moves towards greater transparency

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The central bank recently announced a number of changes in its communication policy which in my opinion constitute a very significant step forward in terms of transparency.

The measures are: firstly, the identity of voters on monetary policy decisions will now be disclosed. I think this is the most positive of the changes, whereby Banco de México adopts international best practices. This will allow a better rendering of accounts for members of the Board of Governors who will now be answerable to the public for how they vote.

Furthermore, it will allow market participants to better identify the positions and views of each member of the Board and thus make a better assessment of future monetary policy. It will also put an end to the not very helpful practice that existed among analysts of trying to guess how each member had voted.

Secondly, the transcripts of the meetings involving monetary policy decisions will be made available to the public after three years. I believe this too will improve the rendering of accounts, since the arguments behind each member's vote will be known. Also, it will provide improved understanding of the factors taken into account by the Board in carrying out its monetary policy.

One aspect of this decision that may be negative however is that it may make Board members' comments less authentic if it makes them more circumspect in their arguments, which could mean a loss of diversity of opinions. But even if this proves to be the case, I still think the change is a positive one.

A third point is that both the monetary policy statements and the minutes of the meetings will be published in Spanish and English simultaneously. This is a sensible move, since a significant proportion of the investors taking risks on Mexican assets are in the major international financial centres such as New York and London. It will allow the central bank's decisions to be assessed in a timelier manner.

Lastly, the speeches and presentations of the Board members will also be published. This too is a practice followed by the world's major central banks, and it will help to clarify the attitudes and frameworks of thinking of each member of the body deciding the country's monetary policy. While in fact this already took place, its being made official in this way is to be welcomed.

These changes come on top of others recently adopted by the central bank, which will also lead to greater transparency, such as all the Board members taking part in the press conferences presenting reports on inflation (previously they attended but did not take part in the questions and debate) and draft regulatory changes being submitted to public opinion.

I believe all the changes referred to improve the institutional operation of Banco de México, give greater weight and importance to its Governing Board and will achieve greater levels of transparency, which are necessary in order for the conduct of monetary policy to be effective. In short, we shall have a better Central Bank.

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