



BANK OF CANADA

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Bank of Canada Governor says trust and transparency crucial for financial markets

HALIFAX – Canadian financial markets need trust and transparency to operate most efficiently, Bank of Canada Governor David Dodge said today in a speech to the Greater Halifax Partnership. Mr. Dodge said that the Bank of Canada’s reliance on trust and transparency shows why these qualities are also important to the private sector.

“Trust is an important enabler for all of the Bank of Canada’s key functions,” the Governor said. He added that this trust “can be thought of as a form of social capital—a shared asset that benefits everyone.” This trust “is very valuable and must not be squandered.”

Mr. Dodge noted that the Bank’s efforts to build trust are supported by its related efforts to become more transparent. “After all, it’s a lot easier to have trust in an institution if it is open about its goals and strategies, and if it offers a clear way to measure its performance.”

These lessons are particularly relevant to the private sector in the current climate. Investor confidence may have been shaken, and reputations threatened by the collapse of Enron. Investors must be able to trust that corporate disclosures are made fully and fairly and in an understandable way, Mr. Dodge said.

With respect to the short-term economic outlook, Mr. Dodge said “Canada’s economy is growing at a faster pace, and is operating at a higher level, than had been anticipated. And this means that it is moving towards full production capacity more quickly than we had expected.” The Governor concluded that “with the domestic economy showing strong momentum, the Bank will take whatever action is necessary to keep inflation near its 2 per cent target over the medium term.”