
The Centre for Central Banking Studies

By Gill Hammond of the Bank's Centre for Central Banking Studies.

This article describes the origins and current activities of the Centre for Central Banking Studies (CCBS) at the Bank of England. The CCBS was set up in 1990 to provide training for central banks overseas. The catalyst for its creation was the increase in demand for such training from former communist countries in transition to market economies. Since then, the CCBS has evolved and today acts as a forum for the study of the analytical and technical aspects of central banking, in order to promote best practice in all central banks. Through the Centre, the Bank of England has relationships with almost all the other central banks in the world; to date, more than 15,500 delegates from 173 central banks have taken part in our activities, in London or abroad.

Introduction

The CCBS organises seminars, workshops and conferences in London and abroad, attended by central banks from all over the world.⁽¹⁾ The subject matter is primarily the study of key central bank functions such as monetary policy, money market operations and financial stability, from both theoretical and practical viewpoints. The events are usually fairly specialised, focusing on the latest thinking and research in topics of current interest to central banks. This article describes the origins and evolution of the CCBS, and its current role in the Bank of England.

Origins of the CCBS

The Bank of England has historically had a strong international outlook, and a longstanding tradition of co-operation with central banks overseas. From early in the 20th century, it offered advice and assistance to other central banks, including those in the former British colonies as they gained independence, but also to several others that requested help at various times. International seminars for overseas central bankers have been held by the Bank of England in London regularly since 1957.

At the start of the 1990s, there was significant demand from central banks in former communist countries for assistance in setting up central banking operations in evolving market economies. The Bank of England saw

this as a unique opportunity to help with a transfer of knowledge to these countries and, at the same time, to foster a mutually supportive network of central banks worldwide. This recognised the fact that central banks are unique institutions in each country and, while there is no common set of functions that central banks carry out, there is a huge amount of common ground between them and strong mutual benefit to be gained from sharing knowledge and experience. The CCBS was established to deliver these twin objectives of sharing knowledge and building relationships. Other central banks also provided training, but the Bank of England was the first to set up a separate centre for this purpose.

Formally, the CCBS was established by the Bank of England in 1990 with the following responsibilities and objectives:

- develop and deliver training in central banking for overseas central bankers;
- develop for training purposes the comparative study of the constitutions, functions and methods of operation of central banks;
- act as the focal point within the Bank of England for requests from overseas for training and technical assistance; and
- co-operate with external organisations inside and outside the United Kingdom in delivering training

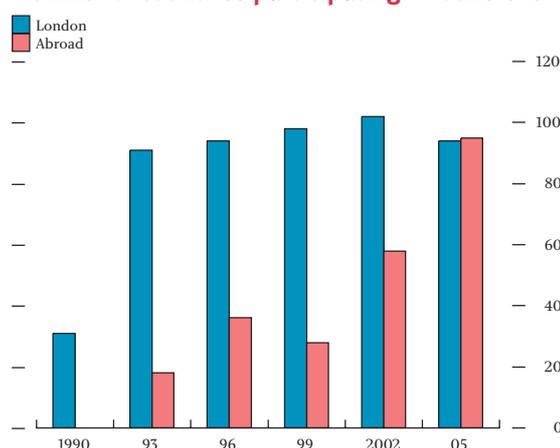
(1) Details of events can be found in the appendix. For further details, see the *CCBS Prospectus 2006*, available on the Bank's website at www.bankofengland.co.uk/education/ccbs/prospectus.pdf.

and technical assistance both in central banking and banking and financial services more generally.

The immediate focus was on central banks in transition countries in Central and Eastern Europe (CEE) and in the former Soviet Union (FSU). These central banks faced huge challenges in bringing inflation under control, and trying to construct solvent, competitive banking systems. The first three CCBS courses were held in late 1990, for six countries in this region. The Bank of England's ability to help these countries in the 1990s was greatly assisted by financial support from the British Government's Know How Fund, and the PHARE and TACIS programmes of the European Commission.⁽¹⁾

In 1991 CCBS ran five courses for CEE central banks and one for central banks from FSU countries. There was also a special course for central banks from Commonwealth countries, one for the People's Bank of China, and one for EC countries. By the end of 1992, representatives from 101 different countries had attended CCBS courses. Since then, participants from more than 90 countries have attended CCBS seminars in London each year (Chart 1). From the outset, the aim of the CCBS was to provide high value-added seminars, for current and future policymakers in central banks, rather than going for high volume courses on the basics.

Chart 1
Number of countries participating in CCBS events



The evolution of the CCBS

From its origins in providing training primarily for central banks in Eastern Europe and the FSU, the CCBS has evolved into a forum for the exchange of ideas and best practice among central banks. It has a global focus

and concentrates on disseminating the latest thinking on the analytical and technical aspects of central banking.

From late 1991, the CCBS began to offer a number of training activities abroad, in addition to the programme of seminars in London. It was recognised that in many cases it was more cost effective for Bank of England experts to go abroad and deliver training on site to the host central banks, rather than for participants to come to London. Moreover, the seminar could be tailor-made to the particular needs of the recipient central bank(s), and a greater number of delegates could benefit from locally delivered training than would be possible on a London event. By 1995, the CCBS was delivering around 20–25 seminars in London and a similar number abroad, attended by a total of around 1,000 participants each year. These numbers have remained broadly constant since then (Charts 2 and 3). Increasingly, CCBS

Chart 2
Number of CCBS seminars

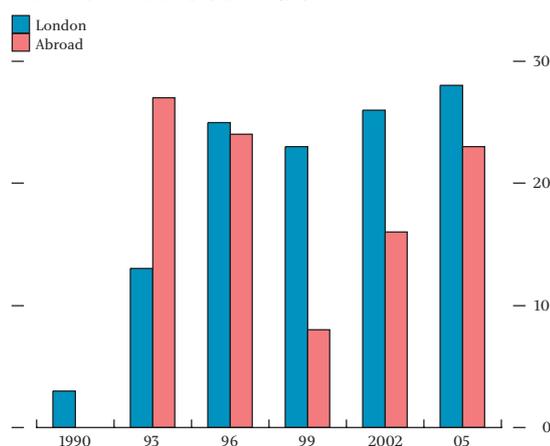
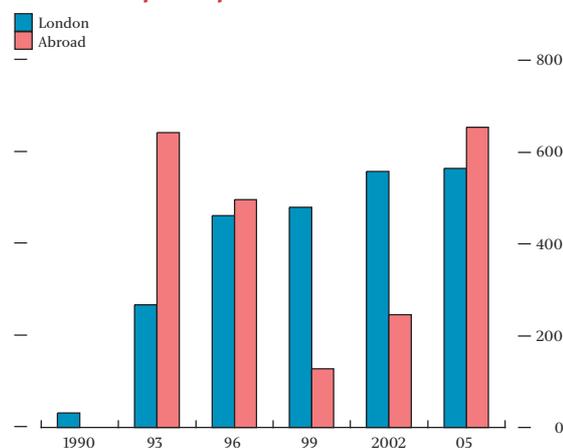


Chart 3
Number of participants on CCBS events

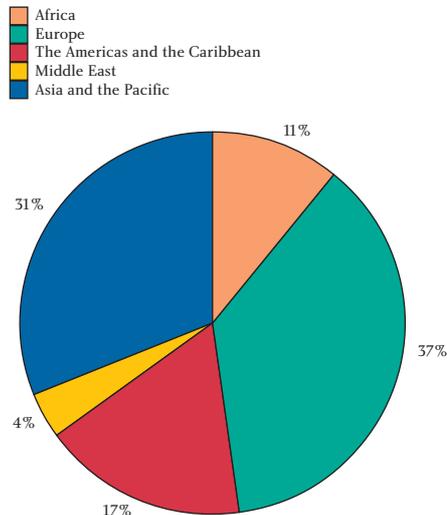


(1) The PHARE programme provided funding from the European Communities to assist the applicant countries of Central Europe in their preparations for joining the EU. The TACIS programme provided grant-financed technical assistance to twelve countries of Eastern Europe and Central Asia mainly aimed at enhancing the transition process in these countries.

seminars abroad tend to be regional events, co-hosted by one central bank and the CCBS, and attended by a number of other central banks in the region. This allows the focus to be on issues of common interest in the region, and for the sharing of experiences by a number of central banks.

Although the focus in the early 1990s was on central banks in Central and Eastern Europe and the former Soviet Union, over time the CCBS has evolved into a global forum, with a more diverse attendance. In 1996, central banks from Eastern Europe accounted for 26% of all participants on CCBS events; by 2005 this had declined to 14%. Over the same period, the proportion of participants from the EU and other OECD countries has risen markedly. There has been an increase in the proportion of participants from the Americas and Caribbean, Asia and the Middle East. African central banks have consistently accounted for about 12% of participants. Currently there is a very good geographical spread of participants attending CCBS events, as shown by Chart 4.

Chart 4
Percentage of participants by region on CCBS events, 2005



The demand for ever more specialist events led the CCBS to change the nature of its programmes of events, and to introduce workshops to the programme. An increasing number of participants had post-graduate degrees as well as practical experience in their field. The workshops did

not deliver formal teaching; rather, participating central banks presented their own work and discussed it with each other. In 1997, a high-level workshop was held in conjunction with the Annual Symposium for Central Bank Governors, and in 1998 Academic Workshops were introduced. At these workshops a panel of international academics was invited, together with participants, to analyse shared central banking problems from a comparative perspective. The workshops were usually followed by a joint research project between researchers from overseas central banks and the CCBS or other Bank of England researchers.⁽¹⁾

One of the most successful research projects studied the monetary policy frameworks in central banks around the world in the 1990s. The project team, led by Gabriel Sterne and Lavan Mahadeva, surveyed 94 central banks to investigate which type of monetary policy frameworks had been most successful in achieving low inflation, and whether this was the same in industrialised countries as in developing and emerging market economies. The project was supported by a Research Workshop at CCBS, attended by experts from 28 countries as well as the IMF and BIS.⁽²⁾

As part of the effort to raise the technical level of events, the CCBS has since 2004 organised a special seminar open only to central bank chief economists. The first seminar dealt with the relationship between financial stability and monetary stability, and the second with exchange rate regimes and capital flows. This year the topic was 'Thirty years of the Lucas critique', taking as its theme an influential paper published in 1976 by Nobel Prize winner Robert E Lucas Jr. He showed how the conventional analysis of policy problems based on traditional econometric models could lead to misleading conclusions. This insight still has important practical and theoretical implications for central banks today. For these workshops, papers are commissioned from distinguished international academics as well as the chief economists themselves. Reports on the proceedings are published in the *Bulletin*.⁽³⁾ In 2005, the CCBS also hosted a very successful high-level event on external communications, attended by the directors of communication or equivalent, from most of the world's major central banks. Issues discussed included central

(1) Several of the research projects investigated on academic workshops have been published as books. For a full list of publications see: www.bankofengland.co.uk/education/ccbs/publications/index.htm.

(2) The results are published in Mahadeva, L and Sterne, G (eds) (2000), *Monetary policy frameworks in a global context*.

(3) For example, see Fisher, C and Lund, M (2004), 'Perfect partners or uncomfortable bedfellows? On the nature of the relationship between monetary policy and financial stability', *Bank of England Quarterly Bulletin*, Summer, pages 203–09, and Hammond, G and Rummel, O (2005), 'Chief Economist Workshop April 2005: exchange rate regimes and capital flows', *Bank of England Quarterly Bulletin*, Summer, pages 202–10.

bank transparency (how to achieve it and whether there are limits), communicating to the media and to the general public, and use of the internet.

The current role of the CCBS

The CCBS is a department within the Bank of England, not a separate training centre. As such, its objective is to contribute towards the core purposes of the Bank of England, namely maintaining monetary and financial stability. The CCBS does this by promoting best practice among central banks — institutions at the heart of the world's financial centres. In addition to the programme of seminars in London and abroad, CCBS also offers expert advice and technical co-operation to other central banks at their request. Finally, the CCBS produces research and other written materials in support of its overall objectives. These three elements are discussed in turn below.

Promoting international monetary and financial stability

The Bank of England has two Core Purposes: maintaining monetary stability, and maintaining financial stability. These are distinct, but related goals. Monetary stability means stable prices and confidence in the currency. In practice the Government sets a target for the rate of inflation — currently 2% as measured by the consumer prices index — and the Bank has to achieve this by setting interest rates at the appropriate level. Financial stability entails detecting risks to the financial system as a whole through the Bank's surveillance and market intelligence functions and working alongside other UK public authorities to reduce them.

While the main focus for the Bank is domestic monetary and financial stability, international developments clearly have a major influence on the United Kingdom. Moreover, the increasing integration and globalisation of markets means that shocks in one economy are more rapidly transmitted around the world. There is an increasing recognition that the domestic monetary policies of one country can have an effect on others around the world. The Bank therefore works closely with other central banks and international organisations to promote international monetary and financial stability.

The CCBS supports both of the Bank of England's Core Purposes by encouraging knowledge sharing and the

dissemination of best practice among central banks in monetary and financial stability. It acts as a forum for experts from central banks together with academics and private sector practitioners to exchange views and share experience. CCBS events promote the study of and research into the technical and analytical aspects of central banking. This recognises that the development of effective monetary and financial policies in central banks around the world is one of the best ways to ensure global monetary and financial stability.

Technical assistance and expert advice

CCBS can occasionally provide on-site technical advice and hands-on assistance to a foreign central bank with a particular technical need. This can involve anything from discussing an issue by telephone or email, to making a series of visits to the central bank in question. An extreme version of this was the support provided to the Central Bank of Iraq from early Summer 2003. Simon Gray, an adviser at the CCBS, spent four months in Baghdad, assisting in setting up a new central bank. The early tasks were to provide a currency that the population would trust: good quality notes,⁽¹⁾ a stable exchange rate, and sound central and commercial bank laws that would prevent monetary financing and support monetary and financial stability. Overcoming immense challenges, the introduction of the new Iraqi dinar was accomplished on time, and the new currency has become universally accepted around the country. The CCBS has subsequently supported seminars held in the region for the Central Bank of Iraq, as well as receiving participants in London-based seminars.

In 2004, two advisers from the CCBS helped Banco Central de Guatemala build a small macro model of the Guatemalan economy for use in forecasting and monetary policy. They also provided feedback on research into modelling conducted at the central bank. The work included providing advice on estimates and calibrations undertaken by staff in the research department; estimating and calibrating a small model of the Guatemalan economy; and demonstrating how the model could be used to produce forecasts.

CCBS research and publications

The CCBS places considerable emphasis on excellent academic research related to all aspects of central banking. Seminars and conferences disseminate and

(1) This is described in a book *A new currency for Iraq*. Details at www.bankofengland.co.uk/education/ccbs/publications/simongray.htm.

discuss research from a theoretical point of view, as well as capturing the lessons learned from country case studies. CCBS personnel are frequently consulted about research projects by participants and colleagues in other central banks, particularly in the field of model building and forecasting in monetary policy. The emphasis at the CCBS, as in the Bank of England more generally, is on applied research, encompassing many aspects of econometrics and economic theory. The CCBS has a particular interest in cross-country studies and the study of different models and approaches to central bank functions. To this end, CCBS staff undertake collaborative research with central bankers around the world, as well as with other Bank of England economists and academics at leading universities and research institutes.

The production of written materials to aid the study and understanding of central bank functions has for many years been a core CCBS objective. In 1996, a series of *Handbooks in central banking*⁽¹⁾ was initiated. These *Handbooks* cover many of the main central bank functions from both a theoretical and practical point of

view. All are freely available on the Bank of England website, and have proved enormously popular with readers around the world. Several are available in Spanish, Russian and Arabic.

In addition to the CCBS *Handbooks*, more specialist research work is published in the research and lecture series. Recent additions to the series include 'Unit root testing to help model building', 'Consumption theory', 'Monetary operations' and 'Monetary and financial statistics'.

Outlook

The CCBS has been in operation now for more than 15 years, continuing a much longer tradition in the Bank of England of co-operation and interaction with other central banks. Central banks face common challenges in the areas of monetary and financial stability and the need for central banks to exchange views and work together to develop best practice is as great as ever. The CCBS will continue to promote research and facilitate debate among central bankers from around the world, working and thinking at the frontiers of central banking.

(1) The text of all CCBS *Handbooks* can be downloaded from our website www.bankofengland.co.uk/education/ccbs/handbooks/index.htm.

Appendix

CCBS programme of events in 2006⁽¹⁾

The CCBS organises seminars, workshops and conferences in London and abroad, attended by central banks from all over the world. The subject matter is primarily the study of key central bank functions such as monetary policy, money market operations and financial stability, from both theoretical and practical viewpoints. The events are usually fairly specialised, focusing on the latest thinking and research in topics of current interest to central banks. The programme varies each year, but aims to reflect the current hot topics among central bankers in their fields of expertise, while focusing on those areas where CCBS and the Bank of England possess a comparative advantage in terms of specialist knowledge and experience.

CCBS events are not open to non-central bank personnel.

The following seminars will be held in London in the second half of this year:

July	
3–6 July	Expert Forum: forecasting with calibrated models
10–14 July	Government debt management
17–21 July	Senior management seminar: key policy issues for central banks
September	
4–8 September	People's Bank of China governance seminar ⁽²⁾
18–21 September	Selected Economists' Research Forum: modelling the financial sector ⁽²⁾
25–29 September	Liquidity forecasting
October	
2–6 October	The structure of financial markets
10–12 October	Workshop: managing operational risk in a central bank
16–20 October	Monetary operations
23–27 October	Financial stability: issues for central bankers
30 October–3 November	Exchange rates and capital flows
November	
6–10 November	Practical policy analysis of financial regulation
13–16 November	Strategic human resources issues
December	
27 November–8 December	Economic modelling and forecasting
19–20 December	Workshop: enhancing a central bank's effectiveness through knowledge management

(1) Full details of events can be found in the *CCBS Prospectus 2006*, available on the website at www.bankofengland.co.uk/education/ccbs/prospectus.pdf.

(2) These events are by invitation only.