



MONETARY POLICY COMMITTEE (MPC) CHARTER & INFLATION TARGETING OPERATING FRAMEWORK

March 2023



Table of Contents

Introduction	3
1. The Monetary Policy Committee (MPC) Charter	4
<i>Remit</i>	4
<i>Composition and Appointments</i>	4
<i>Qualifications & Disqualifications</i>	4
<i>Matters for Committee Decision</i>	5
<i>MPC Meetings – Governance and Administrative Matters</i>	6
<i>The Decision-Making Process</i>	7
<i>Responsibilities of Committee Members</i>	7
<i>Conduct of Monetary Policy Committee Members</i>	8
<i>Indemnification of Committee Members</i>	9
2. The Inflation Target Setting Process	10
3. Protocol for Communication	12
<i>Summary of Decisions and Press Release</i>	12
<i>Press Conference</i>	12
<i>Minutes of the MPC Meeting</i>	13
<i>The Monetary Policy Report</i>	13
<i>Monetary Policy Statements</i>	14
4. Reporting on Misses of the Inflation Target	15
<i>The Governor’s Notification to the Minister</i>	15
<i>The Minister’s Response to the Governor</i>	16
5. Glossary	17

Introduction

In keeping with the Government's objective of making the Central Bank a more modern and accountable institution, the Bank of Jamaica (Amendment) Act, 2020 was passed by both Houses of Parliament in December 2020 and brought into effect on 16 April 2021. An important aspect of the amended law is the clarification of the Bank's mandate to make price stability and financial stability its principal objectives, with price stability being the primary objective. The amended law also enshrines inflation targeting as the monetary policy framework to be used by the Bank to achieve price stability.

Consistent with this new framework are measures to enhance the transparency and accountability of the Central Bank. These include the establishment of a Monetary Policy Committee ("MPC" or "the Committee"), and the requirements that the MPC submits to the Minister of Finance and the Public Service for tabling before Parliament, periodic statements on its performance, and the appearance of the Governor before Parliament's Standing Finance Committee to provide explanations as required. It also includes the publication of the minutes of MPC meetings and the requirement for explanations to be provided to the Minister where necessary of the reason(s) for its failure to meet the inflation target.

The establishment of the MPC marks a fundamental change in the decision-making process in Bank of Jamaica moving from a single person, the Governor, to a Committee. Monetary policy decisions will now benefit from the pooling of information and the processing of that information with inputs by independent external persons with different skills and experiences who are expected to bring a fresh perspective to the policy discussions.

The document sets out the MPC Charter, which includes the roles and responsibilities of the Committee and outlines the key governance principles guiding its operations. It also details a set of protocols governing the key elements of the inflation targeting framework.

1. The Monetary Policy Committee (MPC) Charter

Remit

- 1.1 The MPC is required by statute to achieve and maintain price stability as defined in the inflation target set by the Minister. The Committee, chaired by the Governor, shall be responsible for:
- i. Determining the monetary policy of the Bank; and
 - ii. Considering the results of research and analysis relevant to financial markets, the domestic economy, the international economy and to the formulation and implementation of monetary policy.

Composition and Appointments

- 1.2 The Bank of Jamaica Act (also referred to as “the Act”) provides that the Committee shall consist of three (3) *ex-officio* members and two (2) appointed members (independent, non-executive external members). The 3 *ex-officio* members are the Governor, who is also the Chair, the senior executive responsible for monetary policy and another senior executive appointed by the Board. The appointed members must satisfy the qualification requirements set out in the statute.¹
- 1.3 The names of all initial MPC members and any changes in the membership of the Committee shall be published in the Gazette. A list of all current members shall be published also on the Bank’s website. Bank of Jamaica will also publish on its website the qualifications and positions (external and internal) of the MPC members.
- 1.4 The Committee will be assigned staff, independent of BOJ’s economic staff, and a secretary, as necessary to assist the Committee in the performance of its functions.

Qualifications & Disqualifications

- 1.5 MPC members must:
- (i) satisfy the fit and proper criteria as specified under section 2A of the Bank of Jamaica Act;
 - (ii) have the relevant expertise, qualifications or experience in economics, banking, finance, commerce, accounting, business or law; and

¹ See sections 1.5 and 1.6 for more detail.

- (iii) not be:
- A member of the Bank's Board;
 - A member of another statutory committee where this would result in more than one member of the Committee being a member of another statutory committee or a member of any statutory committee being on more than two statutory committees;
 - A member of either Houses of Parliament or a Municipality;
 - An employee of Government, statutory body or authority, Executive Agency or a government company on a full time or contractual basis; and
 - A director or employee or auditor of a financial institution or a partner or employee of an external auditor of a financial institution.

1.6 The Governor General in Council may, at any time, upon the recommendation of the Board, revoke the appointment of the appointed members, if the appointed member:

- (i) no longer satisfies the fit and proper criteria;
- (ii) becomes of unsound mind or permanently unable to perform the functions because of ill health;
- (iii) fails to carry out the functions required of a committee member;
- (iv) engages in activities that can reasonably be considered to be incompatible with the appointed member's continued membership of the MPC; and
- (v) discloses non-public information regarding the operations of the MPC, where this was not authorised by the MPC or the Chairman.

Matters for Committee Decision

1.7 Decisions made by the Committee generally include:

- i. monetary policy decisions;
- ii. Other decisions involving recommending legislative amendments, the structure and the functioning of financial markets which are relevant for the efficient implementation of monetary policy;
- iii. The framework and conduct of Bank of Jamaica's open market operations; and
- iv. Approval for dissemination:
 - a. Quarterly Monetary Policy Reports (QMPR);
 - b. Summary of Decisions made at the meeting;
 - c. Press Releases on monetary policy decisions;
 - d. Minutes of meetings for publication;
 - e. Monetary policy statements to be issued to the Minister with responsibility for Finance; and
 - f. Reports to the Minister on missed inflation targets.

- 1.8 In the process of the Governor's consultation with the Minister on the inflation target, the Governor may also present the proposed inflation target to the Committee for feedback.

MPC Meetings – Governance and Administrative Matters

- 1.9 **Number of meetings per year:** The MPC is required by law to meet at least 8 times per year, i.e. twice per quarter. However, in times of crisis, emergency meetings may be held and, as far as possible, may be announced beforehand to the public.
- 1.10 **Chair:** Pursuant to the statute the Governor is the Chair of the Committee and will preside at each meeting. In the absence of the Governor, the meeting shall be chaired by a member elected by the other members present.
- 1.11 **Quorum:** The quorum for meetings of the Committee was set by the Committee at its meeting on 14 May 2021 at three (3) members, at least one of whom is a member appointed by the Governor General in Council pursuant to section 34FB(4) of the Act.
- 1.12 **Chairman's casting vote:** Decisions of the Committee are made by majority votes with the Chairman or person presiding having the casting vote in the event of an equality of votes.
- 1.13 **Round Robin resolution:** A resolution in writing, signed by all the members of the Committee for the time being entitled to receive notice of a meeting of the Committee, shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.
- 1.14 **Minutes and records:** The Committee shall cause to be maintained proper records of: (i) summary of decision released to the public; (ii) the minutes approved and signed by the Chair with an indication of the date of approval; (iii) all documents and presentations tabled at meetings; and (iv) other records of its meetings.
- 1.15 **Committee evaluations procedure:** The Committee shall conduct an evaluation of its performance once per year. The evaluation shall include self-evaluation by members of the Committee's performance as a whole as well as self and peer evaluation of individual Committee members.
- 1.16 **Reports to Board:** The Board of the Bank is authorised by the Act to provide oversight of the general functions of the statutory committees of the Bank, save and except for decisions of the committees, to ensure that their functions are carried out in accordance with their statutory mandates. The Committee will submit reports to the Board at least twice per year or more frequently as may be deemed necessary.

The Decision-Making Process

- 1.17 The Committee shall be provided with a report and all relevant materials five (5) days ahead of the monetary policy decision meeting. Included in this report will be recent domestic and external economic developments and their associated outlook as well as developments in financial markets that will have an impact on the inflation forecast, and the risks to this forecast.
- 1.18 The Committee will have two sets of meetings for each of the eight (8) meeting cycles. The MPC shall commence the first meeting (briefing meeting) in each meeting cycle at least two days before the announcement date. On the first day, the Committee will be briefed by the staff of the Research and Economic Programming Division and by other staff members as may be required. The briefing shall include a presentation on the contents of the report along with special reports, research or analyses that are of relevance to the Committee for the purpose of formulating and implementing monetary policy. Following the presentations and discussions, the Committee shall explore among itself any differences in opinions that may exist.
- 1.19 The MPC may invite the fiscal authorities and other stakeholders to share with it any policies or plans that may materially affect the inflation or GDP forecast.
- 1.20 On day two (decision/communication meeting), prior to the announcement, the Chairman shall propose a monetary policy decision - and other decisions where relevant - for review and approval of the Committee and shall invite members of the MPC to vote on the proposal. The proposal shall include the policy statement/decision on interest rates and any other policy decisions to be voted on by the Committee.
- 1.21 Having voted on the decision, a summary of decisions and a press release shall be drafted, reviewed and approved by the MPC, prior to the announcement of the decision (see **Protocol for Communication** below for further details).

Responsibilities of Committee Members

- 1.22 Committee members are expected to:
 - i. use their best endeavours to attend meetings in person or where circumstances do not allow this (with the permission of the Chair) to attend via video or teleconference;
 - ii. carry out their duties in an efficient, competent and ethical manner and to a high standard of performance;
 - iii. be adequately prepared to participate in meetings, including by reading in advance the meeting papers which are made available to members at least five (5) days prior to the meetings;
 - iv. participate actively in meetings, exchanging ideas freely on the subject matters discussed, treating others' contributions with respect at all times;

- v. continually seek to improve the effectiveness of their contribution;
- vi. engage constructively with each other to arrive at informed and timely decisions; and
- vii. have regard for and respect diverse opinions that reflect other members' unique professional experiences and educational backgrounds.

Conduct of Monetary Policy Committee Members

Ethical Conduct

- 1.23 Committee members are expected to observe the highest standards of ethical behaviour personal integrity and honesty when carrying out their duties.

External Communication

- 1.24 MPC members shall be guided by the policy on external communication issues, which shall be made public on the Bank's website.
- 1.25 The following are the official spokespersons for monetary policy communications:
- i. Governor;
 - ii. Senior Deputy Governor;
 - iii. Deputy Governor in charge of Research & Economic Programming; and
 - iv. Division Chief, Research & Economic Programming.
- 1.26 MPC members are required to disclose all requests for public engagements to the Chairman of the Monetary Policy Committee, if the topic of discussion is related to monetary policy matters or may relate to the operations of the Bank or the member's involvement on the Monetary Policy Committee. These requests for public engagements may involve interviews, lectures and articles published in the press and on social media.
- 1.27 In circumstances where the request involves the discussion on macroeconomic developments associated with the decisions of the MPC and work involving other operations of the Bank, members shall submit at least 2 days in advance of the event the relevant documents (speeches, articles, blogs, academic papers or lectures) to allow the Chairman as well as the BOJ's Communication Team to offer comments.
- 1.28 Members must also carefully consider invitations to speak at meetings and private lunches/dinners with clients affiliated with profit-making institutions that could benefit from information on a Committee member's views.
- 1.29 MPC members shall not under any circumstance comment on issues relating to Bank of Jamaica's monetary policy during the purdah period (5 days prior to the announcement of the policy decision). In addition, members should avoid comments to the media regarding their personal views or vote on the day of the policy announcement. The Chairman can give

interviews on announcement days and may entrust other members of the Committee to do the same.

- 1.30 Members must not question the inflation target set by the Government in public.

Secrecy

- 1.31 MPC members shall strictly observe the secrecy of the deliberations of the Committee and shall not directly or indirectly reveal any non-public matters or information that may come to the member's knowledge in the discharge of his/her duties as a member of the Committee or the member is otherwise authorised so to do by the Governor as Chair of the Committee or by the Committee.

Conflicts of Interest

- 1.32 Committee members are expected to avoid any action, position or interest that conflicts with an interest of the Bank or the work of the Committee, or that gives or may give the appearance of a conflict.
- 1.33 A Committee member that has a personal interest or a potential or perceived conflict in a matter that relates to the functions of the Committee or its deliberations must give the Committee notice of such conflict of interest. The Committee shall agree on how the conflict of interest will be managed including requiring that the conflicted member withdraws from the meeting when the matter is being discussed or a decision is made.
- 1.34 The conflicted member is not counted for the purpose of determining quorum when the matter is being discussed.

Gifts and Hospitality

- 1.36 Committee members will not accept any gift or hospitality offered to them by virtue of their membership on the Committee. This does not include any minor promotional item or other gifts with a nominal value subject to the prior approval of the Chair. Any such gifts accepted by members must be notified to the Committee Secretary for recording.

Indemnification of Committee Members

- 1.37 No liability will be incurred by Committee members as a result of any action done bona fide in exercise of their powers, functions or duties as members of the Committee. Pursuant to the provisions of the Act no action suit or other proceedings may be brought or instituted against members in respect of any lawful act done or omission made in good faith in the course of carrying out of duties as a member of the Committee.

2. The Inflation Target Setting Process

This section formulates a set of protocols with regard to sections 34FF (1) to (4) of the Bank of Jamaica Act which addresses issues relating to setting the inflation target.

- 2.1 The inflation target shall be set by the Minister of Finance and the Public Service after consultation with the Governor of the Bank of Jamaica.
- 2.2 The Minister may initiate the inflation target review process by writing to the Governor, indicating the desire to review the target and requesting the Governor's recommendation.
- 2.3 The Governor shall call a meeting of the MPC to review the recommendation for the target. The MPC is not expected to necessarily recommend a different target at each review, given the potential impact on inflation expectations of such changes.
- 2.4 The Governor shall make a recommendation to the Minister within 60 days of receipt of the Minister's request for a review of the inflation target, outlining in writing the proposed target and the reasons for the recommendation.
- 2.5 The Minister, having set the inflation target, shall notify the Governor in writing of the target who will then communicate the information to the MPC.
- 2.6 The Minister shall, within 14 days of notifying the Governor of the inflation target, make this notification available to the public by tabling it in Parliament and by publishing it on the official website of the Ministry of Finance and the Public Service.
- 2.7 Bank of Jamaica shall also publish the target on its official website and on other media, as deemed necessary.
- 2.8 The Minister shall review the inflation target at such periods as may be determined by the Minister after consultation with the Governor at the time the target is set, provided that the period shall not exceed 3 years from the date on which the target was set.
- 2.9 The Minister's Remit to the Monetary Policy Committee: Each time the inflation target is reviewed, the Minister's written notification to the Governor of the results of that review may contain the following:

- 2.9.1 *Specification of the target.* The target may be specified as a single number with an associated permissible range to account for shocks (i.e. $\pm 1\%$).
- 2.9.2 *The measure to be used as the inflation target and the source of the data.* The target shall be the annual (or 12-month) point to point percentage change in the Consumer Price Index as measured by the Statistical Institute of Jamaica (STATIN), or such other measure as the Minister may specify.
- 2.9.3 *The period for which the target applies* – This period shall be determined by the Minister each time the target is set, provided that it shall not be less than three years, consistent with the programme horizon in the Government’s Fiscal Policy Paper.
- 2.9.4 *The frequency at which performance will be measured.* The frequency can be monthly or quarterly (i.e. March, June, September and December).
- 2.9.5 *The time at which the inflation target shall be next reviewed,* provided that such time shall not exceed 3 years from the date on which the target was set.
- 2.9.6 *The process to be followed if the target is missed* (see **Protocols for Reporting Misses of the Inflation Target**).
- 2.9.7 *The Government’s overall economic objectives.*

3. Protocol for Communication

This section formulates a set of protocols for section 34FG of the Bank of Jamaica Act which addresses issues relating to communication around Monetary Policy and the Bank's stewardship of Inflation.

Summary of Decisions and Press Release

- 3.1 An annual calendar of monetary policy decision announcement dates shall be published in advance of the meetings of the MPC. The dates for all historical meetings shall be placed on the Bank's website and, for ease of reference, the Bank may include all meeting materials, including policy decisions, minutes and monetary policy reports, pertaining to these meetings on the website.
- 3.2 The Bank reserves the right to make changes to the schedule of meetings. In the event of a change to the schedule, the public shall be given notice.
- 3.3 The monetary policy decision shall be announced at least eight times per year, following each Committee meeting and shall be in the form of a Summary of Decisions and press release issued on the announcement date at the close of business.
- 3.4 The press release shall state the monetary policy decision made by the Committee and the Summary of Decisions outlines the discussions influencing the decision. The content of the Summary of Decisions will differ, depending on the type of meeting. On four of the occasions when the Bank's macroeconomic forecast is updated and the Monetary Policy Report (MPR) published, the Summary of Decisions shall include the Bank's decision about the signal rate (or any other policy tool that the MPC deems necessary) and the reason(s) for the decision.
- 3.5 On the other four occasions when the MPR is not published, the Summary of Decisions will examine recent economic developments and the risks associated with the forecasts in the MPR. This allows the reader to identify the possible direction of change in the variables at the next forecast round.

Press Conference

- 3.6 On the four occasions when the Bank's macroeconomic forecast is updated and the MPR published the Governor (or an appointee) shall provide a detailed statement at a press conference at 10 a.m. following the announcement date, or soon thereafter, as circumstances dictate. The statement will include the revised set of projections as outlined in the MPR (see paragraphs under the heading "Monetary Policy Report" below), including a general

assessment of economic developments, the inflation forecast, forecasts of other macroeconomic variables and risks to the forecast.

- 3.7 The press conference will coincide with the release of the Bank's Monetary Policy Report.
- 3.8 The press release and statement shall be published on the Bank's website, and may be published in the print media, social media or any other media that the Bank deems appropriate at the time.

Minutes of the MPC Meeting

- 3.9 The minutes of each Monetary Policy Committee meeting shall be published within 4 weeks after each decision meeting.
- 3.10 The minutes shall contain:
- i. the names of Committee members and other attendees present at the meeting;
 - ii. a summary of all the information presented to the Committee and a record of the officers leading in the presentation or the discussion of the item;
 - iii. the discussions of the Committee, including a general account of the opinions and the main arguments in favour of and against the decision taken;
 - iv. the decision taken by the MPC and the rationale for the decision;
 - v. report of the votes of members and whether unanimous or by majority, and if by majority, how the votes were cast; and
 - vi. if actions are agreed to be taken with respect to any item, a record of the actions to be taken and by whom as well as a targeted timeline.
- 3.11 Comments attributable to individual MPC members will not generally be reflected in the minutes.

The Monetary Policy Report

- 3.12 The Bank shall prepare and publish a Monetary Policy Report every quarter.
- 3.13 The Monetary Policy Report shall review the major economic developments (financial markets, the domestic and the global economy) since the previous quarter and present the Bank's outlook for the domestic economy and for inflation.
- 3.14 In general, the Report will include:
- i. A Summary

- ii. Global Economic and Financial Market Developments
- iii. Domestic Economic and Financial Market Developments
 - a. The Inflation Outlook
 - b. Domestic Demand and Output
- iv. The MPC's key Judgements and Risks

Monetary Policy Statements

- 3.15 Statements on the performance of the Bank with respect to monetary policy and the achievement of the inflation target (Monetary Policy Statements) shall be prepared and submitted to the Minister of Finance and the Public Service every six months (in May and November of each year), or at such periods not exceeding six months, as may be determined by the Committee or directed by Parliament. The May statements will cover the six-month period of October of the previous year to March of the current year. The November statements will cover the six-month period of April to September of the current year.
- 3.16 The Monetary Policy Statements shall address the performance of the Bank with respect to monetary policy and its achievements with respect to the inflation target and the assessment of the economy which shall be consistent with the current MPR.
- 3.17 The statements will be accompanied by two sets of the QMPRs. One of these QMPRs will be the one published immediately following the last decision meeting in May or November of each year as the case may be. In addition, the May submission will include the QPMR published in February. For the November submission, this will also include the QPMR published in August of the current year.
- 3.18 The Minister shall, upon receipt of the Monetary Policy Statement and the two QMPRs attached, table a copy in the House of Representatives, following which in keeping with the statutory provision, the same shall be referred to the Standing Finance Committee of the House of Representatives.
- 3.19 The Chairman may be required by the Standing Finance Committee to attend its meeting to answer any questions in relation to the statement.

4. Reporting on Misses of the Inflation Target

This section formulates a set of protocols to address Section 34FF (5) to (7) of the Bank of Jamaica Act relating to the Bank missing the Inflation Target.

- 4.1 When the inflation target is missed, the Bank shall notify the Minister within 60 days of the publication of the Consumer Price Index (CPI) by STATIN, or any other such measure of inflation as had been stipulated by the Minister, and provide:
- i. the reasons for the target being missed;
 - ii. the measures (if any) that are being proposed - or have been taken - by the Bank to restore inflation to the target; and
 - iii. such other information as the Bank may consider necessary.
- 4.2 Upon the receipt of the notification by the Minister, the Minister will publish the notification on the Ministry's official website. The Bank will also promptly publish a copy of the notification on the Bank's website. This process is a key element of the Government's commitment to transparency and accountability.
- 4.3 The Governor may opt not to provide a notification and explanation for each consecutive month in which inflation deviates from the target where such explanations had been provided in previous notifications. Notwithstanding this, the Governor shall provide an update to the Minister on the progress of inflation back to the target every third month if inflation takes longer than three months to revert to the target.²
- 4.4 In the event that a subsequent deviation in inflation from target occurs in non-consecutive months during this three-month period, the Governor may also opt not to provide a notification where the Governor's notification had indicated that this would happen.
- 4.5 A notification and explanation shall be required if a deviation occurs during this three-month period that is different from that outlined in the Governor's previous notification. For example, if inflation during the three-month period is expected to fall below the target, but instead exceeds the target, a notification and explanation shall be required.

The Governor's Notification to the Minister

- 4.6 Bank of Jamaica's notification and explanation to the Minister shall be guided by the analysis and conclusions of the MPC and will address the following items:

² For example, a notification shall be required if inflation deviates from the target in December. If inflation also deviates from the target in January, February and March, and where the Governor's notification had indicated that this would happen, another notification shall be required after the outturn for March is published.

- i. The inflation outturn and the reasons inflation deviated from the target.
- ii. The unconditional outlook for inflation; that is the path that inflation will follow if there is no further policy action to cause it to change.
- iii. The horizon over which the MPC judges it appropriate for inflation to return to the target.
- iv. The factors that were considered by the MPC in determining the duration of the expected deviation of inflation from the target.
- v. The monetary policy action that the MPC has taken in response to the deviation and the general policy stance that it deems may be necessary to support and supplement its efforts at returning inflation to the target.

The Minister's Response to the Governor

4.7 The Minister is expected to respond to the Bank within three days of the receipt of the notification and his/her correspondence with the Bank may address the following:

- i. The inflation outturn that triggered the need for the letter and the Minister's understanding of the reasons Bank of Jamaica stated for the inflation deviation.
- ii. Whether or not the Minister agrees with the Bank's assessment of the reasons for the deviation.
- iii. Whether or not the Bank's explanation provides a clear assessment of the outlook and considerations that guided the decisions taken by the Bank as well as the horizon for which the Bank will bring inflation back to the target, and the associated risks.
- iv. Comment(s) on any topic(s) of interest that may or may not be included in the Governor's notification.
- v. The Minister's intention to make the exchange of correspondences with the Bank available to the public.

5. Glossary

“Bank” means the Bank of Jamaica established under the Bank of Jamaica Act.

“Committee” means the Monetary Policy Committee (or “MPC”) established under section 34FB of the Bank of Jamaica Act, which has the responsibility for taking the monetary policy decisions of the Bank.

“Governor” means the Governor of the Bank appointed pursuant to section 6A.

“Deputy Governor” means a Deputy Governor of the Bank appointed pursuant to section 6D.

“Inflation” means 12-month change in the consumer price index as published by STATIN.

“Inflation deviation” means the difference between the inflation outturn and the inflation target.

“Inflation Target” means a number for the 12-month percentage change in the CPI as specified by the Minister.

“Remit to the Monetary Policy Committee” means a set of written instructions to the Committee by the Minister, the contents of which are consistent with the BOJ (Amendment) 2020 Act.