

BANK UNDERGROUND: Sensitivity Guidelines

This note fleshes out the principles of sensitivity guidelines.

- **A break with the past**

Bank Underground is a new initiative designed to improve the Bank's openness and accountability. The blog will represent staff rather than official views. As a result it will be more opinionated, more challenging and more controversial than other (and previous) Bank communications. Therefore our approach to sensitivity issues will be distinct from past precedents, or other publications.

- **Distinguish between sensitivity and controversy**

Controversy means that blog articles may challenge received wisdom, disagree with certain others' work, present new evidence, differ from the official Bank view and provoke external debate. In general these should be welcome and encouraged as signs of the blog achieving its goals. They are not grounds for re-drafting or blocking an article.

Sensitivity by contrast, refers to something which goes beyond merely disagreeing with others and could create legal risk or compromise the Bank's statutory responsibilities. E.g. might undermine the Bank's independence, breach confidentiality laws, directly threaten financial stability, impair our ability to supervise firms or directly undermine confidence in the Bank. These are grounds which should influence editorial policy.

- **Risk appetite**

Bank Underground can only achieve its goals if there is some risk appetite from the Bank. Given the nature of the product, the editorial board cannot guarantee no media fuss will ever ensue about any article. The blog will be clearly badged as a staff publication, and carry a disclaimer stating: "*Bank Underground is a blog for Bank of England staff to share views that challenge – or support – prevailing policy orthodoxies. The views expressed here are those of the authors, and are not necessarily those of the Bank of England, or its policy committees*".

The branding and comms strategy should help ensure that articles are not mis-reported as the Bank's official view. Together with the Communications Directorate we are developing a strategy to help prevent this. Over time, this risk can be further reduced by the blog establishing a reputation for publishing diverse, opinionated and challenging pieces.

The sensitivity process should not aim to completely eliminate the possibility of any misinterpretation. A better yardstick for editors is to consider what a reasonable interpretation (or range of interpretations) of an article would be, rather than the most extreme, most hostile or worst conceivable reaction.

External criticism of the arguments raised in the blog goes with the territory. The potential for external disagreement, and any associated criticism of the Bank as a result of analytical disagreement is not a reason to edit articles on sensitivity grounds.

- **Red lines**

Our concept of sensitivity issues is organised around six key “red lines” and one area for heightened scrutiny:

i) *Highly political*: Articles on live political issues, such as Scottish independence or Brexit, or of a clearly party political nature. But material on related issues (e.g. oil prices which were an issue in the Scottish referendum) is fine, so long as it doesn’t reference the sensitive issue.

ii) *Confidential/Market sensitive information*: Articles cannot disclose information which the Bank is forbidden from making public or is highly market sensitive. But in many cases data can be aggregated or anonymised to ensure this principle is not transgressed. For example, reporting regression results based on an underlying dataset which is confidential would be fine.

iii) *Directly commenting on individual institutions*: An article which is entirely focussed around a single firm is not appropriate, unless the event took place a long time ago and there is no risk of any continuing legal risk (e.g. discussing the Barings crisis of the 1890s is fine, actions around BCCI or Northern Rock are not).

iv) *Contradicting the Bank’s position in open international or domestic negotiations*: Specificity will be key here – articles which address a particular live proposal or recently agreed rule will not be appropriate. But a piece looking at general topic (e.g. “how to measure too big to fail”) is fine, provided it steers clear of the nuts and bolts of what is being discussed in a particular set of negotiations. Timing is often key here – shifting publication to before/after critical points in the negotiations may be a good solution.

v) *Commenting on matters which the Bank has put out to an open legal consultation*: Articles should refrain from directly talking about a specific ongoing or recent legal consultation. Again, specificity is an important tool to interpret this criterion. For example, the Bank issued a consultation paper on the leverage ratio in summer 2014. Simply mentioning “leverage” or “leverage ratio” would not be sufficient grounds to stop an article, but pieces which had a clear and direct implication for any of the specific questions contained at the end of the paper would not be appropriate. In addition, articles should shy away from critiquing specific analysis that the Bank has used to support the recent design or implementation of policy.

vi) *Creating material confusion about the Bank’s policy or very direct and pointed criticism of specific policies of the Bank, other policy institutions or governments*: In general there is no prohibition on recommending a particular setting or path for one of the Bank’s policy instruments. The same applies if the instrument is set by another body (e.g. UK government, foreign central banks / governments, the EU, the IMF etc.), subject to not crossing red line (i). But greater scrutiny will be applied to such articles both in relation to the tone of language used and whether they risk creating material confusion in markets or among regulated institutions. For example:

- Articles should avoid making statements that could be interpreted as refuting recent and planned supervisory guidance / communications to reduce uncertainties about how the PRA expects firms to satisfy regulatory requirements and comply with authorization standards; articles that discuss the effects of discretion afforded firms in how they meet such rules or the influence of regulatory uncertainty on, for instance, firms’ risk management practices would be appropriate but a piece discouraging a specific, permissible approach may not be;

- It may be inappropriate to comment directly on MPC or FPC policies very close to actual decisions if there is a risk of confusing markets;
- Articles commenting on fiscal or other UK government policies are acceptable, subject to not crossing red line (i), but should be worded carefully and appropriately (see next section).
- Op-ed style pieces which speak directly to live conjunctural or current discussions about specific Bank policy settings are unlikely to be acceptable; pieces which have strategic implications for such policy settings on the basis of a specific model or set of empirical results are more likely to be acceptable (on the latter, see for example the launch post on the probability of deflation)

- **Draft round issues where possible**

When sensitivity issues arise, the first response should be to seek ways to draft around the issue or restructure the piece, and to consider whether re-timing publication can solve the problem. Articles should only be pulled when there is no realistic prospect of re-drafting the article appropriately.

In some cases, this may be as straightforward as cutting out an offending sentence- if the original economic analysis is still comprehensible and the flow of the article is untroubled by removing it. For example, an article which talks in general terms, but then contains a sentence like *“A classic example of such a policy mistake might be last week’s ECB decision”* can be remedied in this way. Alternatively, changing the context or generality of a statement may be sufficient.

Sometimes, emphasising the conditionality can achieve a similar result, e.g. *“This model would suggest that tighter macro-pru was appropriate pre-crisis”* vs *“Clearly macro-pru policy was not tight enough”*.

In general, editors and authors should avoid inserting lengthy caveats and disclaimers. e.g. *“This point is highly debatable and our analysis is very stylised and therefore shouldn’t be interpreted as a criticism of the SNB’s decision to abandon the peg last week”*. They tend to backfire and also ruin the flow of the text.

Since sensitivity is often related to an issue, editors should be cautious about dealing with it by simply softening words.

How it works at peer institutions

Both the New York and San Francisco Feds have run similar initiatives. They too distinguish between “sensitivity” and “controversy”, and aim to have a “high bar” for stopping an article going out. Conversations with staff at both institutions revealed that they had encountered only a handful of instances of unfavourable or misleading media coverage. And both institutions said their series had been a great success and strongly encouraged us to go forward with the series.

That said, the Bank operates across a wider spectrum of policy activities than regional Feds do, so we will be dealing with topics and issues (e.g. regulation of institutions, the international financial

system) which are not covered by their staff publications and their series are more directly linked to research.

- **Implementing these guidelines**

Once agreed, sensitivity guidelines will be the basis for EB decisions on signing off articles for publication. Two editors will lead off on each article in the board meeting- one from the author's area within the Bank (the 'Home Editor') and the other from elsewhere (the 'Away editor'), providing a summary, comments on suitability for publication and a recommendation to the EB. But signing off will take place under collective responsibility of the entire EB.

If an article is rejected, or changes are required by the EB, authors can expect clear and specific guidance, referencing which of the red lines has been transgressed; and constructive comments/suggestions on how the piece could be amended to meet the sensitivity guidelines.