

New MP Orientation Bank of Canada

Don Coletti, Senior Advisor to the Governor of the Bank of Canada, presented on the Bank's four main functions: conducting monetary policy, promoting the stability of our financial system, designing, producing and distributing bank notes, and providing banking services to the federal government. Mr. Coletti reinforced the independence of the Bank as a Crown Corporation, which employs 1700 staff and is led by Governor Stephen Poloz.

One of the Bank's primary functions is conducting monetary policy and preserving the value of money. Mr. Coletti noted that this is distinct from the fiscal policy role of the Government of Canada (making decisions on government spending and taxation) and the macro- and micro-prudential roles of other federal agencies (for example, the Office of the Superintendent of Financial Institutions, which is responsible for regulating and overseeing banks).

Regarding monetary policy, Mr. Coletti explained that this part of the Bank's mandate focuses on controlling inflation to keep it low, stable and predictable. This is important to consumers and businesses because it reduces uncertainty in making decisions about how and when to spend or save their money. It also reduces booms and busts in the economy and keeps unemployment low.

The Bank achieves this by targeting 2% inflation, the midpoint of a 1-3% range. This target is set jointly by the Bank of Canada and the Government of Canada in an agreement that is renewed every five years since it was introduced in 1991. This agreement will be renewed in 2021, and the Bank is conducting research and consulting Canadians to inform its recommendations to the Government.

Mr. Coletti reinforced the importance of transparency and communications to the Bank's credibility. The Bank's Governing Council makes a decision on the policy interest rate eight times per year and issues a press release to explain the decision.

Four of these times, the Bank releases a Monetary Policy Report with its interest rate decision to provide a detailed explanation of the current state of the economy in Canada. And twice per year – in April and October – the Governor and Senior Deputy Governor appear before the House of Commons Finance Committee and Senate Banking Committee to discuss in greater detail with Parliamentarians the reasoning behind the Bank's decision and its outlook on the economy.

In concluding, Mr. Coletti touched briefly on other areas of focus for the Bank.

1. Promoting financial stability by: acting as a lender of last resort; overseeing the payment, clearing and settlement systems; and conducting analyses of risks and vulnerabilities to the financial system that are published each May in the Financial System Review.
2. Acting as the fiscal agent for the Government of Canada by: managing its withdrawals and deposits; managing the sale of its bonds and treasury bills; and keeping its reserve of foreign currencies.
3. Designing, producing and distributing bank notes to ensure they are secure and Canadians can use them with confidence, and looking at what the future of money holds, including whether a Bank-issued digital currency would ever be warranted.

Mr. Coletti's presentation was followed by a panel moderated by Nicholas Galletti (Senior Director, Communications and Stakeholder Outreach) and featuring Bank of Canada experts: Maureen Carroll (Managing Director, Currency), Jing Yang (Managing Director, Financial Stability) and Marc-André Gosselin (Managing Director, Canadian Economic Analysis).

M. Gosselin discussed the key questions the Bank is exploring as part of the current monetary policy framework renewal process, and highlighted some of the ways the Bank is engaging Canadians in this process.

Ms. Yang discussed two of the main vulnerabilities in our financial system: imbalances in the housing market and high household debt, and how the Bank goes about assessing the risks and vulnerabilities to the financial system. Other vulnerabilities the Bank is monitoring as part of its mandate to safeguard financial stability are cyber risks, crypto assets and climate change.

Ms. Carroll explained how technology is revolutionizing the way Canadians pay for things. One of the Bank's most important jobs is to issue bank notes that Canadians can use with confidence, and highlighted the upcoming process to redesign the \$5 bill. The Bank is also looking at the future of money and conducting extensive research on what a central bank digital currency may look like, in the event one would be beneficial to Canadians.

The floor was opened up to questions from participants, which included: how the Bank measures inflation; more detail on the Bank's climate change research; queries about the role a floating exchange rate plays in the Bank's monetary policy framework; and whether the Bank looks at difference across sectors and regions in the Canadian economy.

Closing out the Bank of Canada presentation were remarks by Governor Poloz.

The Governor congratulated Members and Senators and welcomed them to the Bank. The Governor reiterated the importance of the Bank's outreach to Canadians to reinforce the institution's credibility, gather many different perspectives, and earn the trust of Canadians across the country.

He encouraged participation in the upcoming open call for nominations to identify the portrait subject of the new \$5 bank note, and consultations around the renewal of the inflation targeting agreement. He thanked everyone for their attendance and noted that he looks forward to seeing them again when he and other Bank officials visit Parliament.