



April 7, 2009

PROCEDURE OF MPC MEETINGS

Prior to each monetary policy decision:

- MPC (Monetary Policy Committee) members should have access to all relevant data that they need to take an informed decision.
- MPC members should have ample opportunity to exchange views and debate the decision.

To meet these objectives the MPC has agreed to the following meeting structure:

There are at least eight monetary policy decisions each year and there are two types of procedure in the run-up to each monetary policy decision:

- At least four times a year, either when inflation forecasts are changed or when there are significant changes in the macroeconomic environment, regulatory structure or matters related to financial stability, there will be full-fledged procedures consisting of at least three sessions.
- At times there could also be interim decisions based on a more concentrated meeting structure. The concentrated procedure will consist of one to three sessions in a single day. The meeting may be held in person or by teleconference.

The structure of the two types of meetings is detailed below:

Full-fledged MPC meetings

At least three monetary policy sessions shall be concentrated in two days' time. The first session shall take place two days before the policy decision is announced, the second on the morning of the following day and the third in the afternoon of that day.

Session one (two days before announcement)

Attendees: MPC members, secretary of the MPC, key department heads and relevant staff.

Time: At 10:00

Preparation and documentation: Before the regular meetings, staff will present preliminary analysis or draft forecast (prior the publication of *Monetary Bulletin*) and discuss the analysis or forecast in internal meetings of the Governor, Deputy Governor and relevant staff. A final draft of forecasts and/or other relevant documentation and data will be sent to the external members three days before the regular meetings commence.

Topics: The meeting will focus on the economic outlook. Staff members will make short presentations of the relevant data and forecasts to MPC members. Among the topics that should be covered are:

- Market operations (presented by the International and Monetary Operations Department).
- Financial stability (if relevant, presented by the Financial Stability Department).
- Recent economic development and medium-term outlook (presented by the Economics Department).

Session two (one day before announcement)

Attendees: MPC members, Directors of International and Monetary Operations, Financial Stability and IT Departments and the secretary of the MPC.

Time: At 9:00

Preparation and documentation: The night before the session, MPC members shall receive a draft policy statement (in English) to guide the discussion. After a decision has been made, MPC members can comment on the general orientation of the draft statement.

Topics: This session will focus primarily on the monetary policy decision itself. The Chief Economist will begin by summarising the previous day's presentations. On the basis of that analysis, he or she will make a preliminary suggestion concerning the current policy stance. Subsequently, each MPC member will present his or her view on the general direction of policy. After the first round of discussion, the Governor will suggest a policy decision he or she considers to represent a broad consensus or the majority view of the MPC. The MPC members will then present their own views on the appropriate policy. The Governor will then propose a decision. This will be followed by further deliberation in order to seek a consensus. If there is no consensus, MPC members will vote on the decision.

Session three (one day before announcement)

Attendees: MPC members, Directors of International and Monetary Operations, Financial Stability and IT Departments and the secretary of the MPC.

Time: At 15:00

Preparation and documentation: Before the session, a second draft of the monetary policy statement will be written, reflecting the decision and discussion in the previous meeting.

Topics: The focus of the session will be the monetary policy statement and related communication. If needed, there could be a recess for further redrafting. After the statement is finalised in English it will be translated into Icelandic.

Interim MPC meetings

When new data or changes in other circumstances since the last MPC meeting do not warrant exhaustive presentation of economic developments and forecasts, monetary policy decisions can be taken on the basis of the following simplified procedure. There will be at least one session, either in person or by teleconference

Attendees: MPC members, Directors of International and Monetary Operations, Financial Stability and IT Departments and the secretary of the MPC.

Time: At 10:00 (*the day before announcement*)

Preparation and documentation: Three days prior to the meeting, MPC members shall receive data and other relevant documentation. One day before the meeting, members will receive a draft of the monetary policy statement.

Topics: The focus of the meeting will be on new data or circumstances since the last monetary policy decision and what these data imply for the policy rate path envisaged at that time. The monetary policy statement shall be shorter, confirming the main points of the previous policy statement and focusing on deviation from the envisaged path. If needed, there could be a recess for redrafting of the statement. After it has been discussed in detail, the final statement in English shall be translated into Icelandic.

Press release and meetings with journalist and analysts

The policy decision will be announced in a press release at 9:00 on the morning on the announcement date (the day after the meeting and policy rate decision), followed by a press conference at 11:00. Analyst from banks, ministries and other relevant economic institutions can also attend this press conference.

Modification of approach

If an MPC member wishes to suggest a change in the above guidelines, he or she should present a proposal in writing to the MPC. After consulting other members of MPC, the Governor will make a decision on whether or not to modify the procedure.

Agenda

The agenda for each meeting is prepared by the Chief Economist subject to the approval of the Governor and the Deputy Governor. It should be submitted to MPC members no later than three days in advance of the first session of each MPC meeting.

Minutes

Minutes of MPC meetings will include a short description of the main arguments put forward, the policy decision proposed by the Governor, the policy decision taken and whether it was unanimous or not. The voting record will be published if the decision is not unanimous. The minutes will be published two weeks after each monetary policy decision.

Communication among MPC members

MPC members are free to voice their opinions concerning the economic outlook and monetary policy, subject to the following guidelines:

- When commenting on monetary policy, MPC members should refrain from commenting on the views of other members of the Committee.
- MPC member should not make public comments on the economic outlook and monetary policy during the last *seven* days prior to the announcement of the policy decision, nor should they discuss this with investors or other parties that might benefit from insider information on the views of MPC

members. These restrictions also include publication of an interview given beforehand.

- MPC members should also avoid making public statements on the day of the announcement.

The same guidelines apply to other CBI officials who participate in MPC meetings.