

## **Derville Rowland: Building trust in central banks and regulatory authorities**

Remarks by Ms Derville Rowland, Deputy Governor of the Central Bank of Ireland, at the Department of Public Expenditure and Reform's Annual Management Conference, Dublin, 18 July 2024.

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Good morning everybody. It is a genuine pleasure to be here, to say a few words, but also – much more importantly – to listen and learn.

As I will note shortly, we have closely studied the OECD's excellent work, undertaken in conjunction with the Department of Public Expenditure and Reform, on drivers of trust in government, as detailed just now by the last presenter.

And it strikes me that, through the Public Service Transformation Framework, the Department of Public Expenditure and Reform is leading the way on one of the key drivers – by delivering demonstrably better public services for citizens.<sup>1</sup>

On the issue of trust specifically, I oversee a programme of work in the Central Bank – Open & Engaged – that seeks to enhance our engagement with external stakeholders, demonstrate increased transparency and accountability and, in turn, increase trust.

It's important I emphasise that I am not an expert in the topic of trust. Rather, we are working closely with persons who are experts, seeking to understand what truly drives trust in central banks and regulatory bodies – a question which is relatively underdeveloped in the research literature.

I will give a brief overview of the work we are undertaking, the issues we are considering, and our intended outcomes.

Some of you might recognise what I hold in my hand. Currency is one of the Central Bank's statutory functions, managing the supply of official tender, issuing new notes and destroying old and damaged ones. This is a block of shredded euro notes – about €30,000 worth of notes, give or take.

If I were Patrick Kielty, I'd say there was one for everybody in the audience – but of course, this money is utterly useless in its shredded form.

By contrast, a €10 note, can be used to buy €10 worth of goods or services.

The question is why. Of course, it's intact – but that's only the starting point. It's just a piece of cotton-fibre paper, after all – albeit one made with special inks and security features.<sup>2</sup>

Money works because people believe its value will be honoured. In short, it works on trust.

And that trust underpins the financial system as a whole – without trust, it would cease to function effectively.

That is just one of the many reasons that the Central Bank considers trust essential.

To give another reason, monetary policy is used to control inflation by setting public expectations – so trust is explicit there too.

But it's not just about trust in currency, or monetary policy, or the wider financial system – it's also about trust in us.

This is reflected in our Strategy, where we are committed to building trust and understanding in the role of the Central Bank through stronger engagement with the public, stakeholders and peers.<sup>3</sup>

Our mission is to serve the public interest by maintaining monetary and financial stability while ensuring that the financial system operates in the best interests of consumers and the wider economy.

By being Open & Engaged, we are emphasising the critical priority for the Central Bank of listening to our stakeholders, building dialogue and learning, so that we can contribute to building trust in the financial system and foster a wider understanding of the Central Bank's role.

In 2018, the Central Bank published a report into the behaviour and culture of the Irish retail banks following their multiple and serious failings towards consumers in previous years.<sup>4</sup> The report, undertaken in conjunction with the Dutch Central Bank, found that each of the banks had a distance to travel to embed a truly consumer-focused culture. Minister Donohoe, who requested the report and was central to the implementation of its recommendations, noted at the time *that "culture is what people do when no one is watching"*.<sup>5</sup>

Onora O'Neill, the eminent philosopher and ethicist, touched on this when making the critical distinction between trust and trustworthiness. She said firms often speak about the need to increase trust when what they should be doing is increasing trustworthiness.<sup>6</sup> She cited the example of Bernie Madoff, saying it would have been a bad thing if he had been even more trusted among investors, given that he was running a Ponzi scheme. It would have been much preferable had he been trustworthy.

She identified the three key elements of trustworthiness as competence, honesty and reliability. Be competent, be honest, and be reliable – and you might earn, and deserve, trust. I mention Onora's work because of the striking parallel with the OECD's drivers of trust: responsiveness, reliability, integrity, openness, and fairness. If I could summarise, for any organisation dealing with the public – be it a public or private body; be it the Central Bank or one of the firms we regulate – the core requirements is to do its job well, serve the public well, and demonstrate as much in an open, transparent and engaged way.

Which brings me to our updated Communications & Engagement Strategy, and Open & Engaged Charter. Our Communications & Engagement Strategy places a much greater emphasis on engagement with external stakeholders. We were influenced greatly by the IAP2 (International Association for Public Participation) spectrum of citizen engagement, as cited in the Department's own work on this issue.<sup>7</sup>

At one end of the spectrum, as you know, is "telling" – one-way communication of key messages. Historically, the Central Bank was good at that. We were not so good as you moved further up the spectrum towards genuine two-way engagement – listening as well as telling, and accepting informed views when and where relevant. We had made progress on this since the lessons of the financial crisis, and the Communications & Engagement Strategy seeks to build on this progress.

It has four key pillars, namely:

- Culture - We emphasise our communications and engagement culture, working with our people to drive enhanced engagement.
- Dialogue - We emphasise dialogue in our communications and engagement activities. We actively listen, and, where appropriate, reflect community perspectives in our work.
- Reach - We expand our reach and impact by building relations with a wider range of stakeholders, including the public, participants in the real economy, our international peers.
- Insight - We measure the impact and outcomes of our communications and engagement. We adjust and improve based on what we learn.

The Strategy is rooted in the premise that communication and engagement is a task for the whole Bank, guided by our values. We have distilled the Strategy into a one-page Open & Engaged Charter – effectively our commitment to our stakeholders.

As the Governor has noted, "we're seeking to understand and be understood". Implementation of the Strategy and Charter are still in relative infancy. But we hope – and expect – that our stakeholders will see and feel the change in our engagement in the time ahead. So we seek to deliver on our mandate – and we seek to engage effectively on it – and in doing so, demonstrate trustworthiness.

The key question is, will that deliver on our objective of building trust? Let's be clear: collectively, we are fighting incredible headwinds on this. The OECD put it well, when saying *governments "stand at a critical juncture, steering environmental and digital transitions while facing increased polarisation within their countries, heightened geopolitical tensions as well as the social consequences of economic developments"*.<sup>8</sup>

You could swap "public bodies" for governments and the sentence would remain fully accurate. Add the fact that we are in an era of misinformation – which AI will turbo-charge – and it's clear how challenging the course will be. But in the Central Bank, we know what it is to lose trust – we're acutely conscious of the regulatory failings that contributed to the financial crisis – and how hard it is to regain it. We also know that trust in central banks can decline even when they are implementing policy ostensibly in

line with their mandates. Which makes it all the more necessary that we fight for trust. In a world that is growing ever-more complex, the policy solutions will increasingly involve trade-offs. As Agustin Carstens, general manager of the Bank for International Settlements, has noted: "*trust fuels the legitimacy of policies. With trust, the public will be more willing to accept actions that involve short-term costs in exchange for long-term benefits. In sum, trust is vital for policy effectiveness.*"<sup>9</sup>

Our next steps are to continue to implement our Open & Engaged approach to stakeholders, and to continue our empirical work with others on the subject of trust in central banks and regulatory bodies. We held a seminar in May with the academics who led PERITIA, an EU-funded research project on trust in public expertise, and we anticipate doing further work with those academics, as well as determining how best we can apply OECD drivers.

Thank you.

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<sup>1</sup> Link to strategy is [here](#)

<sup>2</sup> For more information on the production of Euro banknotes, see: <https://www.ecb.europa.eu/euro/banknotes/production/html/index.en.html>

<sup>3</sup> See: <https://www.centralbank.ie/publication/corporate-reports/strategic-plan>

<sup>4</sup> <https://www.centralbank.ie/publication/behaviour-and-culture-report>

<sup>5</sup> See: <https://paschaldonohoe.ie/central-banktcd-conference-culture-diversity-the-way-forward-for-corporate-governance-in-ireland/>

<sup>6</sup> See: <https://www.newyorkfed.org/medialibrary/media/governance-and-culture-reform/ONeill-Culture-Workshop-Remarks-10202016.pdf>

<sup>7</sup> See: [https://cdn.ymaws.com/www.iap2.org/resource/resmgr/pillars/Spectrum\\_8.5x11\\_Print.pdf](https://cdn.ymaws.com/www.iap2.org/resource/resmgr/pillars/Spectrum_8.5x11_Print.pdf)

<sup>8</sup> See: [https://www.oecd.org/en/publications/oecd-survey-on-drivers-of-trust-in-public-institutions-2024-results\\_9a20554b-en.html](https://www.oecd.org/en/publications/oecd-survey-on-drivers-of-trust-in-public-institutions-2024-results_9a20554b-en.html)

<sup>9</sup> See: <https://www.bis.org/speeches/sp230519.htm>