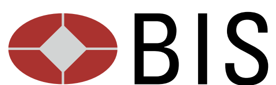

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Fulfilling central bank mandates in times of high uncertainty

Speech by Alexandre Tombini
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Introduction

The core functions of central banks are common across jurisdictions. They include the provision of state money and of the core payment infrastructure. Closely tied to these functions is the task of ensuring the stability of the value of money and of payment infrastructure. And so is the role of lender of last resort. In various ways, this core set of closely related functions is enshrined in central banks' laws.

As the economic environment and policymakers' views of the workings of the economy and institutions have evolved, so has the interpretation of central bank functions. In particular, before the Great Financial Crisis (GFC) of 2007–08, the dominant mandate of the central bank in many jurisdictions was price stability. Post-GFC, the financial stability mandate gained more prominence, with the macroprudential policy mandate given to many central banks. During the Covid-19 pandemic, central banks took on a critical role in dealing with repercussions of the public health crisis. Most recently, increasing domestic political pressures, geopolitical risks and heightened uncertainties are posing additional challenges to central banks in fulfilling their mandates.

In my speech today, I will focus on central bank mandates. I will use the term "central bank mandate" when a country's legislature formally delegates certain functions to the central bank.[2] I will first provide an overview of mandates in both the cross-sectional and time dimensions: how they have evolved over the past two decades globally, and how diverse central banks' general and specific mandates are across the world. Then, I will look at the interaction of monetary and financial stability mandates. After that, I will zoom in on central bank mandates in major Latin American countries. Finally, I will discuss how central banks can fulfil their mandates in times of high levels of uncertainty due to domestic political pressures and geopolitical and trade-related tensions.

Global overview of central bank mandates

Over the past two to three decades, we have seen central bank mandates evolving with new challenges and changing circumstances. First, the role of central banks in ensuring financial stability was strengthened following the GFC. Before the GFC, other than the core payment and lender of last resort functions, many jurisdictions had adopted a "narrow" model with the inflation objective being by far the dominant one. This had occurred against the backdrop of the growing adoption of inflation targeting by central banks since the 1990s. By contrast, the financial stability objective was mostly relegated to the

[1] The views expressed are my own and not necessarily those of the BIS. I thank Sarah Bell and Ilhyock Shim for their input, and Albert Pierres Tejada for research support.

[2] IMF (2020) defines central bank mandates as the clearly defined objectives, functions and associated legal powers that will enable the central bank to implement its objectives.

lender of last resort function, unless the central bank had responsibility for prudential regulation and supervision of banks, so called "microprudential" functions.

Post-GFC, financial stability gained prominence: a number of central banks were given responsibility for microprudential regulation and most were given either sole or co-responsibility for macroprudential tasks. Also after the GFC, central banks started to pay attention to the role of non-bank financial intermediaries (NBFIs) in addition to banks in creating systemic risks, thus fulfilling their financial stability objective.

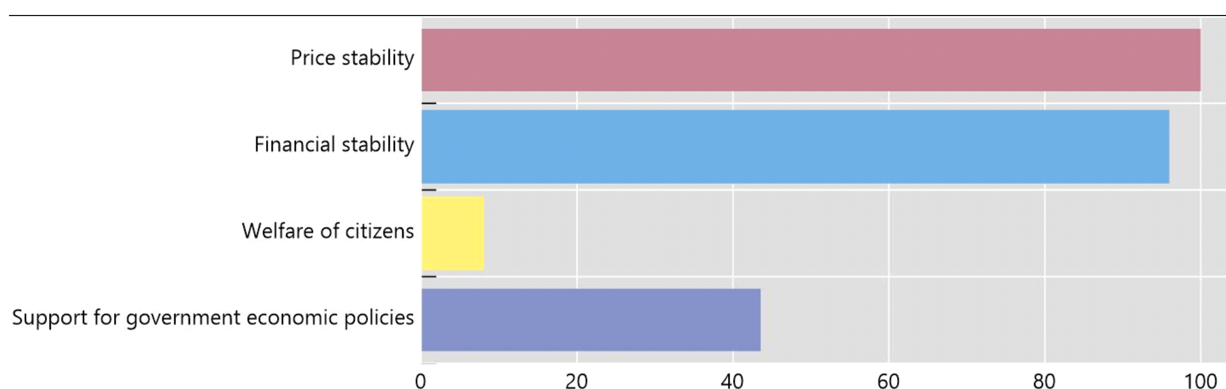
Second, in addition to price stability, in some jurisdictions output and employment objectives have been added to central bank mandates or have been made more prominent in them. Also, after facing the unprecedented shock of the Covid-19 pandemic, central banks have taken an active and critical role in avoiding a sharp fall in growth and employment. For example, many central banks introduced new facilities, or extensively used existing ones to provide lending to pandemic-inflicted sectors such as households and small businesses.

Third, for some central banks, financial inclusion objectives, distributional considerations and sustainability have gained in significance. The growing relevance of these considerations alongside central banks' primary objectives raises questions about how central banks can manage policy trade-offs across multiple objectives.

Now I will look at the cross-country dimension. A BIS analysis based on 62 central banks conducted in 2022 shows that regarding the core mandates of price and financial stability, all surveyed central banks had price stability as an explicit mandate, while almost all central banks had financial stability as an explicit mandate (Graph 1). In addition to these two core mandates, around half of central banks surveyed also have a broad spectrum mandate. The most prominent is "support for government economic policies", usually subject to a condition that it should not interfere with the achievement of the price stability objective.

Explicit mandates

Percentage of jurisdictions — Graph 1

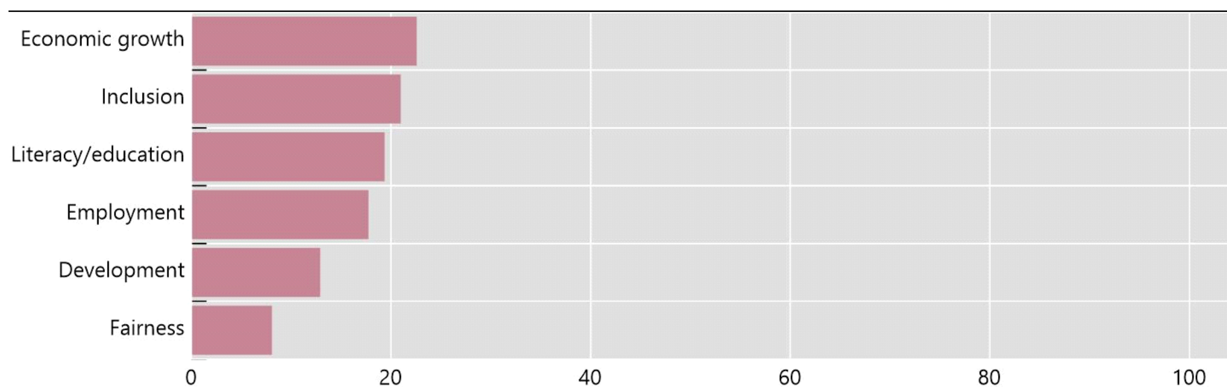


Sources: 2022 Central Bank Governance Network survey on wider central bank mandates; BIS analysis of central bank laws.

In addition to price stability, many central banks have specific mandates related to the real economy (Graph 2). In particular, around 20% of the surveyed central banks had at least one of the following six explicit mandates: economic growth, financial inclusion, financial literacy and education, employment, development and fairness. Among these real economy mandates, economic growth was most prevalent.

Explicit economic objectives

Percentage of jurisdictions Graph 2

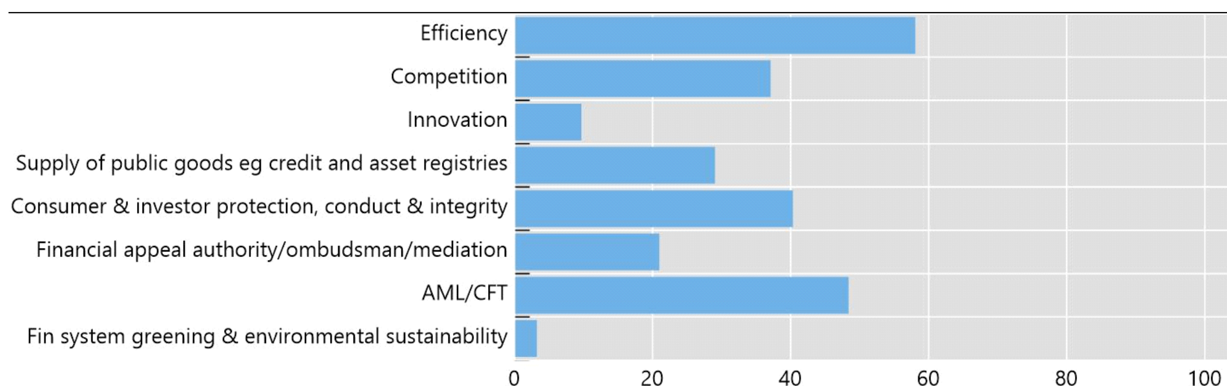


Sources: 2022 Central Bank Governance Network survey on wider central bank mandates; BIS analysis of central bank laws.

Central banks are also tasked with specific aspects of financial system mandates, such as enhancing financial system efficiency, promoting competition in the financial sector, fostering financial innovation, supplying financial infrastructure, consumer/investor protection and anti-money laundering and countering the financing of terrorism (AML/CFT) (Graph 3). On average, around 30–40% of surveyed central banks had at least one of the specific financial system mandates, which is greater than those with the specific mandates related to the real economy shown in Graph 2. In addition, financial stability-related mandates often involve the use of the government's statutory powers, such as regulation, licensing and the application of sanctions.

Explicit financial system mandates

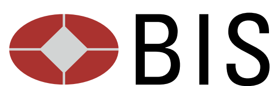
Percentage of jurisdictions Graph 3



Sources: 2022 Central Bank Governance Network survey on wider central bank mandates; BIS analysis of central bank laws.

Monetary and financial stability mandates

Among many mandates of central banks, the interaction between the price and financial stability mandates has received much attention among both policymakers and academics. While price and financial stability usually complement each other, their interaction is complex and can sometimes



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result in tensions. For example, low inflation and low interest rates may sow the seeds of future financial instability (CGFS (2018)). Together with the effects of different tools that can sometimes affect the two objectives in the same or opposite directions, their interaction raises potential governance challenges.

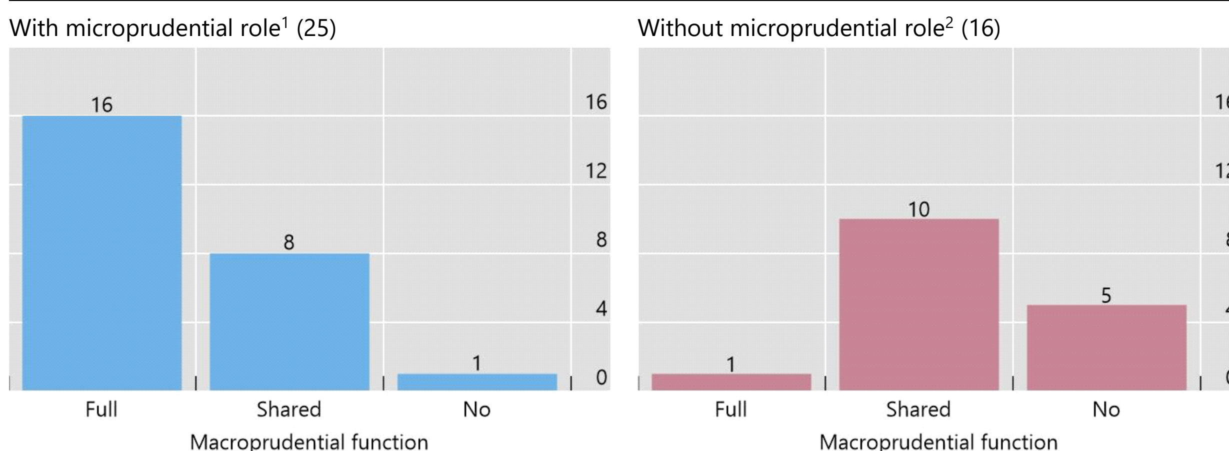
As I mentioned earlier, formal financial stability mandates are more recent than price stability ones. In most cases, financial stability objectives remain broad, including how central banks define financial stability. This differs from price stability objectives, which are typically defined by numerical inflation targets or ranges. As such, financial stability mandates are less easily understood and assessed than price stability ones. Correspondingly, the design of accountability mechanisms for financial stability functions is less straightforward.

Regardless of how mandates are articulated, the public often expects central banks to play an active role in preserving financial stability. They typically have the following three formal responsibilities related to financial stability: (i) conducting micro- and/or macroprudential regulation and supervision of financial institutions; (ii) ensuring the safe and sound functioning of key financial infrastructures and payment systems; and (iii) providing emergency liquidity in a crisis. In my speech, I will focus on the interaction between monetary policy and prudential regulation mandates as well as the related governance arrangements.

Graph 4 shows that among the 41 BIS member central banks which are mandated to conduct a flexible monetary policy (that is, to set interest rates independently), 25 had a microprudential role and 16 did not as of 2023.

Configurations of mandates among 41 BIS member central banks with flexible monetary policy

Number of central banks — Graph 4



[1] Full or principal role as microprudential supervisor. [2] Absence of full or principal role as microprudential supervisor.

Sources: IMF iMAPP database; BIS analysis of various Central Bank Governance Network survey data as of April 2023.

Among the 25 central banks with microprudential responsibilities, 24 had either full or shared macroprudential functions. Among the 16 central banks without microprudential responsibilities, 11 had a macroprudential role. For the 35 central banks with macroprudential responsibilities, in 17 cases these were fully assigned to the central bank, while in 18 they were shared with other

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authorities. Central banks with a principal role in microprudential supervision are likely to also have a sole or principal macroprudential role, while central banks without a principal role in microprudential supervision are more likely to have a macroprudential role that is shared with other authorities.

Based on the variations in mandates and responsibilities described in Graph 4, four major groups of central banks can be identified with varying financial stability-related responsibilities, as we see in Table 1.

First, five central banks have only monetary policy responsibility, while prudential policy is substantially delegated to another authority. Here, potential trade-offs and policy interactions are typically managed via bilateral inter-agency coordination. This jurisdictional arrangement may reflect concerns about potential conflicts of interest or excessive concentration of authority (and potential reputational risk) within the central bank. All five such central banks operate with a single decision-making principal board for monetary policy.

Second, 10 central banks have no or only limited microprudential responsibilities, while having *shared* responsibilities for macroprudential policy. Nearly all of the 10 central banks in this group have a single internal principal board that consolidates decision-making for both monetary policy and relevant prudential responsibilities. For these central banks, mandates typically designate price stability as the only or primary objective of monetary policy, while noting that economic development should be considered or that policy should contribute to the safety of the financial system. Macroprudential responsibilities are typically limited to coordinating with or submitting proposals to the relevant authority or an inter-agency body such as financial stability council.

BIS shareholder central banks with flexible monetary policy by functions and governance arrangements[1]

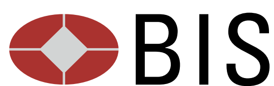
Number of central banks

Table 1

	Nature of functions		Principal board	Multifunction board		Specialised boards[2]			
	Micro-prudential	Macro-prudential		MP + macro	Micro + macro		Monetary policy	Micro-prudential	Macro-prudential
Group 1 (5)	Shared, minor or none	None	**5**						
Group 2 (10)		Shared	**9**						
						1	√		√
Group 3 (8)	Full, or major	Shared	**5**						
				1				√	
					2		√		
Group 4 (16)		Full	**7**						
					4		√		
						5[3]	√	√	√

[1] Group 1 is central banks with no microprudential and shared macroprudential responsibilities. Group 2 is central banks with full microprudential and shared macroprudential responsibilities. Group 3 is central banks with full microprudential and macroprudential responsibilities. The scope excludes central banks that do not have flexibility to conduct monetary policy, ie euro area national central banks and central banks with some form of exchange rate target. The table excludes two central banks which do not fit in any of these four groups. [2] Tick marks indicate the function(s) for which the central bank has a specialised board (a central bank can have more than one specialised board). [3] In one instance, the Governor has sole responsibility for macro- and microprudential functions.

Sources: Central banks; BIS analysis of Central Bank Governance Network surveys as of April 2023.



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Third, in eight jurisdictions the central bank has monetary policy and microprudential responsibilities, but is not principally or solely responsible for macroprudential policy. This is shared with other entities and inter-agency committees. For some in this group, internal decision-making for these responsibilities is consolidated in a single principal board. For others, institutional arrangements introduce varying degrees of separation, allowing monetary policy to focus on price stability and prudential policies to focus on financial stability. For example, the Central Bank of Brazil has differently named, specialised bodies with identical membership. One body is for monetary policy and the other for financial stability, including macroprudential policy. Each has distinct objectives, processes and meetings.

Finally, 16 central banks have full responsibility for monetary, micro- and macroprudential policy. This group comprises mainly emerging market and small open economies. This combination may reflect the perceived synergies and economies of scale of putting all relevant functions together in the central bank. In this group, seven central banks consolidate decision-making for monetary policy and prudential functions in a single governance body such as the Central Bank of Argentina. The perceived benefits of such an arrangement may include having a clearly identifiable locus of responsibility for all objectives with a more comprehensive perspective on the policy toolkit, internalising the conflicts that may arise. The other nine central banks use specialised monetary policy decision-making bodies that are separate from those responsible for micro- and macroprudential policy. In four of the nine cases, responsibilities for micro- and macroprudential policy are combined in one decision-making body. In the other five cases, those responsibilities are separated in specialised bodies.

One important aspect to consider in the context of the allocation of micro- and macroprudential mandates to central banks and regulatory agencies is whether the location of prudential tools is matched with the location of financial stability mandates. In particular, when a central bank has a general financial stability mandate and a shared macroprudential responsibility but the microprudential responsibility and tools are in the hands of another supervisory agency (which is the second case I mentioned earlier), unless there is very close coordination between the central bank and the supervisory agency, the central bank may find it difficult to effectively fulfil its financial stability mandate.

In the first case I mentioned earlier, where the central bank has only monetary policy responsibility, while prudential policy is substantially delegated to a separate supervisory authority, if the supervisory authority has the command of all prudential tools, there is no mismatch between mandates and tools. Here, interactions between monetary and prudential policies are managed via inter-agency coordination, while each institution uses its own tools under its mandate.

When a central bank has monetary policy and microprudential responsibilities but is not principally or solely responsible for macroprudential policy, the central bank has microprudential tools at its disposal, which are typically calibrated to achieve macroprudential objectives. Here there is little mismatch between mandates and microprudential tools but the central bank will need to consult with the other agencies responsible for macroprudential policy in using or calibrating the microprudential tools for macroprudential purposes. Shared macroprudential responsibilities between the central bank and other financial authorities have some merits such as having checks and balances and avoiding concentration of power.

Finally, when a central bank has full responsibility for monetary, micro- and macroprudential policy, there is no such mismatch and thus the central bank is more likely to be able to achieve these mandates effectively through internal coordination. However, even in this case, where one central bank has multiple specialised boards such as a monetary policy committee and the financial

policy committee (like the Bank of England), mechanisms for information-sharing and coordination are necessary to deal with potential coordination issues or tensions. For example, multiple boards can have overlapping membership or simply the central bank governor chairs multiple boards. Also, if a central bank has banking supervision responsibility but separate insurance and securities regulators supervise NBFIs, to the extent that NBFIs create systemic risks, the central bank and the insurance and securities regulators will need to coordinate their actions to achieve the financial system stability objective.

Central bank mandates in select Latin American countries

Now we zoom in on central bank mandates in six major Latin American countries which are BIS members: Argentina, Brazil, Chile, Colombia, Mexico and Peru.

First, we look at the general and specific mandates related to the real economy and financial system. Among the six countries, four have general financial stability mandates, which is lower than the percentage for the total 62 central banks (97%) (Table 2). Regarding the specific mandates for the real economy, three central banks have financial literacy and education as a specific mandate, two have economic growth, employment and financial inclusion as specific mandates, and one has economic development with social equality as part of its mandates. These shares are generally larger than those of the total sample of banks. Finally, regarding the specific financial system mandates, three central banks have promoting competition as a specific mandate, and one has enhancing efficiency, fostering innovation, protecting consumers and investors, supplying credit/asset registries and AML/CFT as a specific mandate. These shares are generally smaller than those of the total sample of banks. Overall, four central banks have narrow mandates (that is, only one or two mandates), while the other two have broad mandates (each has nine). To the extent that a central bank has price stability as the primary objective and economic growth/employment or financial stability as the secondary objective, depending on the nature of the shock and governance arrangements, it may be challenging for the central bank to fulfil many objectives at the same time.

Wider central bank mandates (other than price stability) — Table 2

	Explicit mandates			Explicit economic objectives						Explicit financial system mandates									
	Financial stability	Welfare of citizens	Support for government economic policies	Economic growth	Employment	Development	Fairness	Financial inclusion	Literacy/education	Efficiency	Competition	Innovation	Promoting jurisdiction as financial centre	Supply of public goods eg credit/asset registries	Consumer and investor protection	Financial appeal authority and similar	AML/CFT	Greening and environmental sustainability
Latin America[1]	67%	0%	0%	33%	33%	17%	17%	33%	50%	17%	50%	17%	0%	17%	17%	0%	17%	0%
Total sample[2]	97%	8%	44%	23%	18%	13%	8%	21%	19%	58%	37%	10%	5%	29%	40%	21%	48%	3%

[1] Based on a sample of six Latin American central banks. [2] Based on a sample of 62 BIS member central banks.

Sources: 2022 Central Bank Governance Network survey on wider central bank mandates; BIS analysis of central bank laws.

Next, we can compare the monetary policy regime and the allocation of prudential responsibilities of the six Latin American central banks with those of 62 BIS member central banks. Table 3 shows that all six Latin American central banks have a flexible monetary policy regime. This share is greater than that of all central banks globally. In addition, the six Latin American central banks have diverse combinations of micro- and macroprudential responsibilities. In particular, four have no or shared macroprudential responsibility and no or shared microprudential responsibility and tools. Given the mismatch between mandates and tools in these central banks, it will be important for them to work closely with the supervisory authority to coordinate the use of prudential tools to effectively achieve the financial stability and macroprudential objectives.

Monetary policy regime and allocation of prudential responsibilities[1]

Broad categorisation for BIS shareholder central banks

Table 3

		No						**Yes**					
Flexible monetary policy	All	33%						67%					
	LatAm	0%						100%					
Microprudential supervision		Shared, minor or none			Full or major			Shared, minor or none			Full or major		
	All	12%			21%			26%			41%		
	LatAm	0%						67%			33%		
Macroprudential policy		No	shared	Full	No	shared	Full	No	shared	Full	No	Shared	Full
	All	0%	10%	2%	0%	8%	13%	8%	16%	2%	2%	13%	26%
	LatAm	0%						33%	33%	0%	0%	17%	17%

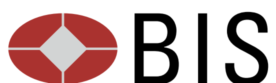
Sources: Central banks; BIS analysis of various Central Bank Governance Network survey data as of April 2023.

Finally, Table 4 provides a detailed comparison of monetary policy frameworks of the six Latin American central banks with those of all central banks in the global sample. It shows that their inflation target and other policy framework features are broadly in line with the global practice.

Political shocks, uncertainties and central bank mandates

Over the past decade, geopolitical tensions have increased substantially around the world. This has complicated central banks' endeavour to achieve their objectives. In addition, central banks in some jurisdictions have experienced increasing domestic political pressures such as to keep the interest rates low or to purchase government bonds to support fiscal policy. Such pressures increase concerns over central bank independence and the risk of fiscal dominance.

When compared with more traditional risk drivers, such political shocks are less predictable, more difficult to quantify and associated with a broader range of potential outcomes. Increased political risks therefore generate a high degree of uncertainty, often involving many "unknown unknowns". Most central banks acknowledge the high levels of uncertainty in their communications.



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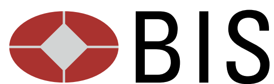
Monetary policy frameworks

Table 4

Category	Description		Overall prevalence (% total)	LatAm prevalence (% LatAm)	LatAm share (% total in each category)
Adoption of inflation targeting	Early adopters (1989 – 1997)		20%	17%	14%
	From 1998		54%	66%	21%
	Not adopted		26%	17%	11%
Specification of target	Point target	2%	31%	0%	0%
		2.5%	8%	0%	0%
		3%	23%	80%	67%
		4%	4%	0%	0%
	Range	1–3% range	12%	20%	33%
		3–6% range	4%	0%	0%
	Range with an explicit mid-point	2%, within 1–3% range	8%	0%	0%
		2.5% within 1.5–3.5% range	4%	0%	0%
		2.5% within 2–3% range	4%	0%	0%
	Tolerance band (in case there is no target range)	+/– 1%	27%	20%	14%
		+/– 1.5%	4%	20%	100%
		+/– 2%	4%	0%	0%
	Term, horizon	One to two years	15%	20%	25%
		Over the medium term/over time/unspecified	50%	20%	8%
		Conditional (on present or past circumstances)	15%	0%	0%
		Continuous	8%	20%	50%
	Inflation measure	Headline	100%	100%	19%
		Core	0%	0%	na
Other framework features	Dual mandate	Employment	8%	0%	0%
	Secondary objective(s)	Employment/growth	27%	40%	29%
		Support for government policies/objectives	19%	0%	0%
		Financial stability	27%	40%	29%
	Additional considerations (apart from objectives)	Growth/employment	65%	40%	12%
		Financial stability	73%	40%	11%
		FX/interest rates stability	23%	20%	17%
Additional references	Toolkit	Primary tool (ie policy rate) is identified	62%	80%	25%
		Other tools are referenced	50%	40%	15%
	References to climate		19%	0%	0%

Sources: 2024 Central Bank Governance Network survey on monetary policy reviews; BIS calculations.



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Let me first look at the impact of high uncertainty on **monetary policy**. Geopolitical tensions, either actual or potential, can slow economic growth, disrupt trade flows and threaten financial stability. They can put upward pressure on prices and adversely affect investment and consumption. Research by Caldara and Iacoviello (2022) shows that an increase in geopolitical risk leads to persistent declines in investment, employment and stock prices. Countries whose sectors are more closely linked to global markets or to a country whose domestic policy uncertainty is high may be more vulnerable to these dynamics.

From the central bank's point of view, such tensions can increase the trade-off between inflation and growth and make it more difficult for central banks to achieve their price stability mandate. Research by Aastveit et al (2017) and Franconi (2025) finds that monetary policy may lose its effectiveness during highly uncertain periods and that monetary policy tightening may become less effective as geopolitical risk increases.

In recent months, trade-related tensions have increased the uncertainty in the global outlook and inflation expectations and dampened consumer and business confidence and corporate investment. Against this backdrop, policymakers will need to consider how they can best communicate their decisions and the data-dependent nature of monetary policy. In particular, central banks may need to think about how to strike a balance in monetary policy decisions between being fully dependent on increasingly volatile data and trying to look through volatility by providing forward-looking policy directions. In a context of high uncertainty, scenario analysis may help central banks to communicate the wide range of possible future paths. However, communicating various scenarios may also confuse the public and discussing extreme but low-probability scenarios may have an unintended consequence of adding to uncertainty.

Geopolitical risk also has direct bearing on the **financial stability mandate**. Geopolitical threats can increase downside tail risks for the financial sector. In particular, adverse geopolitical events can trigger rapid shifts in market sentiment and sharp increases in uncertainty, which can exacerbate existing vulnerabilities in financial institutions and markets. For example, a sudden reallocation of capital due to geopolitical concerns can trigger liquidity and solvency stress, increase funding costs and reduce asset values. Geopolitical shocks can also disrupt supply chains, which may exacerbate financial stress in the affected countries. To analyse how these risks and vulnerabilities interact, supervisors can use scenario analysis and stress testing. For example, the Bank of England recently conducted a system-wide scenario exercise assessing the consequences of a shock to financial markets due to a sudden crystallisation of geopolitical tensions.

Central bank independence

Central bank independence is a fundamental component of the social arrangements aimed at preserving trust in the value of money and keeping inflation under control. Central bank independence is multifaceted in nature, with social, political, legal and economic dimensions. In particular, central bank independence is underpinned by central bank autonomy in the following six aspects: mandates, policy tools, accountability, budget sufficiency, governance (in terms of decision-making and internal operations) and the complex relationship with other government entities (Carstens (2025)).

Over the past few decades, political and economic narratives have become more polarised in both advanced economies and emerging market economies (EMEs) (Díaz de Leon (2019)). This

environment has fostered short-term policies and approaches for political gains such as protectionism. Indeed, pressures on the de facto independence of central banks have become more prominent in some jurisdictions, as ECB President Lagarde mentioned in a January 2025 speech (Lagarde (2025)). Evidence presented by Demiralp (2024) suggests that political influence on central bank decisions can contribute to macroeconomic volatility.

Governments may also seek to assign additional mandates to central banks such as social goals. In these circumstances, political economy factors would need to be carefully considered. For example, whether central banks have adequate tools to achieve the new mandates and whether the mandates are shared by other government bodies. If central banks assess that taking on these additional responsibilities could potentially generate conflicts among multiple mandates, central banks will need to clarify how they would prioritise objectives in practice. With high levels of domestic political uncertainty, it is all the more important in preserving central bank independence that central banks concentrate on anchoring inflation expectations and maintaining financial stability.

Further, geopolitical tensions can amplify volatility and make it more difficult for central banks to achieve price and financial stability objectives, which could in turn contribute to scepticism about the value of central bank independence. In this environment, central banks will probably face greater scrutiny and pressure to continue their efforts to underscore public legitimacy through transparency and accountability. One key element of central bank accountability is transparency, which may boost the effectiveness of monetary and financial policies, as mentioned in the IMF transparency code (IMF (2020)).

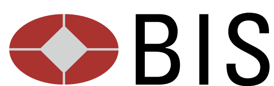
When we think about central bank independence, it is important to consider its precise articulation. For example, a central bank can be institutionally independent, or independent only in its mandate to pursue the primary objective of price stability. Secondary mandates of financial stability or economic growth are often shared with other government agencies such as supervisory agencies.

Domestic institutional cooperation and effective policy mix

EMEs often face supply shocks which generate the monetary policy trade-off between economic growth and inflation. Also, when EME currencies depreciate due to tightening global financial conditions such as a strengthening US dollar, import prices go up while capital outflows can tighten domestic financial conditions. Such external shocks also generate monetary policy trade-offs. Finally, as I mentioned earlier, loose monetary policy may sow the seeds of future financial instability, creating conflicts between monetary and financial stability.

Facing these various trade-offs, EME central banks have recently adopted a policy mix in which monetary policy plays the key role in achieving the primary objective of price stability ideally in the same direction as fiscal policy, while macroprudential policy addresses financial stability concerns as a supplementary tool. Flexible exchange rates should play a key role when EMEs face external shocks. However, when exchange rate volatility translates into domestic financial vulnerabilities and is likely to affect the macroeconomy substantially, EME central banks may need to consider using foreign exchange intervention.

When geopolitical or trade tensions intensify to a higher level and severely affect EMEs' economic growth, inflation, capital flows and exchange rates at the same time, the aforementioned



various trade-offs tend to worsen significantly. In this situation, the fiscal authority will need to introduce strong fiscal stimulus to revive the economy, while the central bank will need to make enhanced efforts to keep inflation expectations at bay. In addition, the central bank and the supervisory authority will need to work in close cooperation to maintain domestic financial stability and external stability. In short, geopolitical and trade tensions generate more difficult policy trade-offs than typical supply or external shocks. Therefore, they require stronger cooperation among the central bank and financial authorities when the various mandates are allocated across the authorities.

Conclusion

Let me conclude. In my speech today, I have highlighted three points which are important for central banks in pursuing their mandates.

First, some mandates of a central bank may be fully in line with the tools available to the central bank, but others may be less so. Here, central banks need an adequate set of tools matching their mandates in order to achieve their objectives.

Second, when a central bank faces rising domestic political pressures to support fiscal policy or take on additional mandates, it is all the more important for the central bank to focus on its primary objectives. This is crucial for preserving central bank independence.

Finally, when geopolitical or trade tensions substantially affect the macroeconomy and capital flows to EMEs and generate difficult policy trade-offs, the central bank, the fiscal authority and the supervisory authority would need to work in close cooperation to mitigate these trade-offs via an effective policy mix and fulfil their respective mandates.

Thank you very much for your attention.

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