THE CHANDLER PAPERS 10

BLAVATNIK SCHOOL OF GOVERNMENT
UNIVERSITY OF OXFORD

BUILDING AND SUSTAINING TRUST IN CENTRAL BANKS:

Compliance and integrity in evolving institutions

Anna Petherick
Associate Professor, Blavatnik School of Government
Javier Cruz Tamburrino
Compliance Officer, Chilean Central Bank
Izabela Corrêa
Former Postdoctoral Research Associate, Blavatnik School of Government

JUNE 2024

The Chandler Sessions on Integrity and Corruption convene a consistent group of senior leaders of anti-corruption institutions together with a small group of academics and expert journalists in regular meetings at the Blavatnik School of Government, University of Oxford. The Sessions work collaboratively, share experiences, debate the effectiveness of policy responses, and develop a set of new strategies for strengthening integrity in government institutions and dislodging entrenched corruption.

SUPPORT BY
CHANDLER FOUNDATION

CHANDLER SESSIONS MEMBERS

Kamel Ayadi
Founding Chairman of the Global Infrastructure Anti-Corruption Center – Tunisia and Director of the World Justice Project
Tunis, Tunisia

Shamila Batohi
National Director of Public Prosecutions Pretoria
Pretoria, South Africa

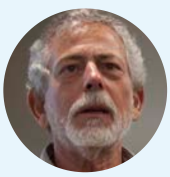
Monika Bauhr
Professor
University of Gothenburg
Gothenburg, Sweden

Martha Chizuma
Director
Anti-Corruption Bureau
Lilongwe, Malawi

Izabela Corrêa
Former Postdoctoral Research Associate, Blavatnik School of Government
Brasília, Brazil

Javier Cruz Tamburrino
Compliance Officer
Chilean Central Bank
Santiago, Chile

Todd Foglesong
Leecturer and Fellow-in-Residence Munk School of Global Affairs and Public Policy, University of Toronto
Toronto, Canada



Gustavo Gorriti
Journalist, Founder and Editor of IDL-Reporteros
Lima, Peru

Jin-wook Kim
Chief Prosecutor of the Corruption Investigation Office for High-ranking Officials
Seoul, South Korea

John-Allan Namu
Journalist, CEO and Editorial Director of Africa Uncensored
Nairobi, Kenya

Bolaji Owasanoye SAN
Research Professor, Nigerian Institute of Advanced Legal Studies, Immediate Past Chairman, Independent Corrupt Practices and Other Related Offences Commission (ICPC) Nigeria.
Abuja, Nigeria

Anna Petherick
Associate Professor
Blavatnik School of Government
Oxford, United Kingdom

Kathleen Roussel
Director of Public Prosecutions
Ottawa, Canada

Agung Sampurna
Former Chairman of the Audit Board of the Republic of Indonesia (2017-2022)
University of Indonesia
Jakarta, Indonesia

Tanka Mani Sharma
Former Auditor General of Nepal (2017-2023)
Kathmandu, Nepal

Christopher Stone
Chair of Chandler Sessions
Blavatnik School of Government
Oxford, United Kingdom

Lara Taylor-Pearce
Auditor General
Freetown, Sierra Leone

BUILDING AND SUSTAINING TRUST IN CENTRAL BANKS:

Compliance and integrity in evolving institutions

AUTHORS

ANNA PETHERICK

Associate Professor in Public Policy at Blavatnik School of Government, United Kingdom

Anna Petherick is Associate Professor in Public Policy and Director of the Lemann Foundation Programme. Since her DPhil on the topic, Anna has researched corruption, gender and trust, and advised policymakers on the topic. She wrote the UNODC 'The Time is Now: Addressing the Gender Dimensions of Corruption' report, published in 2020, and has presented on the topic of gender and corruption at the United Nations General Assembly. Anna is also co-Principal Investigator of the Oxford COVID-19 Government Response Tracker (OxCGRT) project. Prior to becoming an academic, Anna wrote a column for The Guardian that fused longevity and wellbeing research, and another column about the social dimensions of climate change for the journal, Nature Climate Change. She was a science and then foreign correspondent at The Economist, and a section editor at the journal, Nature. Anna holds a BA (MA) in Natural Sciences (Evolutionary Genetics, Population Modelling) from Cambridge University.

JAVIER CRUZ TAMBURRINO

Compliance Officer of the Chilean Central Bank, Chile

Javier Cruz Tamburrino is the Compliance Officer of the Chilean Central Bank. His main responsibilities include, among others, designing and implementing an Annual Compliance Plan, coordinating and articulating the compliance activities with the Prosecutor's Office, the Comptroller's Office, the Division Management Corporate Risk and the other areas of the Bank. Prior to joining the Central Bank, Javier Tamburrino served for nine years as Director of the Financial Analysis Unit (UAF), a public service whose mission is to prevent Money Laundering (ML) and the Financing of Terrorism (FT) in the Chilean economy, also acting as National Coordinator of the ML/TF Preventive System of Chile.

IZABELA CORRÊA

Former Postdoctoral Research Associate, Blavatnik School of Government, and editor of the Chandler Papers (2021-2024)

Izabela has been dedicated to the themes of integrity and anti-corruption academically and as a practitioner for over fifteen years. She is currently serving as the Secretary for Public Integrity at the Brazilian Office of the Comptroller General. Prior to that, she was the Postdoctoral Research Associate for the Chandler Sessions on Integrity and Corruption (2021-2023). She has also served in the Brazilian Central Bank (2017–2021), and in the Brazilian Office of the Comptroller General (2007–2012), where she led a team of public officials that oversaw the development and implementation of high-impact transparency and integrity policies. Izabela holds a PhD in Government from the London School of Economics and Political Science (2017) and a master's degree in political science from the Federal University of Minas Gerais (UFMG) in Brazil. She is a member of the Chandler Sessions and the managing editor of its paper series (2021-2024).

BUILDING AND SUSTAINING TRUST IN CENTRAL BANKS:

Compliance and integrity in evolving institutions

Anna Petherick
Associate Professor, Blavatnik School of Government
Javier Cruz Tamburrino
Compliance Officer, Chilean Central Bank
Izabela Corrêa
Former Postdoctoral Research Associate, Blavatnik School of Government

Introduction

Central banking is supposed to be contained, independent, expert, clear, and as predictable as possible. Above all, central banks are supposed to be institutions that no one has to worry about. Trustworthiness is at the core of their brand. And it is the core characteristic that permits them to act effectively. If central banks were not trusted by other institutions, private and public, and by the citizenry at large, they would simply struggle in all of their main functions.

There are many reasons why a central bank could be wildly untrustworthy. At the macro-level, what if the only actor with a remit for keeping prices in check had a reputation for being unreliable in terms of connecting what it said it was going to do with what it actually does? The self-fulling prophecy of expected future inflation driving present-day inflation would be much harder to calm. What if, in a credit crunch, the lender of last resort picked its favourite private banks to support based on friendship and favours rather than objective criteria? The economy would be gripped with financial panic. Bank runs would be bigger and badder.

At the more micro or mundane level, imagine that it came to light that whistleblowers had been threatened or fired after exposing loose and sloppy processes, or bank employees' regularised cheating on expenses? Such a scandal could call into question how the bank makes many other decisions that are hidden from view, yet integral to its functioning; depending on who knew what and when, the judgement of some of the very people tasked with steering monetary policy may appear dubious. To be sure, traditional compliance might prevent many corrupt and malevolent practices from emerging, but that seems like an incomplete solution to bigger risks and to the wider problem: we know that more than the mere absence of bad practices, including corruption in its various forms, is required for an institution to be worthy of public trust. But what, exactly, does this entail in the central bank context, and are present-day institutions delivering as they could, and should?

The core argument of this paper is that central banks' functions have been growing in recent years, as has theory into what makes an institution worthy of trust, as has compliance officers' interpretation of their mandates. These three processes have rolled forward without much, and without sufficient, connection. There is valuable potential in encouraging more substantial exchange.

Here, we aim to surface and to elaborate this observation, rather than boldly claiming solutions beyond proposing some initial ideas as to how to better theoretically inform the keeping and the growing of trust in central banks, at a time when the very idea of what central banks are for is up for grabs. The paper is organised as a series of sections. First, we outline each element of our observation, by articulating some of the common trends in how central banks are changing, some notes on the theory of what makes institutions worth of trust, and how compliance officers have, in recent years, been interpreting their mandate more broadly. Second, we briefly describe two cases from the field: those of the Bank of England and the Central Bank of Chile. These central banks are grappling with policy questions that are on the radar of central bankers everywhere, namely how economies adapt to net zero and the question of how to manage digital currencies.

The two cases together also provide somewhat divergent examples of evolution in central banks' stated mandates in relation to the activities that comprise the internal pursuit of their purposes. In 2021, the Bank of England changed its remit to include climate change mitigation, following instructions from the Treasury - which were encouraged by officials inside the bank - to "facilitate the transition to net zero"[1]. Yet little clarity followed as to how this new mandate related to pre-existing mandates, especially in areas where they may come into conflict. There have since been few obvious signals of shifts in the Bank's decision-making rules that would encourage substantive net-zero facilitation in the economy. A few years down the line, some of the Bank's documentation suggests that the ambition of the new mandate may have been somewhat reined in, rather than increased efforts made to deliver on it.

In contrast, the Bank of Chile has left its formal mandate unchanged during the same period, despite brief questioning of whether to expand it in the constitutional committees that met in 2021, during the first of Chile's two recent constitution-redrafting processes that both ended in non-adoption of a new constitution for the country. Nonetheless, in 2022, the Bank of Chile restated its internal mission for the 2023-2027 years, framing the raison d'etre of its longstanding mandate - to control inflation and ensure the normal functioning of the payment system - to exist in order to "contribute to the well-being of society and the development of the country"[2]. This development could act as a helpful point of departure for future discussions within the Bank as it considers creating and managing a new digital currency. Such a move into digital currency, already embraced by the People's Bank of China[3] and the Central Bank of Nigeria[4], would require the Bank to manage vast volumes of micro-level individual payment data, bringing new responsibilities and questions about whether its current mandate is fit for purpose.

In the discussion section, we outline some initial ideas for practitioners who are shaping central banks in various ways, whom we encourage to draw on theories of institutional trustworthiness as they continue to guide the evolution of these institutions.

1 James Jackson and Daniel Bailey (2024). 'Facilitating the transition to net zero' and institutional change in the Bank of England: Perceptions of the environmental mandate and its policy implications within the British state'. *The British Journal of Politics and International Relations*, *26*(2), Pages 343-360. Available at: https://doi.org/10.1177/13691481231189382

2 Banco Central de Chile (no date). Planificación Estratégica. *Banco Central de Chile*. Available at: https://www.bcentral.cl/web/banco-central/el-banco/planificacion-estrategica (Accessed: 13 June 2024).

3 James Kinge and Sun Yu. (2021). Virtual control: the agenda behind China's new digital currency. *Financial Times*. Available at: https://www.ft.com/content/7511809e-827e-4526-81ad-ae83f405f623 (Accessed: 13 June 2024).

4 Prathan Rawat (2023). Nigeria's ENAIRA CBDC: What went wrong?. *Inside SC Johnson*. Available at: https://business.cornell.edu/hub/2023/04/28/nigerias-enaira-cbdc-what-went-wrong/ (Accessed: 13 June 2024).

Central Banks' Recently Expanding Mandates

Central banks are relatively old institutions, with many established in European countries in the 1800s, and a few notable examples, England and Sweden, older still. Their roles and responsibilities have morphed over time, as political and financial systems have become more intricate and commercial banks emerged. Modern central banking can be divided into three eras, according to the political economist Manuela Moschella[5]. The first era, beginning after World War II, saw substantial government control over the banks' policies, which came to a head with the persistently high inflation of the 1970s. The second era – the Great Moderation of the 1980s through to 2008 – was heralded by chairman of the United States Federal Reserve from 1979 to 1987, Paul Volcker. His painful "Volcker Shock", which saw interest rates rise over 21% and led to recession in the early eighties, successfully tamed U.S. inflation down from nearly 15% in March 1980 to around 3% just three years later. This occurred without any adjustment to Fed's formal "dual" mandate, which remains in place to this day: since 1977 (though with roots in the post-World War II Full Employment Bill), the Fed has been assigned the de jure coequal purposes of maintaining price stability and promoting full employment[6]. Though with Volcker, price stability took de facto centre stage. An orthodoxy quickly set in among democracies[7]. According to this, central banks worked best when they were politically neutral, and thus set up with full independence from government, and when their job was to maintain a laser focus on sustaining low, steady inflation by gradually adjusting interest rates, essentially letting go of all other macroeconomic (and any other) indicators.

Among large economies, Japan was an exception, experiencing deflation through much of the 1990s. Japan's central bank went through several different phases of monetary policy during the decade, engaging in monetary easing (as well as adjusting discount rates)[8] (Itoh et al, 2020[9]), yet ultimately, the example of Japan did not obstruct the Volcker orthodoxy's widespread adoption. Indeed, over time, the Bank of Japan also moved towards greater independence. The Great Moderation's central banking principles of political neutrality and inflation targeting through interest rate adjustments became universal doctrine among democracies (see Figure 1). Central banks were staffed by highly competent technocrats. Indeed, one assessment of relative capacity (based on employees' civil service exam scores) placed the central bank of Brazil top among 91 federal public institutions in the country (Bersch et al, 2016)[10].

5 Manuela Moschella (2024). Unexpected Revolutionaries: How Central Banks Made and Unmade Economic Orthodoxy, Cornell University Press.

6 Grace Studer (2018). The Federal Reserve's Dual Mandate Conflict. *Department of Finance Texas Christian University Fort Worth, Texas.* Available at: https://repository.tcu.edu/bitstream/handle/116099117/22392/Studer__Grace-Honors_Project.pdf?sequence=1&isAllowed=y

7 Among authoritarian regimes, exchange-rate pegs were more common as these are easier to observe (in other words, to maintain the confidence of investors and mobile capital, transparency of the currency peg *substitutes* for political system transparency and claims of institutional independence). See: J. Lawrence Broz (2002), 'Political system transparency and monetary commitment regimes,' *International Organization,* 56(4), Pages 861-887. Available at: https://library.fes.de/libalt/journals/swetsfulltext/15087537.pdf

8 Masanao Itoh, Yasuko Morita and Mari Ohnuki (November 2020). "Monetary Policy in the 1990s: Bank of Japan's Views Summarized Based on the Archives and Other Materials," *Monetary and Economic Studies*, Pages 55-166. Available at: https://www.imes.boj.or.jp/research/papers/english/me38-3.pdf

9 Ibid

10 Katherine Bersch, Sérgio Praça and Matthew M. Taylor (March 2016). State Capacity, Bureaucratic Politicization, and Corruption in the Brazilian State. *Governance,* 30(1). Pages 105-124. Available at: https://onlinelibrary.wiley.com/doi/abs/10.1111/gove.12196

Figure 1. The growth in formally independent central banks through the 1990s.
Source: Simone Polillo & Mauro F. Guillén (2005)[11]

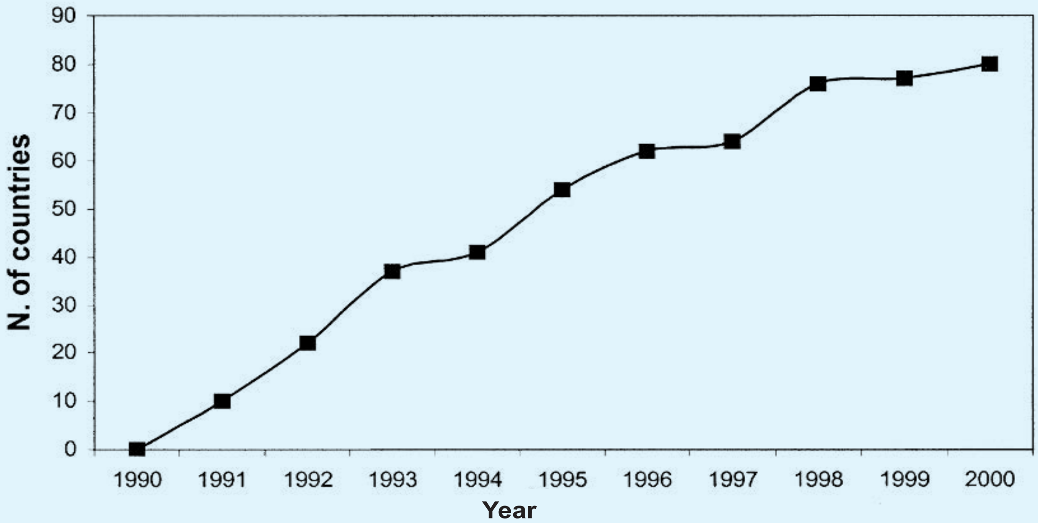


FIG. 1.—Cumulative legal changes toward higher central bank independence

But the Great Moderation ran off the rails. In 2008, a liquidity crisis shook the markets, marking its end. This credit crunch meant that central banks were confronted with an uncomfortable challenge to their public image as politically independent actors. These lenders of last resort – the only actors in town with the capacity to step in, "print money", and shore up private banks that were deemed too big to fail – found themselves bailing out irresponsible, wealthy, conservative interests, who ultimately went unpunished[12].

For governments, central banks' actions at this time provided an emergency exit out of an even deeper financial crisis, albeit a slow and long one that was followed by austerity measures that hit the poor hard. In the case of the United Kingdom, for example, according to an analysis published in the *American Economic Review*, the post-2010 austerity pinch and its rippling local economic multipliers in specific communities in northern England were singularly responsible for Brexit: they drove individual voters in those communities to shift their voting preferences away from the traditional left, and towards the UK Independence Party. This happened to the extent that it tipped the Brexit referendum (Fetzer, 2019)[13].

In the years of the Great Recession, central banks were lumped with a legitimacy crisis as a result of their actions. Even though no other actor could have held rich economies afloat, gone were the days when they could reasonably claim political neutrality in the public's eyes. To anyone on the political left, their reputations for political neutrality were sullied by having saved aggressive capitalists at the expense of society's least fortunate. The banks' actions also made it difficult for left-wing parties to credibly offer voters the packages of policies that they have historically championed, weakening these parties' brands.

---

11 Simone Polillo & Mauro F. Guillén (2005). Globalization Pressures and the State: The Worldwide Spread of Central Bank Independence. *American Journal of Sociology*, 110(6). Available at: https://www.journals.uchicago.edu/doi/abs/10.1086/428685

12 Noah Feldman (24 May 2016). Why the Law Failed to Punish Wrongdoers in the Financial Crisis. *Bloomberg UK*. Available at: https://www.bloomberg.com/view/articles/2016-05-24/why-the-law-failed-to-punish-wrongdoers-in-the-financial-crisis (Accessed: 13 June 2024).

13 Thiemo Fetzer (November 2019). 'Did Austerity Cause Brexit?'. *American Economic Review*, 109 (11): Pages 3849-86. Available at: https://www.aeaweb.org/articles?id=10.1257/aer.20181164

The credit crunch that led to the Great Recession was followed just over a decade later with the COVID-19 pandemic, which in its first year (i.e. until late-2021 or 2022, when inflation started to accelerate) continued and deepened the deflationary risks of the post-2008 period. This meant there was no quick and easy return to business-as-usual for central bankers; deflation, by pushing interest rate adjustments downwards, and through 0%, confiscates their policy instrument of preference.

Around this period of time is when our case studies of the UK and Chile begin. There is a consensus among scholars who study central banks that, in many countries, these institutions responded with legitimacy pressures in mind. The issue of contention among experts in interpreting central banks' actions at this point is the balance of factors driving change in the same direction. For some, legitimacy politics of the moment is the singular explanation; others claim a background trend in central bankers' intellectual consensus, with critical reflections on the central banks' roles in the Great Depression of the 1930s also informing their choices[14]. In any case, prominent central banks stepped out of their many-decades-old comfort zones to publicly demonstrate that they were not blind to issues such as unemployment and climate change. In 2021, the European Central Bank made a break with the past, and in its monetary strategy review stated that it supports the specific European Union policy objectives of "a highly competitive social market economy aiming at full employment and social progress", as well as "a high level of protection and improvement of the quality of the environment"[15]. For its part, the Fed made more prominent mention of the full employment element of its dual mandate, largely pushed aside during Volcker's time. For example, vice-chairman Philip N. Jefferson, in a November 2022 speech about the pandemic's impacts on the US's Black and Hispanic communities, noted that he sees, "A direct line between research on opportunity and inclusive growth and our dual mandate of maximum employment and price stability."[16] And, as our case study notes, the Bank of England added facilitating the transition to net zero to its mandate in March 2021[17].

This is potentially radical new territory for central banks, expanding and making their professed institutional purposes more complex and embracing a broader public understanding of their commitments – indeed, explicitly re-positioning issues that have for decades been none of their business to the core of their professed raison d'etres. And yet more challenges lie on the horizon, among them the issuing and management of digital currencies, which many central banks are considering, and a move that would require systems to deal with vast amounts of detailed personal payment information.

14 Manuela Moschella, pers. comm. 28 December 2023.

15 European Central Bank (2024). Climate change and the ECB, *European Central Bank*. Available at: https://www.ecb.europa.eu/ecb/climate/html/index.en.html (Accessed: 13 June 2024).

16 Phillip N. Jefferson (17 November 2022). Speech: Opportunity and Inclusive Economic Growth. *Board of Governors of the Federal Reserve System*. Available at: https://www.federalreserve.gov/newsevents/speech/jefferson20221117a.htm (Accessed: 13 June 2024).

17 James Jackson and Daniel Bailey (May 2024). 'Facilitating the transition to net zero' and institutional change in the Bank of England: Perceptions of the environmental mandate and its policy implications within the British state. *The British Journal of Politics and International Relations* 26(2). Pages 343-360. Available at: https://journals.sagepub.com/doi/epub/10.1177/13691481231189382

Building and Sustaining Trust in Institutions

As central banks have in recent years reappraised their mandates in a search for credibility and public trust, theorists have developed new ideas about why people and organisations trust group actors in general. Although some philosophers of trust would argue that seeking evidence of trustworthiness itself suggests an absence of true "trust", most consider trust to be a more pragmatic concept, as something that, biases aside, should logically follow indications or demonstrations of a person or an organisation being worthy of trust[18]. Thus, by breaking down the rationale of why an institution is or is not worthy of trust, these recent philosophical contributions have offered up ways to potentially better understand the characteristics that public organisations should proactively seek to maximise, in order to be more trustworthy – and thus, with assumptions of how trust follows trustworthiness, to be trusted more.

There are, of course, contested ideas of what exactly those components are and how much they matter. And different permutations of presenting overlapping ideas. The OECD relies on empiricism, rather than reference to the philosophy of trust, to guide its advice. Its reports leverage statistical analysis of the organisations' surveys of possible drivers of trust in public institutions in member countries[19] to hack the relative importance of different factors in predicting respondents' institutional trust[20]. This approach tends to emphasise the role of individual characteristics, such as age, education and gender, and whether a survey respondent voted for the government of the day. Among these individual-level characteristics there is, however, a relevant point for institutional reformers concerned about trust and central banks: the surveys find that feelings of financial vulnerability - concerns about household finances - are a much stronger predictor of trust in public institutions than socioeconomic status. The implication here is that in influencing variable mortgage payments, central banks' actions are associated with trust in public institutions at large, rather than merely with trust in central banks alone. These surveys also draw out a few broad insights for policymakers seeking to improve public institutions. Two institutional characteristics shine through as empirically important: perceived reliability and responsiveness. Those insights, though a valuable confirmation of what most practitioners would already expect, are rather loose. Moreover, because the OECD's main modelling approach is to often bundle into one variable national government trust, local government trust and trust in the civil service, and call the combination "institutional trust" – or, in its most granular assessments, to analyse predictors of trust in the "civil service" – many of its findings do not speak to the implications of changing purposes of individual public institutions[21].

One recent philosophical theory that does take this on is a relatively new theory of institutional integrity. This theory is built from reasoning that trustworthiness is itself a characteristic that logically emerges from having integrity. Institutional integrity, in turn, is defined as the "robust disposition [of a public organisation] to pursue its purpose efficiently, within the constraints of legitimacy, consistent with its commitments". In other words, if a public institution's intention is to strive to be more fully trusted, it should constantly seek to

18 Thomas W. Simpson (December 2023). Trust: A Philosophical Study. Oxford University Press. Available at: https://global.oup.com/academic/product/trust-9780198855866?cc=mx&lang=en&

19 Building Trust in Public Institutions. *OECD Library*. Available at: https://www.oecd-ilibrary.org/governance/building-trust-in-public-institutions_b7d1e606-en (Accessed: 13 June 2024).

20 Through the choice of statistical approach, these reports in fact throw away a lot of critical information. By using logistic regression rather than OLS, the degree of trust in institutions that people report having is recoded from an 11-point scale to a 2-point scale, thus ignoring what is likely valuable variation to seek to understand (Ibid. pp. 45).

21 Even treating the civil service as a single entity makes this hard.

maintain and/or maximise: the legitimacy of its purpose(s); the legitimacy of the ways in which it pursues its purpose(s); to do the best it can with the resources available to it; to consider how others understand its commitments and make efforts to correct misconceptions that arise, as well as to update outsiders when internally understood commitments change. Finally, in ensuring robustness, this theory argues that public institutions should create processes to continuously provide "health checks" and improve each of the aforementioned components.

There are various subtleties within this theory as to why continuous maximisation of each of these characteristics, should contribute to a rational basis for institutional trust, explanation of which is beyond the scope of this paper (though see Kirby 2021[22] and Heywood and Kirby 2020[23]). For example, taking the characteristic of particular relevance to central banks' expanding mandates, in developing *legitimate purpose*, a number of common considerations arise. One is the scope of the professed institutional mission or remit. Does it stray beyond what is understood by rightful actors to be reasonable guardrails? And what was the process by which it was decided or updated? Central banks aside, modern public organisations often have a long list of purposes, which can cause confusion among public officers whose job it is to deliver on these unless there is clarity around the relative importance of each purpose and around their internal contingencies. Without such clarity, in seeking to pursue institutional purpose(s) in moments of discretion, a public officer working in one arm of the organisation might make a different decision about how to act, to another public officer faced with the same circumstances in another arm of the organisation. Such inconsistency smacks of an absence of internal coherence and, if citizens encounter it, interacting with the public organisation from the outside, they may sense unfair treatment, possible favouritism, and thus a lack of trustworthiness.

Hence, in expanding their institutional purposes beyond maintaining price stability, to include remits such as facilitating economies' transitions to net zero or creating and managing digital currencies, with all of the personal data that involves, central banks are creating new questions for themselves. Their simple purpose (maintaining price stability) during the Great Moderation had a simple method of pursuit (interest rate adjustments) shored up through institutional arrangements that created legitimacy by, it was assumed, ensuring political neutrality because politicians could not interfere with interest rate adjustments that would tweak the business cycle to suit the electoral cycle. The post-2008 period saw - to reflect on the components of institutional integrity - the perceived legitimacy of their simple purpose, how they pursued it, the efficiency of their use of public resources, and their commitments from the public perspective, all severely critiqued.

As central banks revise their purposes, aiming for these to be seen once again as legitimate in the public eyes, many banks are yet to put in place rules or processes, or perhaps even to fully think through, how the other characteristics of institutional integrity (and consequently of trustworthiness) need to be updated in support. What does it mean in practice to have an additional purpose of facilitating net zero transition, without at least making progress on putting into action a rigorous and straightforward metric and method of assessing and implementing net zero-transition, equivalent to inflation rate targeting through interest rate adjustment? And what happens when multiple purposes come into conflict here, as they surely would in many scenarios? Alternatively, what might be the consequences for public trust if citizens belatedly realise that a public organisation whose formal purposes

22 Nikolas Kirby (October 2021). An 'Institution-First' Conception of Public Integrity. *British Journal of Political Science*, 51(4) pages 1620–1635. Available at: https://www.cambridge.org/core/journals/british-journal-of-political-science/article/an-institutionfirst-conception-of-public-integrity/C1FD6A5DFB9F838AE1ACE34E182ABC2E

23 Paul Heywood and Nikolas Kirby. Public Integrity: from anti-corruption rhetoric to substantive moral ideal. *Etica Pubblica. Studi su Legalità e Partecipazione*, 1(2), pages 11-32. Available at: https://nottingham-repository.worktribe.com/output/4949797/public-integrity-from-anti-corruption-rhetoric-to-substantive-moral-ideal

are to maintain price stability and the functioning of the system of payments is suddenly managing vast amounts of information about the timing, amounts, content, and potentially the geographical location of their individual financial transactions - without its formal remit clearly stating that it can do so? Questions of the legitimacy of the scope of its activities may arise. (Indeed, the OECD trust surveys report that perceived legitimate use of personal data is a significant predictor of trust in the civil service[24].)

Doing work to figure this out goes beyond the scope of compliance departments. Yet it is these departments of public (and private) institutions that are most interested in and usually eager to embrace building integrity. As the section below illustrates, what compliance directors are seeking to do within central banks is growing. However, what compliance officers should ideally do in order to best contribute to institutional integrity (perhaps working directly with select components of integrity such as legitimate pursuit, assessing efficiency, and monitoring the meeting of commitments, for example, as well as associated robustness processes of these particular components), versus what they should pass on to other parts of their organisations to pick up (and what those others should do) requires careful thought. Reflection on these topics is what this paper calls for.

Compliance Officers' Evolving Interpretations of their Function

Compliance is essentially understood to be the interaction between rules and behaviour to influence both individual and organisational conduct, which includes how formal and informal rules are interpreted, and the extent to which (and why or why not) they are implemented. Within organisations, "compliance" is translated into targets, measures, procedures and practices. This is the core business of a compliance officer. It is their role to decide how to go about this translation, to keep abreast of the latest requirements, and to encourage its implementation and ascertain its gaps. All of this noted, compliance remains an evolving field. So much so that Benjamin van Rooij and D. Daniel Sokol argue in the introduction to the *Cambridge Handbook of Compliance* (2020) that, "we do not have a comprehensive understanding of what compliance is and what mechanisms and interventions play a role in shaping it, nor how compliance shapes various fields"[25]. This has not stopped compliance becoming an industry in itself, however, with professional organisations claiming to bring the latest expertise of many forms, from auditing, to behaviour economics and organisational psychology.

But compliance matters. A simple example of its importance comes from hospitals. Doctors' hand-washing habits have frequently been shown to be lax. In a famous essay on the subject[26], doctor and writer Atul Gawande pointed out that if a busy hospital doctor sees about 20 patients in an hour, during morning rounds, then sanitising her hands between patients would take about a third of her time. There is therefore a strong incentive for her to cut corners, and to regularly skip handwashing. As a result of doctors not washing their hands enough, tens

24 Building Trust in Public Institutions. *OECD Library* page 44. Available at: https://www.oecd-ilibrary.org/governance/building-trust-in-public-institutions_b7d1e606-en (Accessed: 13 June 2024).

25 Benjamin van Rooij and Daniel Sokol (2021). Introduction: Compliance as the Interaction between Rules and Behavior. *The Cambridge Handbook of Compliance. Cambridge Law Handbooks. Cambridge University Press*; Pages 1-10. Available at: https://www.cambridge.org/core/books/abs/cambridge-handbook-of-compliance/introduction-compliance-as-the-interaction-between-rules-and-behavior/9C3AB3FC83CB582AA815BAEE817F0B61

26 Association for Psychological Science (19 November 2021). Hand Washing: A Deadly Dilemma. *APS*. Available at: https://www.psychologicalscience.org/news/full-frontal-psychology/hand-washing-a-deadly-dilemma.html#:~:text=As%20Atul%20Gawande%20points%20out,staff%20time%20being%20spent%20washing.

of thousands of people are thought to die each year from infections caught in hospitals, in the US alone. Doctors know they should wash their hands thoroughly between patients, so that's not the problem. As Gawande describes, the implementation solution that has turned out to be particularly effective at getting doctors to comply is straightforwardly to remind them of the risk to those in their care – and to do so, exactly in the moment of possible handwashing. In an experiment, soap dispensers with a sign attached to them that read, "Hand hygiene prevents *patients* from catching diseases", needed topping up far more frequently than otherwise identical dispensers carrying the randomised alternative message, "Hand hygiene prevents *you* from catching diseases". In short, doctors complied when they were reminded of the risk to patients, rather than to themselves. This example is to say that the job of a compliance officer requires not only figuring out what people should and should not do, but working out ways of getting different parts of an organisation to move in appropriate directions, and in appropriate ways.

As noted in the introduction of this paper, compliance officers' duties are broadening. This is true across public and private organisations, and across many industries. A firm specialising in compliance professionals recently interviewed 25 chief compliance officers in the US and, based on this, outlined the three main areas of recent role expansion[27]. The first expansion of compliance relevant to "environmental, social and governmental programmes", refers to regulatory reporting requirements changing rapidly in these spheres. Climate change mitigation reporting is one of them. The second area of expansion is "risk management", relating especially to rising concerns about data privacy, including ransomware attacks. The third, which the authors term "a new work culture" is supported as evidence by increases in rates of employment discrimination claims and internal investigations in organisations, and signs of shifting priorities of younger generations entering the workplace. Young employees, these interviews suggest (and as has been argued elsewhere), differ in their views of work-life balance compared to previous generations, and tend to pay more attention to what an organisation "stands for".

Compliance officers in central banks are, of course, embedded in these trends of expanding roles, and they are responding by developing new initiatives to rally those within their organisations in relevant areas. For example, in the Bank of England, Lisa Rosen, the Bank's Chief Compliance Officer from November 2021 to June 2023, set about a series of initiatives, designed to enhance what she refers to as a "values-based" approach. She took this approach partly in response to the Bank's Code of Conduct getting longer and longer, making the sheer number of rules hard for anyone to remember[28]. The increased lengthening of the Code was also making it difficult for employees to adapt to new situations. Two of the more challenging aspects of her role, she says, was to get people to share experiences of when things went wrong to promote institutional learning, and to get people to appreciate the substantive importance of following internal rules, as looking at compliance as rule-following for the sake of it.

Although no compliance officer of a central bank would question the central relevance of maintaining or building institutional trust to their Bank's proper functioning, new compliance initiatives are not necessarily conceived as delivering on the components of trustworthiness of the organisation[29] in a joined-up sense that aims to align practice with

27 Barker Gilmore (7 March 2023). 3 Trends in 2023 Expanding the Chief Compliance Officer Role. *Barker Gilmore*. Available at: https://www.barkergilmore.com/blog/3-trends-in-2023-expanding-the-chief-compliance-officer-role/#:~:text=Now%2C%20the%20CCO's%20role%20in,regularly%20as%20events%20occur%20worldwide.

28 Lisa Rosen, pers. comm. 19 December 2023.

29 Sometimes, new initiatives also conflate "personal ethics" with "integrity", mixing up the examination of what one individually believes to be right and wrong, with the examination of a set of shared and accepted ethical beliefs within an organisation (and within the wider social context of the organisation's operation).

theories of institutional integrity, and as a consequence, deliver trustworthiness. All three areas of greatest role expansion as noted from the 25 chief compliance officer interviews, relate to the concept of integrity at the level of an organisation in differing ways – to the hierarchies among multiple purposes (most straightforwardly, trend three), to the legitimacy and robustness of pursuit of purpose (trends one and two), and so on – yet such trends are rarely if at all considered as fitting into a framework in this way. Importantly, in grappling with the steady swelling of their apparent responsibilities, compliance officers can manage up: some issues fall to directors, or to boards, rather than compliance officers – the setting of hierarchies among institutional purposes, being an example.

The next section picks up the story of the Bank of England from a different angle. It explains the change in this Bank's expressed institutional purpose, how the climate mandate came about, and how the Bank has so far responded. The case is an example of apparent though somewhat confused purpose-change, which lacked full clarity among units in the Bank. Institutional integrity theory implies that this has ramifications for understandings of the faithful pursuit of purpose, for how external actors make sense of the Bank's commitments, as well as for the suite of tools and procedures of institutional robustness. The example of Chile, in the subsequent section, is quite different. The Central Bank of Chile has not changed its mandate, despite a wave of institutional — indeed, constitutional — reckoning in the country. It may consider reflecting on this in the future as it considers a new role in creating and managing a national digital currency.

The Bank of England

When the British Treasury led by Chancellor Rishi Sunak, in March 2021, imparted an additional mandate to the Bank of England "to facilitate the transition to net zero", it came without details. It made the Bank of England among the first central banks in the world to formally add an environmental element to its purpose[30]. The mandate adjustment emerged after UK legislation to transition the country's economy to net zero by 2050, a Conservative Party manifesto pledge. But the mandate also came about following pressure on the Treasury from officials inside the Bank, themselves already involved in various climate initiatives. Despite initial excitement at the news, climate-finance analysts and scholars who follow the Bank's internal developments have gradually come to lament the limited subsequent changes to the Bank's operations and decision-making processes, and, over time, the Bank's own documents suggest a possible watering down of its net-zero ambition.

Facilitating a transition to net zero is not the Bank of England's only mandate addition after the 2008 financial crisis. Two acts of parliament established the Bank's overall responsibility for assessing the stability of the financial system, given the absence of inflationary concerns prior to the crisis and the nature of how it unfolded. The latter, the Financial Services Act of 2012, came just before the governorship of Mark Carney[31], a longstanding proponent of turning the financial system towards mitigating climate change, and of acknowledging and technically addressing environmental externalities by developing better tools to measure climate-related financial risks. During Carney's tenure, beginning in 2013, the Bank of England engaged in a number of activities to this end. In 2015, Carney made a speech about climate

30 Simon Dikau and Ulrich Volz. Central Bank Mandates, Sustainability Objectives and the Promotion of Green Finance. *No 232, Working Papers, Department of Economics, SOAS University of London*. Available at: https://econpapers.repec.org/paper/soawpaper/232.htm

31 Indeed, after this governorship, Carney would go on to become the UN Special Envoy for Climate Action and Finance.

change, entitled “Breaking the Tragedy of the Horizon”, in which he suggested about making climate policy a bit more like monetary policy, and the need to accurately price in the cost of carbon emissions for financial stability, to “help smooth price adjustments as opinions change, rather than concentrating them at a single climate ‘Minsky moment’.”[32] (A Minsky moment is a sudden, dramatic collapse in asset prices that ends a growth cycle, as per the 2008 financial crisis.) In December 2017, the Bank co-founded the Network for Greening the Financial System, which aims, among many things, to integrate sustainability and risk modelling into the normal operations of corporate boards. The Bank also developed measures of climate-related financial risks (CRFRs), splitting these into physical risks, which arise from extreme weather, sea level change and so on, and transition risks, which are financial risks associated with political action, technological innovation and shifting consumer preferences. Concurrently, an informal Climate Hub within the Bank became a locus of discussion of institutional change, though it is rarely mentioned in Bank documentation[33]. All of this was set in motion without any mention of climate change or net zero in the Bank’s mandate.

Even though a broad interpretation of the Bank’s post-financial crisis prudential remit could be argued to include monitoring climate risks as part of being alert to and warding off systemic risks, there was nonetheless a sense within the British state that officials had used a lot of rope on this topic. According to a paper by James Jackson and Daniel Bailey[34], based on elite interviews with officials, not only would ongoing climate-related activities find support through a net-zero mandate, but the more widespread use of CRFRs in decision-making, especially in guiding the financial stability committee and the monetary policy committee, would be much more clearly legitimised.

The change happened after months of informal discussions between Treasury and Bank actors. However, clarity about what it meant was still limited. On the one hand, the lack of specifics from the Treasury was embraced within the Bank, since it left plenty of room for independent interpretation – for instance, in how to select among options in net zero calculations (e.g. whether carbon offsetting is acceptable by purchasing credits from other countries, or by carbon capture and storage). But it also led to uneven understandings among Bank units about how much attention and effort to give it. For example, even at a high level, should “facilitating the transition to net zero” be understood as a standalone mandate, or one that fits within and guides understanding of one or both of its pre-existing inflation-control and financial stability mandates? On this point, Jackson and Bailey write that there was variation in perceptions of whether the new mandate required deviation from current practices among the heterogeneous and semi-autonomous departments of the Bank, alongside a general assumption that it was subordinate to prior responsibilities[35]. Some Bank officials took the view that realigning private capital during a net zero transition would create green asset bubbles, and thus would come into direct and immediate conflict with the Bank’s financial stability mandate[36].

32 These suggestions may have been more of a warning to the financial markets about their investment tendencies and the need for private-sector divestment, rather than straightforward policy proposals; see: Mark Carney speech (29 September 2015). Breaking the Tragedy of the Horizon – climate change and financial stability. *Bank of England.* Available at: https://www.bankofengland.co.uk/-/media/boe/files/speech/2015/breaking-the-tragedy-of-the-horizon-climate-change-and-financial-stability.pdf

33 James Jackson and Daniel Bailey (May 2024). ‘Facilitating the transition to net zero’ and institutional change in the Bank of England: Perceptions of the environmental mandate and its policy implications within the British state. *The British Journal of Politics and International Relations* 26(2). Pages 343-360. Available at: https://journals.sagepub.com/doi/epub/10.1177/13691481231189382

34 Ibid

35 Ibid

36 Ibid

External observers, in contrast, argued that the Bank pursuing business-as-usual would in itself come into conflict with the net zero mandate. This is because the Bank pursues a policy of "market neutrality" in asset purchases, which is to say that it seeks to buy them in such a pattern that replicates the structure of the sterling corporate bond market, so as to minimise the institution's footprint on market competition. But firms in dirty sectors – electricity, gas, and oil companies, for example – tend to be those that require big, fixed, long-term investment, and hence issue bonds, whereas cleaner firms (in sectors such as communications) do so less often[37]. Therefore, pursuing market neutrality is equated with keeping alive firms that benefit from the current under-pricing of carbon emissions in the economy. This is not a recent insight. Indeed, following the large-scale quantitative easing by the Bank of England in the 2008 financial crisis, some experts questioned whether "green QE" would be a better way to do things, whereby the Bank would shore up firms "too big to fail", such as commercial banks, according to their carbon footprint and/or that of the companies to which they loan money.

So what has the Bank of England done, and what has it not done since its mandate formally included "facilitating the transition to net zero"? The most obvious step came shortly after the March 2021 announcement, when it immediately set about greening its £20-billion corporate bond purchase scheme (CBPS) – a temporary monetary tool that was set up in 2016, with an initial value of £10-billion, to ease monetary conditions after the Brexit referendum, and then grown to £20 billion in 2020. The Bank committed to incrementally "tilting" the CBPS's portfolio away from firms with heavy carbon footprints, announcing, in November of the same year, that this would happen using climate scorecards to evaluate better and worse bond-issuer performers within sectors.

In practice, this development has gradually encountered scepticism for a number of reasons. First, the commitment to tilting seems to have been largely kicked into the long grass, even though long-term escalation is part of the plan[38]. In an evaluation of the carbon scorecards and tilting policy, published by a research group involved in the NGFS, Yannis Dafermos and colleagues, describe the scheme as "lacking ambition", and criticise the approach of tilting *within* sectors, which perpetuates the current sectoral composition of the market (and thereby can lead to some dirty firms being treated individually better than objectively cleaner ones, due to their sectoral categorisation)[39]. According to the group's calculations, the specifics of the tilting strategy will only reduce the weighted average carbon intensity of the CBPS's portfolio by 7%, far below the Bank's own 25% target by 2025. Second, as the asset arena for the Bank's main activity in pursuit of its climate mandate – £20 billion – is very small. It equates to about 2% of the Bank's total holdings (of £895 billion, mostly government bonds), or to 6.5% of the sterling corporate bond market, or 0.5% of all sterling traded assets[40]. Hence, Bailey once heard tilting the CBPS to facilitate a net zero transition described as, "like trying empty a swimming pool with a mug"[41]. And third, shortly before it began modestly tilting the CBPS with one hand, the Bank had been supporting aviation

37 Daniel Bailey. 'Building back better' or sustaining the unsustainable? The climate impacts of Bank of England QE in the Covid-19 pandemic. *British Politics* vol. 19, pages 134–153. Available at: https://link.springer.com/article/10.1057/s41293-022-00223-w

38 Andrew Hauser speech (21 May 2021). *Bank of England*. Available at: https://www.bankofengland.co.uk/-/media/boe/files/speech/2021/may/its-not-easy-being-green-but-that-shouldnt-stop-us-speech-by-andrew-hauser.pdf

39 See: Yannis Dafermos, Daniela Gabor, Maria Nikoladi, Frank Van Lerven (January 2022). An Environmental Mandate, Now What? Alternatives for Greening the Bank of England's Corporate Bond Purchases. Inspire. SOAS University of London; University of Greenwich; University of the West of England. Available at: https://eprints.soas.ac.uk/36190/1/Dafermos%20et%20al%20%282022%29%20An%20environmental%20mandate.pdf

40 Andrew Hauser speech (21 May 2021), *Bank of England*. Available at: https://www.bankofengland.co.uk/-/media/boe/files/speech/2021/may/its-not-easy-being-green-but-that-shouldnt-stop-us-speech-by-andrew-hauser.pdf

41 Dan Bailey, pers. comm, 23 April 2024.

companies and other carbon-intensive firms through cheap loans, with the other[42], and to an approximately similar extent, in light of their struggles during the COVID-19 pandemic.

There are now, perhaps, subtle signals coming through in Bank documentation, that climate ambition has been moderated since the days of new schemes and ideas under Carney's governorship, and the initial response to the mandate change. In 2023, the Bank published a report into how its internal operations (i.e. how it heats its offices etc) would aim to become carbon neutral by 2040, in which it couched its wider climate mandate in a restrictive clause, stating, "*where there is alignment with* the Bank's objectives and legal framework, it [the BoE] acts to *support* the transition to a net-zero emissions economy"[43]. This shift in wording appears to clarify the subordination of the net zero element relative to other purposes, and reframes the Bank's climate responsibilities away from an active role – from making net zero transition possible and happening ("facilitating") – to a more supportive (and potentially passive) one. While this may pull institutional pursuit and stated purpose into better alignment, and in that sense serve institutional integrity, the wiggles and ambiguity in the path towards this point have hardly made the Bank's commitments clear to stakeholders on whose trust the institution relies.

The Chilean Central Bank

Unlike the Bank of England, the Central Bank of Chile has not altered its mandate in recent years. This may be in part because it was considerably less deeply plunged into bailing out commercial banks during the 2008 financial crisis, and correspondingly into the same level of questioning of political independence, though it did take a number of actions, given Chile's high degree of integration into global financial markets, relative to regional comparators[44]. The absence of any formal mandate change has also been in spite of a period of institutional instability in Chile, wherein the country's constitution was up for possible revision through two constitutional redrafting processes following widespread protests that started in October 2019. The idea of change was considered then, but quickly discarded. At time of writing, and as is the case in several central banks, the challenge of studying the feasibility of creating and managing a new national digital currency is raised, which opens up interesting questions about the challenges that this type of project brings for central banks and their current functions. In late February 2024, the Bank of Chile announced it would take forward design and implementation tests for this in "controlled environments" to "better understand the challenges and implications in technological and operational terms"[45], although it states that, "this decision should not in any case be understood as a future MDBC issuance commitment."[46]

42 Through its Covid Corporate Financing Facility; for details, see: Bank of England. HM Treasury and the Bank of England launch a Covid Corporate Financing Facility (CCFF) (17 March 2020). *Bank of England.* Available at: https://www.bankofengland.co.uk/news/2020/march/hmt-and-boe-launch-a-covid-corporate-financing-facility. Positive Money estimated in June 2020 that 56% of funds had been allocated to high-carbon sectors; see: UK Parliament (17 February 2021). Growing back better: putting nature and net zero at the heart of the economic recovery. *UK Parliament Publications.* Available at: https://publications.parliament.uk/pa/cm5801/cmselect/cmenvaud/347/34705.htm (Accessed 13 June 2024)

43 Bank of England (06 July 2023). The Bank of England's Climate Transition Plan. *Bank of England.* Available at: https://www.bankofengland.co.uk/climate-change/the-bank-of-englands-climate-transition-plan (Accessed 13 June 2024)

44 These actions included making reserve requirements more flexible, as well as government auctions of foreign currency denominated deposits for domestic banks; see: Jorge A. Chan-Lau (May 2010). The Global Financial Crisis and its Impact on the Chilean Banking System. *IMF Working Paper No. 10/108.* Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1598054

45 Europa Press (21 March 2024). Central Bank of Chile will carry out tests in 'controlled environments' to issue new digital currency. *America Economia.* Availalble at: https://www.americaeconomia.com/en/node/286188 (Accessed 13 June 2024)

46 MDBC stands for Moneda Digital de Banco Central; see: https://www.bcentral.cl/web/banco-central/areas/observatorio-tecnologico/exploracion-de-monedas-digitales-de-banco-central (Accessed 13 June 2024)

The protests that rocked Chile in late 2019 began with an expression of anger at an increase in public transport costs in the capital Santiago, and grew rapidly, taking on new issues as they took on new participants. For various reasons, neither of the two national attempts to agree on the text of a new Chilean constitution that they prompted led to the successful adoption of a document. During a brief period of the first of these constitution-redrafting processes, the Bank of Chile's mandate was discussed in the constitutional committees and the specific question of whether adopting a dual mandate much like that of the US Federal Reserve – adding a full employment mandate – was proposed. Currently, the formal mission of the Bank of Chile is "to ensure the stability of the currency and the normal functioning of internal and external payments," in line with many other central banks. However, for some of those who participated in the constitutional commissions of the first convention in 2021-22, this was not enough, so they opened the question of whether other elements should be added to extend the Bank's mandate, which, according to their views, would help the "development" and "progress" of Chile. However, in these discussions, the suggestion that the Bank add aiming for full employment to its mandate was swiftly cast aside.

At time of writing, the 2019 protests in Chile seem to many like old history. Although the idea for the change of mandate did not prosper, Bank researchers had, for some time, been collecting and publishing data relevant to understanding how the institution's main activities were empirically related to development across Chile. For example, they had created metrics on the frequency of businesses opening and shutting up shop, and on various other indicators of economic activity, in different regions and cities across the country.

An important development in the Bank came in 2022, when the institution restated its internal mission for the 2023-2027 years, framing the raison d'etre of its longstanding mandate to exist in order to "contribute to the well-being of society and the development of the country"[47]. This followed many internal discussions in which officials from across the Bank participated.

Around this time, officials in the Bank also started taking more seriously the idea of creating a digital Chilean peso. The idea of a national digital currency is far from unique to Chile. Indeed, many central banks around the world are considering this, and a few, such as Nigeria's central bank and the People's Bank of China, have already launched the "eNaira" and the digital renminbi, respectively. Conversations internal to the Bank of Chile have so far mostly focused on the macroeconomic and technological considerations of a digital currency, with questions of whether such projects will be accepted in Chilean society still unanswered.

Other countries' experiences offer up insights for how stakeholders might respond. In the case of Nigeria, the eNaira is little-used and may be redesigned as a consequence[48]. Commentators have pointed out that rather than rely solely on open-source development, the eNaira has been implemented as a private blockchain network: "While most blockchains and cryptocurrency networks are built around the tenet of openness and transparency bringing power back to the people," writes Pratham Rawat, in a review called, *What went wrong?*, "the eNaira seems to have been created to preserve as much government power as possible."[49] Similarly, *The Financial Times* recently pointed out that use of the digital renminbi, "will put every transaction on the radar of the People's Bank of China"[50].

47 Banco Central de Chile (no date). Planificación Estratégica. *Banco Central de Chile*. Available at: https://www.bcentral.cl/web/banco-central/el-banco/planificacion-estrategica (Accessed: 13 June 2024).

48 Prathan Rawat (2023). *Nigeria's ENAIRA CBDC: What went wrong?*, *Inside SC Johnson*. Available at: https://business.cornell.edu/hub/2023/04/28/nigerias-enaira-cbdc-what-went-wrong/ (Accessed: 13 June 2024).

49 Ibid

50 James Kinge and Sun Yu. (2021). Virtual control: the agenda behind China's new digital currency. *Financial Times*. Available at: https://www.ft.com/content/7511809e-827e-4526-81ad-ae83f405f623 (Accessed: 13 June 2024).

Creating and managing a digital currency inevitably requires heavy investment in technology, and huge security guarantees, but it also requires the Bank to take on a long roster of new kinds of activities, acting more like a private financial actor (such as Mastercard or Visa) in dealing with vast flows of personal payment data. Unlike these private actors, however, the Bank is a public institution, and what it does (as the OECD's surveys show) can affect perceptions of trustworthiness of other public institutions. Thus, questions of legitimacy, when it comes to scope and due process, carry more weight. And, while creating and managing a digital currency could be argued to fit under the Bank's existing mandate of ensuring the stability of the financial system, handing so much personal data may be perceived by individuals and organisations who currently trust the Bank to be straying beyond what they understand it having the right to do. Depending on the depth of the changes necessary to properly develop such a project, it will be necessary to assess whether the current mandate of the Bank is sufficient to carry forward such changes or, on the contrary, whether a change in mandate might be helpful, as might clarification of the law around the use of personal data. Stakeholders in the Bank, including the public at large, will need to understand what their data will and will not be used for, to prevent the trust that they currently have in the Bank from diminishing.

Discussion

This paper exists to draw attention to a need. Central banks' functions have been growing in recent years, and will likely continue to grow as more of them consider the advice of the Network for Greening the Financial System, and as more of them look to launch and manage digital currencies. Simultaneously, two other trends have been rolling forward, seemingly without sufficient connection to each other, nor to the central banking trend. Theory about what makes a public organisation worthy of trust has been added to with recent philosophical contributions – developments of note for institutions that rely heavily on being trusted for their successful functioning. Compliance officers' roles have also expanded, so that often these individuals often find themselves dealing with new reporting standards, new data-privacy risks, and shifting workforce expectations. People in these roles are those who tend to be tasked with instilling and verifying some conception of integrity in their organisations. And yet, while they may be able to directly put into practice some of the components of "institutional integrity", some such elements that are especially relevant to current trends in central banking – such as clarity of hierarchy among multiple purposes, with attention to possible conflict among purposes, and the close alignment of pursuit and purpose – cannot be led by compliance officers alone, and requires them to spur others into action and to manage up.

The two examples in this paper, the Bank of England and the Central Bank of Chile, serve to illuminate how gaps in institutional integrity may emerge. These central banks are grappling with policy questions that are on the radar of central bankers everywhere. The recent story of the Bank of England's mandate expansion to include facilitation of the transition to net zero, the limited subsequent progress in putting this in motion, and the then apparent, subtle, mandate dilution through reframing suggests that while internal clarity over how much energy to give the new mandate may have increased among Bank units over the few years since the new mandate was announced, the route to this point has not made it straightforward for external stakeholders to confidently interpret the Bank's commitments. The limited progress cannot be squarely pinned on lack of ideas, or technical know-how. The European Central Bank has taken a bolder attitude towards net zero, and there are some suggestions that Bank of France (a member of the ECB's governing council) may implement dual interest rates to support green investments, following comments of support from Emmanuel Macron[51]. In exploring the creation of a digital peso, and potentially one day launching it, the Bank of Chile may require a mandate change for it to continue operating within its legitimate scope, and to sustain the public's trust. The robustness and legitimacy of pursuit of purpose, as well as external understanding of its commitments, will require careful attention.

These points are made with an acknowledgement that institutional innovation and shifts in course can arise in many ways, emerging from within as well as required top-down, and that growing pains will temporarily arise while internal and external understandings and processes are ironed out and catch up with one another. The argument here is to ensure their ephemerality, and to not let blind spots in trustworthiness persist, by working to bring together theory and practice. In moments of increased salience, when public attention moves to central banks, latent blind spots in trustworthiness could lead to sudden drops in trust. And trust is at the core of central banks' functioning.

51 Moriah Costa (13 December 2023). Macron endorses dual interest rates for green energy. *Green Central Banking*. Available at: https://greencentralbanking.com/2023/12/13/macron-dual-interest-rates-green-energy/ (Accessed 13 June 2024)

MEMBER BIOGRAPHIES

KAMEL AYADI

Founding Chairman of the Global Infrastructure Anti-Corruption Center MENA (GIACC – MENA) and member of the Board of Directors of the World Justice Project, Tunisia

Kamel Ayadi is an international consultant and civil society activist in the fields of anti-corruption, ethics, governance, corporate social responsibility, and social accountability. He has served in a number of high-level positions, including Minister of Public Service, Governance, and Anti-corruption; Chair of the Authority on Financial and Administrative Control; Secretary of State; Senator; and Chair of the Regulatory Authority of Telecommunication. After having served in leadership positions in numerous NGOs, including President of the Tunisian Order of Engineers, he was elected in October 2003 as the president of the World Federation of Engineering Organisations (WFEO, 100 member countries). He also served for six years as the Founding Chair of its standing Committee on Anti-corruption. He is the Founding Chair of the World Leadership and Ethics Institute, Founding Chair of the Tunisian Centre for Strategic Thinking on Economic Development. He is also the Founding Chair of the Global Infrastructure Anti-corruption Centre's for the MENA region.

SHAMILA BATOHI

National Director of Public Prosecutions, South Africa

Career Advocate Shamila Batohi has served as South Africa's National Director of Public Prosecutions (NDPP) since February 2019. Advocate Batohi began her career as a junior prosecutor in the Chatsworth Magistrate's Court in 1986 and steadily advanced to become the Director of Public Prosecutions in KwaZulu-Natal. She was seconded to the Investigation Task Unit established by President Nelson Mandela in 1995, investigating and prosecuting apartheid-era atrocities, and later served as the first regional head of the Directorate of Special Operations in KwaZulu-Natal, investigating and prosecuting serious organised crime and political violence. Immediately before her appointment as NDPP, she served as a Senior Legal Advisor to the Prosecutor of the International Criminal Court in the Hague.

MONIKA BAUHR

Professor at the University of Gothenburg, Sweden

Monika Bauhr is a Professor at the department of Political science, University of Gothenburg and a research fellow at the Quality of Government Institute. Bauhr investigates the causes and consequences of corruption and quality of government. She studies the link between democracy and corruption, the role of transparency and access to information, women representation and the nature of different forms of corruption and clientelism. She also investigates how corruption influences public support for foreign aid, international redistribution and the provision of public goods more broadly. She has previously been a visiting scholar at Harvard University, Stanford University and the University of Florida in the US and the University of Dar es Salaam in Tanzania. She has also served as a consultant and participated in public events relating to climate change, corruption and development policies. Between 2014 and 2017 she has been the Scientific Coordinator and Principal Investigator of the ANTICORRP (Anticorruption Policies Revisited: Global Trends and European Responses to the Challenge of Corruption), a large-scale multidisciplinary research program, involving 20 institutions in 15 European countries, funded by the European Commission. She is also a co-editor of the recently publishedOxford Handbook of the Quality of Government.

MARTHA CHIZUMA

Director-General of the Anti-Corruption Bureau (ACB), Malawi

Martha Chizuma is the Director General of the Anti-Corruption Bureau effective from 1 June 2021, the first-ever female to hold the position in the country. The Bureau is mandated to fight corruption through prevention, public education and law enforcement. She holds a master's in law from the UK and bachelor's in law (Hon) degree from Malawi. Before joining the Bureau, she was Ombudsman of Malawi from December 2015 to May 2021. However, she has also held various positions in the judiciary and private sector. With fighting corruption being on top of the Government agenda, Martha is responsible for providing strategic leadership to operational and administrative processes at the Bureau in a manner that ensures that positive and substantive inroads are being made against corruption in Malawi and also that a correct moral tone is set for the country in as far as issues of integrity are concerned.

IZABELA CORRÊA

Former Postdoctoral Research Associate, Blavatnik School of Government, United Kingdom, and editor of the Chandler Papers (2021-2024)

Izabela has been dedicated to the themes of integrity and anti-corruption academically and as a practitioner for over fifteen years. She is currently serving as the Secretary for Public Integrity at the Brazilian Office of the Comptroller General. Prior to that, she was the Postdoctoral Research Associate for the Chandler Sessions on Integrity and Corruption (2021-2023). She has also served in the Brazilian Central Bank (2017–2021), and in the Brazilian Office of the Comptroller General (2007–2012), where she led a team of public officials that oversaw the development and implementation of high-impact transparency and integrity policies. Izabela holds a PhD in Government from the London School of Economics and Political Science (2017) and a master's degree in political science from the Federal University of Minas Gerais (UFMG) in Brazil. She is a member of the Chandler Sessions and the managing editor of its paper series (2021-2024).

JAVIER CRUZ TAMBURRINO

Compliance Officer of the Chilean Central Bank, Chile

Javier Cruz Tamburrino is the Compliance Officer of the Chilean Central Bank. His main responsibilities include, among others, designing and implementing an Annual Compliance Plan, coordinating and articulating the compliance activities with the Prosecutor's Office, the Comptroller's Office, the Division Management Corporate Risk and the other areas of the Bank. Prior to joining the Central Bank, Javier Tamburrino served for nine years as Director of the Financial Analysis Unit (UAF), a public service whose mission is to prevent Money Laundering (ML) and the Financing of Terrorism (FT) in the Chilean economy, also acting as National Coordinator of the ML/TF Preventive System of Chile.

TODD FOGLESONG

Lecturer and Fellow-in-Residence, Munk School of Global Affairs and Public Policy, University of Toronto, Canada

Todd Foglesong joined the Munk School of Global Affairs and Public Policy at the University of Toronto in 2014. He teaches courses on the governance of criminal justice and the response to crime and violence in global context. Between 2007 and 2014, Todd was a senior research fellow and adjunct lecturer in Public Policy at Harvard Kennedy School (HKS). Between 2000 and 2005 Todd worked at the Vera Institute of Justice, creating a center for the reform of criminal justice in Moscow and founding Risk Monitor, a non-governmental research center in Sofia, Bulgaria that supports better public policies on organized crime and institutional corruption. Before that, Todd taught political science at the Universities of Kansas and Utah.

GUSTAVO GORRITI

Founder and Editor of IDL-Reporteros, Peru

Gustavo Gorriti leads the investigative center at the *IDL-Reporteros*, in Lima, Peru. He was Peru's leading investigative journalist before having to leave the country, largely because of his reporting. During the April 5, 1992, coup, he was arrested by Peruvian intelligence squads and "disappeared" for two days until international protests forced President Alberto Fujimori first to acknowledge his detention and then to release him. Gorriti had earlier investigated, among other things, the drug ties of the man who became Fujimori's de facto intelligence chief. After several months of mounting threats and harassment, Gorriti left Peru for the United States, where he was a senior associate at the Carnegie Endowment for International Peace and the North-South Center. In 1996, he settled in Panama and went to work for La Prensa. Gorriti's investigative reporting there, however, had a similar effect, and the government attempted unsuccessfully to deport him. After Fujimori lost power, Gorriti returned to Peru in 2001. Gorriti was a Nieman fellow in 1986. He received the Committee to Protect Journalists' International Press Freedom Award in 1998.

JIN-WOOK KIM

Chief Prosecutor of the Corruption Investigation Office for High-ranking Officials (CIO), South Korea

Jin-wook Kim is the inaugural Head of the Corruption Investigation Office for High-Ranking Officials. Prior to his current position, he was head of the international affairs department at the Constitutional Court of Korea (2020–21), and head of the education department and research department, at the Constitutional Research Institute (2016–20). He holds a master of law from the National University of Seoul, where he also graduated in archaeology and art history. He holds an LLM in public law from Harvard University.

JOHN-ALLAN NAMU

CEO and Editorial Director of Africa Uncensored, Kenya
John-Allan Namu is an investigative journalist and the CEO of Africa Uncensored, an investigative and in-depth journalism production house in Nairobi, Kenya. Africa Uncensored's ambition is to be the premier source of unique, important and incisive journalism. Prior to co-founding Africa Uncensored, he was the special projects editor at the Kenya Television Network, heading a team of the country's best television investigative journalists. He has received numerous awards for his work including the CNN African Journalist of the Year and joint journalist of the year at the Annual Journalism Excellence Awards by the Media Council of Kenya.

BOLAJI OWASANOYE SAN

Research Professor, Nigerian Institute of Advanced Legal Studies and Immediate Past Chairman, Independent Corrupt Practices and Other Related Offences Commission (ICPC) Nigeria
Owasanoye started his career as an assistant lecturer at the Lagos State University. He moved to the Nigerian Institute of Advanced Legal Studies (NIALS) in 1991 and became a Professor of law 10 years later. In August 2015, he was appointed as the Executive Secretary of the Presidential Advisory Committee Against Corruption (PACAC) before being appointed to the ICPC in 2017. He was involved in advocacy for passage of major anti corruption bills in Nigeria including Nigeria Financial Intelligence Agency Act , Proceeds of Crime Act, and reenactment of the Money Laundering Prevention and Prohibition Act and the Terrorism Prevention Act, amongst others. At the continental level he participated in drafting and advocating adoption of the Common African Position on Asset Recovery by the African Union in 2020 and served as member of the UNGA/ECOSOC established FACTI Panel in 2020-2021. His portfolio of consultancies include Nigerian federal and state agencies, as well as international development agencies such as the World Bank and USAID, DFID and UNITAR. In 1997, he co-founded the Human Development Initiative (HDI), a non-profit organisation. In 2020, He was awarded the rank of Senior Advocate of Nigeria (SAN) and national honour of Officer of the Federal Republic (OFR) in 2022.

ANNA PETHERICK

Associate Professor in Public Policy at Blavatnik School of Government, United Kingdom
Anna Petherick is Associate Professor in Public Policy and Director of the Lemann Foundation Programme. Since her DPhil on the topic, Anna has researched corruption, gender and trust, and advised policymakers on the topic. She wrote the UNODC 'The Time is Now: Addressing the Gender Dimensions of Corruption' report, published in 2020, and has presented on the topic of gender and corruption at the United Nations General Assembly. Anna is also co-Principal Investigator of the Oxford COVID-19 Government Response Tracker (OxCGRT) project. Prior to becoming an academic, Anna wrote a column for The Guardian that fused longevity and wellbeing research, and another column about the social dimensions of climate change for the journal, Nature Climate Change. She was a science and then foreign correspondent at The Economist, and a section editor at the journal, Nature. Anna holds a BA (MA) in Natural Sciences (Evolutionary Genetics, Population Modelling) from Cambridge University.

KATHLEEN ROUSSEL

Director of the Public Prosecutions, Canada
Kathleen Roussel is the Director of Public Prosecutions. She was appointed June 21, 2017. Kathleen was Deputy Director of Public Prosecutions from 2013 to 2017. She was responsible for the Regulatory and Economic Prosecutions and Management Branch. Previously, Kathleen served as Senior General Counsel and Executive Director of the Environment Legal Services Unit at the Department of Justice (Canada), from 2008 to 2013. From 2001 to 2005, she was the Senior Counsel and Director of the Canadian Firearms Centre Legal Services, before joining the Department of Environment's legal services later that year. Before joining the public service, Ms. Roussel worked as a criminal defence lawyer. She has been a member of the Law Society of Upper Canada since 1994 and graduated from the University of Ottawa Law School in 1992, having previously obtained an Honours Religion degree from Queen's University.

AGUNG SAMPURNA

Former Chairman of the Audit Board of the Republic and Lecturer at the University of Indonesia, Indonesia
Dr Agung Firman Sampurna was the Chairman of the Supreme Audit Agency for the period 2019 – 2022. Previously, he served as Member I of BPK-RI for the period 2014 – 2019, Member III for the period 2012 - 2013, and Member V for the period 2013 - 2014. Agung Firman Sampurna once led the Main Auditorate of Finance State (AKN) III (2012 – 2013), AKN V (2013 – 2014), and AKN I (2014 – 2019). Recipient of the Mahaputra Naraya Star, Agung Firman Sampurna is heavily involved in training activities, research, seminars and various other forums, both domestically and abroad. Agung holds a Bachelor of Economics from Sriwijaya University, a Master of Public Policy and Administration from the University of Indonesia and a PhD in Public Administration also from the University of Indonesia.

TANKA MANI SHARMA

Former Auditor General, Nepal

Tanka Mani Sharma Dangal is a Nepalese Bureaucrat. He has long experience in Public Financial Management and fiscal administration. He has experience in Public Procurement Management and development administration, Civil Service Administration and Training, Cooperative Societies Regulation and Management, Health Sector Financing, Public Enterprises Management, and other different areas of public sector management. He served as an Auditor General of Nepal from 2017 to 2023 for 6 years. His prior positions include Secretary at the Office of the Prime Minister and Council of Ministers, Ministry of General Administration, and Public Procurement Monitoring Office. He had also served as a Director General of the Inland Revenue Department, Department of Customs, Department of Revenue Investigation, and the Registrar of the Department of Cooperative. likewise, he had served as Finance Chief in different Ministries and Departments of the Government of Nepal.

Mr. Sharma holds a Master's degree in Business Administration (MBA). He has attended various national and international training and seminars and acquired knowledge and skills in different fields of the public sector management and governance system. He has rewarded with the "Best Civil Service Award" in 2001 by the government of Nepal. He has awarded the medal "Prasidda Prabal Janasewa Shree" by the president of Nepal in the year 2021. He was also awarded the "Prabal Gorkha Dakshin Bahu" medal in 2000. Mr. Sharma hopes to build a more efficient and effective public administration, promoting good governance through transparent and accountable public sector management. Moreover, he emphasizes maintaining professional integrity and controlling mismanagement and corruption in the governance system.

CHRIS STONE

Professor of Practice of Public Integrity, Blavatnik School of Government, University of Oxford

Chris Stone is Professor of Practice of Public Integrity. Chris has blended theory and practice throughout a career dedicated to justice sector reform, good governance and innovation in the public interest, working with governments and civil society organisations in dozens of countries worldwide. He has served as president of the Open Society Foundations (2012–2017), as Guggenheim Professor of the Practice of Criminal Justice at Harvard's Kennedy School of Government (2004–2012), as faculty director of the Hauser Center for Nonprofit Organizations at Harvard University (2007–2012), and as president and director of the Vera Institute of Justice (1994–2004). He is a graduate of Harvard College, the Institute of Criminology at the University of Cambridge, and the Yale Law School. At the Blavatnik School, Chris's work focuses on public corruption turnarounds: the leadership challenge of transforming cultures of corruption into cultures of integrity in government organisations, large and small. As an affiliate of the Bonavero Institute of Human Rights within the University's Faculty of Law, Chris serves as the principal moderator for the Symposium on Strength and Solidarity for Human Rights.

LARA TAYLOR-PEARCE

Auditor General, Sierra Leone

Lara Taylor-Pearce is auditor general of Sierra Leone and has more than 27 years of experience in public- and private-sector financial and administrative management and oversight. As the government's chief external auditor since 2011, she has won praise for helping change Sierra Leone's public-sector accountability landscape, including her work in developing its 2016 Public Financial Management Act and other public-sector oversight acts. Among other honors, she received the 2015 National Integrity Award from the Sierra Leone Anti-Corruption Commission. She has also served as principal finance manager and head of administration for the Institutional Reform and Capacity Building Project, finance and administrative manager for the Public Sector Management Support Project, technical assistant in the Accountant General's Department of the Ministry of Finance, and supervisory senior for KPMG Peat Marwick. An honours graduate in economics of the University of Sierra Leone, she is a fellow of the Association of Chartered Certified Accountants (FCCA), U.K, and of the Institute of Chartered Accountants of Sierra Leone (FCASL). She is vice chair of the INTOSAI Development Initiative (IDI) board, chair of the governing board of the African Region of Supreme Audit Institutions-English Speaking (AFROSAI-E), and a Grand Officer of the Order of the Rokel (GOOR) President's National Award.

BUILDING AND SUSTAINING TRUST IN CENTRAL BANKS:

Compliance and integrity in evolving institutions

BLAVATNIK SCHOOL OF GOVERNMENT

UNIVERSITY OF OXFORD

For further information
or to download the full set of Chandler Papers visit
www.bsg.ox.ac.uk/chandlersessions

CHANDLER FOUNDATION