Paul Jenkins: Bank of Canada - openness and accountability

Remarks by Mr Paul Jenkins, Senior Deputy Governor of the Bank of Canada, to the Standing Senate Committee on National Finance, Ottawa, 20 February 2007.

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Good morning, Mr. Chairman, and Senators. Thank you for the opportunity to appear before you as you examine Bill S-217, which would amend the Financial Administration Act and the Bank of Canada Act.

The preamble of this bill addresses some very important issues: the need for Canadians to trust in the management of the public purse and the importance of openness and accountability. I can assure you that the Bank of Canada takes these issues very seriously.

In terms of the management of the public purse, let me quote from the Bank's new medium-term plan, which was put up on our website earlier this month. "Good governance is an investment in preserving the trust of Canadians in our ongoing stewardship of the Bank. It means being accountable for our actions, decisions, and use of public funds...."

In terms of openness and transparency, in many ways, the importance of these issues goes to the heart of our main responsibility: the conduct of monetary policy. Openness and transparency in our conduct of monetary policy is critical for two fundamental reasons. First, monetary policy is more effective when Canadians understand what the Bank is doing and why. Second, it is through openness and transparency that the Bank is held accountable to Canadians.

How do we try to live up to our commitment to openness and transparency? We publish our balance sheet weekly and at the end of each month. Our success on the monetary policy front is measured against our explicit inflation target of 2 per cent for the total consumer price index. We announce our target for the overnight rate of interest eight times a year. We publish a *Monetary Policy Report* and *Update* four times a year. The Governor and I appear before the Commons Finance Committee and the Senate Banking Committee twice a year. Senior Bank officials give speeches regularly across the country. And we table our *Annual Report* in Parliament. We provide all of the information required by the Bill, in one form or another, on an annual basis. And since our quarterly expenditure flow can be so irregular, and because we do our planning and state our desired outcomes on an annual basis, the most useful way of delivering the required information is on an annual basis.

The issue before us today is whether the amendments to the Bank of Canada Act contained in Bill S-217 will add value in terms of the proposed additional financial reporting. We certainly can provide that additional information but, in our view, it is not evident that providing that information would satisfy a cost-benefit analysis.

The Bank of Canada is not a commercial enterprise. Our balance sheet is structured to enable us to carry out two main responsibilities: the conduct of monetary policy and activities related to our role as lender of last resort. In terms of revenues and expenses, in 2006, we remitted $1.9 billion to the government through seigniorage. In the same year, our operating expenses were $264 million. It is not evident that providing, for example, a cash-flow statement or statement of retained earnings would contribute to meeting the objectives of Bill S-217.

In summary, the Bank of Canada very much supports the objectives of this Bill: the promotion of sound financial management, openness, and accountability. As the Bill says, "Canadian taxpayers need to feel confident that public monies are being managed prudently." What is not self-evident in the case of the Bank of Canada, given our mandate, is whether the benefits of providing the additional information outweigh the costs.

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