

Stephen S Poloz: Central Bank of the Year Award

Remarks by Mr Stephen S Poloz, Governor of the Bank of Canada, at the Central Banking Awards 2018, London, 1 March 2018.

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It is an honour for me to accept the award for Central Bank of the Year on behalf of the staff of the Bank of Canada. And it is a real pleasure to be here to celebrate the successes and achievements of central bankers from around the globe, such as my good friend Lesetja Kganyago of South Africa.

Back in January, when *Central Banking* announced this award, you published an extensive write-up that detailed the reasons why we were judged to be worthy of it. I am very glad that you did so, because the article illustrates just how important teamwork is at the Bank of Canada. In that article, every employee in every department can see how their own work contributes to a central bank that is operating at the top of its game. From the model developers, to the currency designers, to the people who got us settled back in our renewed headquarters—everyone contributed to an outstanding body of work with remarkable skill and dedication. So, this award belongs to all the members of our incredible team.

I would like to particularly thank *Central Banking* for recognizing the work we have done in terms of conducting monetary policy in an era of heightened uncertainty. We have been working on the theme of uncertainty since the global financial crisis revealed the limits of our models and our knowledge. And we have learned that it is far better to be open and honest about the uncertainty we face, as well as how we deal with it, rather than to just assume the uncertainty away and project a false sense of confidence.

Because profound uncertainties are everywhere, we began talking about monetary policy as an exercise in risk management, as opposed to the precision engineering that many believe the practice of monetary policy to be. To be truly honest about the uncertainties we face, we stopped providing routine forward guidance, which observers and market participants had come to rely on. We took some grief for this decision. But I am certain that the best and most honest approach is to communicate openly about the Bank's reaction function, and the key risks we see. This leaves market participants to interpret the data and make their own forecasts about the future path of interest rates. It has taken time, but markets and observers are increasingly adapting to our approach.

This experience shows that open communications are vitally important—even more so in a world where public institutions are increasingly viewed with suspicion and distrust. We embrace transparency—as you recognized last year—and embed communications in all our plans at the start of the planning process, rather than tacking them on as an afterthought at the end. This approach led us to take on some of the projects that you have highlighted. We hosted a conference on the most fundamental questions about our monetary policy framework, and broadcast it on the web. We encouraged unprecedented public engagement in our bank note design. And we gave our researchers freedom to publish their best and most interesting work without worrying about whether it follows Bank orthodoxy.

So, let me just conclude by again thanking *Central Banking* for this recognition. It means a lot to everyone at the Bank of Canada. I know I would not be here without the hard work of everyone on our team. The best employees in the world are the ones who made it all happen, and I'm grateful to them all.

Thank you.