



NORGES BANK



# STRATEGY FOR 2017-2019



## TOWARDS 2019

Norges Bank has been an important public institution, acting in the national interest, for 200 years. The Bank's mandate has changed over time, but its mission in terms of its central banking operations has always been to promote economic stability. For the past 20 years, the Bank has also managed substantial assets on behalf of the Norwegian people.

For the Bank to accomplish its tasks, public confidence is essential. We made an extra effort to be open and inclusive during the bicentenary in 2016. We reached out, opened our doors and invited the public in. And we intend to continue in the same vein in the years ahead.

We have also set a high standard for the Bank in the international arena. Our aim is to be a modern and innovative central bank in terms of technology and in our business practices.

One of the areas where technology is developing at a rapid pace is payment systems. In the coming three-year period, we will be devoting considerable time and effort to exploring ways to increase the efficiency of the financial infrastructure. We will also intensify our efforts to combat cyber-crime.

The economy in our part of the world has long been characterised by moderate growth, low inflation and low interest rates. This picture is not likely to change dramatically over the next few years. Manoeuvring in a landscape where the interest rate level is lower than ever before places high demands on a central bank. One of the most important actions we are planning to take to meet this challenge is to further develop our understanding of the interaction between monetary policy and financial stability.

Low interest rates also have an impact on the management of the Government Pension Fund Global (GPF). The real rate of return on the GPF is on course to be considerably lower than previously projected. There are also signs that the expected excess return on equities relative to bonds is somewhat higher than previously, and the correlation between bonds and equities seems to have changed. The Bank's advisory role with regard to the further development of the GPF's investment strategy will now be strengthened.

In Norway and many other countries, the role of central banks is the subject of an ongoing debate. In 2015, a government-appointed commission was tasked with assessing the Norges Bank Act and the Bank's governance framework. The commission is expected to present its conclusion in the course of 2017. The commission's recommendations and the subsequent deliberations in the Storting (Norwegian parliament) may change the way we work in the future.

We welcome these developments. With 200 years of history behind us, we should have the professional capacity and experience to perform our tasks efficiently, even in a changing external and regulatory landscape. At the same time, we will continue to foster innovation and continuously strive to find new ways to interpret and understand our surroundings.

Time does not stand still. It waits for no man – or, I am glad to say, for a central bank.

*Øystein Olsen*  
Governor

## OUR MISSION

Norges Bank's mission is to promote economic stability and manage substantial assets on behalf of the Norwegian people.

The Bank conducts monetary policy, monitors the stability of the financial system and promotes robust and efficient payment systems and financial markets.

Norges Bank is responsible for the management of the Government Pension Fund Global (GPF) on behalf of the government and the management of Norway's foreign exchange reserves. The GPF aims to obtain the highest possible return within the framework of the investment mandate.

## OUR VISION AND VALUES

Norges Bank is committed to being a transparent and well-run central bank. We aim to be at the forefront of monetary policy innovation and the development of modern payment systems. We are responsible for safeguarding and building financial wealth for future generations. We pursue a policy of open and active communication to promote understanding of the Bank's role and the performance of its tasks.

The Bank's core values are team spirit, integrity, innovation and excellence. We will ensure a cost-efficient and prudent use of resources and provide for good working conditions, responsible ownership and environmentally sound business practices.

## MONETARY POLICY INNOVATION IN A WORLD OF LOW INTEREST RATES

### CHALLENGE:

The global economy is characterised by moderate growth, low inflation and low interest rates. The Norwegian economy is also feeling the effects of restructuring following the decline in petroleum sector investment. Confidence in the inflation target has enabled monetary policy to facilitate restructuring following the fall in oil prices, but the Norwegian economy remains vulnerable. The financial crisis has challenged economic thinking and led to a debate about the framework for monetary policy in many countries.

### ACTION:

- Norges Bank will strengthen contingency planning for situations where there is limited room for manoeuvre in interest rate setting
- Norges Bank will provide the Ministry of Finance with its assessment of the monetary policy mandate in the light of its experience of inflation targeting since 2001
- Norges Bank will evaluate and update the model apparatus used in monetary policy analyses
- Norges Bank will continue working to determine how best to take uncertainty and risk into account in monetary policy
- Norges Bank will enhance communication regarding the Executive Board's monetary policy discussions
- Norges Bank will develop its understanding of the way monetary policy affects financial stability and continue its work on integrating monetary and macroprudential policy analyses
- Norges Bank will establish general principles for liquidity policy



## FINANCIAL STABILITY AFTER THE FINANCIAL CRISIS

### CHALLENGE

The repercussions of the financial crisis continue to affect the global economy. Low and negative policy rates, low long-term interest rates and the expansion of central bank balance sheets in many countries are creating challenges to global and domestic stability. In Norway, high property price inflation over time and the level of household debt are making the economy vulnerable to new shocks.

### ACTION

- Norges Bank will continue working to prevent systemic risk and to enhance the resilience of the financial system
- Norges Bank will develop and use a wider range of systemic risk indicators and macroprudential models in line with international best practice
- Norges Bank will increase its use of different types of microdata to shed light on monetary policy and macroprudential issues
- Norges Bank will influence the formulation of financial system regulation through its analyses and recommendations

## AN EFFICIENT AND MODERN PAYMENT SYSTEM

### CHALLENGE

Payment system technology is developing at a rapid pace. Payments are increasingly made electronically based on customer deposits, while access to cash has diminished. Several central banks are assessing whether to develop their capacity to offer payment solutions using electronic central bank money. Cybercrime is on the rise and constantly poses new challenges.

### ACTION

- Norges Bank will, in consultation with the industry, work to promote faster payments with immediate settlement
- Norges Bank will assess whether decentralised technology could increase the efficiency of the Norwegian financial infrastructure and will explore whether electronic central bank money could serve as a possible future means of payment in Norway
- Norges Bank will supply the public with cash as a means of payment and a new banknote series will be issued in the course of the strategy period
- Norges Bank will, in cooperation with Finanstilsynet (Financial Supervisory Authority of Norway), follow up on its advice to the authorities regarding contingency arrangements for the payment system
- Norges Bank will update and improve its most critical IT systems and ensure their robustness, modernisation, operational reliability and cost-efficiency
- Norges Bank will strengthen its contingency planning to protect the core of the payment system (Norges Bank's settlement system) and the Bank's other mission-critical systems against cybercrime



## LONG-TERM AND RESPONSIBLE MANAGEMENT OF THE GOVERNMENT PENSION FUND GLOBAL

### CHALLENGE

The value of the Government Pension Fund Global (GPFG) has increased substantially in recent years and is now 2.5 times higher than mainland GDP. The investment strategy has been developed over time based on solid financial principles and practical experience within investment management. The complexity of the GPFG's management tasks has increased while management costs have been kept at a low level compared with similar funds. The GPFG is a long-term and responsible investor with ownership stakes in more than 9 000 companies in over 70 countries. The return on the GPFG is of growing importance for the Norwegian economy. At the same time there are increased demands on how the management assignment is performed with regards to governance and control, transparency, accountability and professionalism.

### ACTION

- Norges Bank will take advantage of the GPFG's unique combination of characteristics and perform its investment management assignment in a cost-efficient manner to achieve the highest possible return within the framework of the investment management mandate
- Norges Bank will strengthen its advisory role with regard to the development of the GPFG investment strategy in order to secure a solid, long-term return
- Norges Bank will strengthen its operational management of the GPFG through further development of the internal reference portfolios
- Norges Bank will place emphasis on its role as a long-term, professional and responsible owner with in-depth knowledge about the largest companies
- Norges Bank will be a global leader in responsible investment and will contribute to the development of international standards and principles
- Norges Bank will continue to build a portfolio of unlisted real estate investments concentrated on a limited number of major cities around the world
- Norges Bank expects to keep internal management costs below 5 basis points despite increased investments in private real estate

## A TRANSPARENT, PREDICTABLE AND ACCESSIBLE CENTRAL BANK

### CHALLENGE

To maintain confidence in the way Norges Bank accomplishes its tasks in the interest of the Norwegian people, transparency with regard to all the Bank's activities is essential. Openly communicating our decisions and response pattern will enhance predictability and understanding. In a rapidly changing media landscape, there is an increasing need for available and accessible information about the Bank's tasks and performance. By pursuing a policy of open communication, we can foster knowledge-based societal debate.

### ACTION

- Norges Bank will be transparent, correct, predictable and responsible
- Norges Bank will communicate frequently, simply and clearly
- Norges Bank's website will at all times be updated with all important information
- Norges Bank will give weight to expanding dialogue with different target groups



## OUR MOST IMPORTANT RESOURCE IS OUR STAFF

### CHALLENGE

Norges Bank is a knowledge-based institution with high employee knowledge and performance standards. We compete for the best candidates from leading national and international institutions. The Bank facilitates employee development in the face of new challenges.

### ACTION

- Norges Bank will offer professional development opportunities
- Norges Bank will continue to promote a performance-oriented corporate culture aimed at fostering innovation and teamwork
- Norges Bank will strengthen its contact with academic communities in Norway and abroad
- Norges Bank will continue to promote gender balance and diversity in the workplace
- Norges Bank will use leadership training programmes to strengthen the understanding of leadership roles and provide insight into staff management processes

## A WELL-RUN CENTRAL BANK

### CHALLENGE

Norges Bank's use of resources must be cost-efficient, prudent, and commensurate with the Bank's tasks. In the current international threat landscape, where intelligence agencies, advanced organised crime and terrorism play a significant role, Norges Bank must conduct its tasks with a high degree of security for its personnel, functions and systems.

### ACTION

- Norges Bank's use of resources will be cost-efficient, prudent, and commensurate with its tasks. The cost level will be reasonable relative to comparable organisations
- Norges Bank will further develop its governance framework in line with best practice. Risk management will be efficient and appropriate to the nature, scope and complexity of the Bank's activities
- Norges Bank will develop a security management model that takes account of the needs of all areas of activity. Contingency exercises will be conducted regularly
- Norges Bank will develop an environmental strategy for the day-to-day operation of the Bank



