

INTERNATIONAL MONETARY FUND

Interim Report for the Eighth Review of the Fund's Data Standards Initiatives

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Executive Summary

In March 2010, the IMF Executive Board discussed a Board Paper on “Broadening Financial Indicators in the Special Data Dissemination Standard (SDDS)” (<http://www.imf.org/external/np/sec/pn/2010/pn1041.htm>). They agreed to accelerate the timing of the Eighth Review of the Fund's Data Standards Initiatives to within 24 months—at least a year and a half earlier than previously anticipated, and requested the Statistics Department (STA) to return to them within about a year with an interim briefing on the Eighth Review of Data Standards Initiatives.

This paper notes developments in the data standards initiatives since the Board discussions on the [Seventh Review of the Fund's Data Standards Initiatives](#) (December 2008) and on Broadening Financial Indicators in the SDDS (March 2010). It explores themes that would be relevant for the Eighth Review, currently scheduled for early 2012. As one major theme, it seeks Directors' feedback on a proposal for a possible enhanced data dissemination standard (SDDS Plus, a new tier within the existing data dissemination framework) that would be primarily intended for IMF member subscribers to the SDDS with systemically important financial sectors while contributing to address further the data gaps revealed in the global crisis. This new initiative would be designed to enhance and supplement, but not to replace, the SDDS.

Progress was achieved with the various modifications approved by the Board at the meetings on the Seventh Review and on Broadening Financial Indicators in the SDDS. The updated GDDS framework and SDDS framework were disseminated in September 2010. Most of the SDDS metadata now have references to internationally accepted statistical methodologies and describe deviations from those methodologies. Implementation of the modifications to the Data Template on International Reserves and Foreign Currency Liquidity (Reserves Template) to cover exchange-traded futures settled in domestic currency has been completed. A number of Data Modules of the Report on the Observance of Standards and Codes or reassessments also have been completed. The GDDS is becoming more closely aligned with

the SDDS and now places greater emphasis on data dissemination. Moreover, recasting the GDDS metadata to be in closer alignment with the SDDS has been completed and these metadata began to be posted on the DSBB in February 2011. Work on incorporating financial soundness indicators (FSIs) in the SDDS is making good progress. Transition to quarterly International Investment Position (IIP) data with quarterly timeliness, is on track with the transition period scheduled to end on September 30, 2014. The new table on external debt by remaining maturity has been incorporated in the SDDS on an encouraged basis. Since the Seventh Review, two new Fund financing instruments have been established that reference the SDDS: the Flexible Credit Line (FCL) and the Precautionary Credit Line (PCL), and the implications for the SDDS are described.

Consultations with subscribers and participants have been an opportunity to highlight the enhancements to the data standards initiatives and the feedback has been positive overall. Staff outreach to some market participants showed strong support for the proposed enhancements, including through an SDDS Plus tier in the Fund's Data Standards Initiatives. Feedback from capital markets and other interested parties in data dissemination identifies room for further improvement in data comparability and data quality, and highlights interest in longer time series. They continue to be disappointed with the lack of cross-country and cross-sector comparability of data and are frustrated with the paucity of time series, especially regarding fiscal statistics. Stakeholders are also interested in more data to assess financial risk, as long as this effort balances costs and benefits.

To address stakeholder concerns, the paper proposes adoption of the most recent versions of the five main internationally accepted macroeconomic statistical methodologies as a requirement under the SDDS, after an appropriate transition period, to enhance cross-country and cross-sector data comparability. In addition, the SDDS could prescribe hyperlinks to longer time series and more detailed data via the National Summary Data Pages (NSDP). The paper also presents the case for revisiting the SDDS nonobservance procedures. In practice, these procedures have not followed time limits and the paper outlines a possible move toward rule-based nonobservance procedures, which could be proposed at the time of the Eighth Review. Moreover, ARC flexibility options and the Forward-Looking Indicators (FLIs) data category in the SDDS are not widely applied or used, and the staff could propose to delete them, after an appropriate transition period.

The paper also makes the case for an SDDS Plus to create a stronger data dissemination standard as an efficient way to help address data gaps identified during the global financial crisis. It has been recognized that a lack of data was not a main cause of the global financial crisis; nonetheless, the recent crisis revealed serious data gaps in key areas and the lack of data as an inhibiting factor in identifying the crisis in real time. The SDDS Plus would be designed to be fully consistent with the Fund's mandate on the stability of the international monetary system and on surveillance, and would aim to support other Fund initiatives.

The SDDS Plus proposal outlines possible governance elements and modalities, and explores data categories that could be required in such a standard. According to the proposal, the SDDS Plus would be part of the Fund's Data Standards Initiatives. To accede to the SDDS Plus, a country would need to be a subscriber in full observance of the SDDS. Similar to the SDDS, adhering to the SDDS Plus would be voluntary, but once a country adheres, it obliges itself to meet the most rigorous data dissemination and data quality standards within the Fund's Data Standards Initiatives. SDDS subscribers with systemically important financial sectors would be encouraged to adhere to the SDDS Plus. Modalities for monitoring the observance of SDDS Plus requirements, as well as nonobservance procedures would likely be similar to the SDDS; however, the SDDS Plus would contain only required data categories, but would incorporate appropriate transition periods.

Finally, the paper discusses resource implications and presents issues for Board discussion.

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GLOSSARY

ARC	Advance Release Calendar
<i>BPM5</i>	<i>Balance of Payments and International Investment Position Manual, Fifth Edition, 1993</i>
<i>BPM6</i>	<i>Balance of Payments and International Investment Position Manual, Sixth Edition, 2008</i>
BIS	Bank of International Settlements
<i>CPIM 2004</i>	<i>Consumer Price Index Manual: Theory and Practice 2004</i>
CDIS	Coordinated Direct Investment Survey
CPIS	Coordinated Portfolio Investment Survey
DQAF	Data Quality Assessment Framework
Reserves Template	Data Template on International Reserves and Foreign Currency Liquidity
DSBB	Dissemination Standards Bulletin Board
EWE	Early Warning Exercise
FSAP	Financial Sector Assessment Program
FSI	Financial Soundness Indicator
FSA	Financial Stability Assessment
FSB	Financial Stability Board
FCL	Flexible Credit Line
FLIs	Forward-looking indicators
MAP	G-20 Mutual Assessment Process
GDDS	General Data Dissemination System
GFSR	Global Financial Stability Report
<i>GFSM 2001</i>	<i>Government Finance Statistics Manual 2001</i>
<i>GFSY</i>	<i>Government Finance Statistics Yearbook</i>
IAG	Inter-Agency Group on Economic and Financial Statistics
IIP	International Investment Position
IMFC	International Monetary and Financial Committee
IMF	International Monetary Fund
MCM	Monetary and Capital Markets Department
<i>MFSM 2000</i>	<i>Monetary and Financial Statistics Manual 2000</i>
NSDP	National Summary Data Page
PCL	Precautionary Credit Line
PGI	Principal Global Indicators
ROSC	Report on the Observance of Standards and Codes
RES	Research Department
RPPI	Residential Property Price Indices
SDDS	Special Data Dissemination Standard
SDMX	Statistical Data and Metadata Exchange
STA	Statistics Department
SPR	Strategy, Policy, and Review Department
<i>1993 SNA</i>	<i>System of National Accounts 1993</i>
<i>2008 SNA</i>	<i>System of National Accounts 2008</i>
UN	United Nations
WEO	World Economic Outlook

I. INTRODUCTION

Background and Motivation

1. In March 2010, the IMF Executive Board discussed a Board Paper on “Broadening Financial Indicators in the Special Data Dissemination Standard (SDDS)” (<http://www.imf.org/external/np/sec/pn/2010/pn1041.htm>), which represented a first step to address data gaps highlighted by the global financial crisis. Directors agreed to accelerate the timing of the Eighth Review of the Fund’s Data Standards Initiatives to within 24 months—at least a year and a half earlier than previously anticipated, and requested the Statistics Department (STA) to return to them within about a year with an interim briefing on the Eighth Review of Data Standards Initiatives (Eighth Review).

2. This Eighth Review Interim Board paper notes developments in the data standards initiatives since the Board discussions on the [Seventh Review of the Fund’s Data Standards Initiatives](#) (December 2008) and on Broadening Financial Indicators in the SDDS (March 2010). It explores themes that would be relevant for the Eighth Review of the Fund’s Data Standards Initiatives, currently scheduled for early 2012. As one major theme, it seeks Directors’ feedback on a proposal for a possible enhanced data standards initiatives (SDDS Plus, a new tier within the existing data dissemination framework) that would be primarily intended for IMF member countries with systemically important financial sectors while contributing to address the data gaps revealed in the global crisis. This new initiative would be designed to enhance and supplement, but not to replace, the SDDS.

Structure of the Paper

3. The structure of this paper is as follows: Section II reports progress achieved with the various modifications approved by the Board at the meetings on the Seventh Review and on Broadening Financial Indicators in the SDDS, as well as on outreach activities with subscribers and SDDS-related developments in the Fund’s new financing instruments. Section III discusses possible themes to be addressed in the context of the Eighth Review, including the possible strengthening of data quality through methodological improvements and better links to time series, a review of nonobservance procedures, based on recent experience, and some potential streamlining of the SDDS. Section IV outlines the case for creating an SDDS Plus as part of the Fund’s Data Standards Initiatives, making a clear connection to the Fund’s mandate. This section emphasizes links to other work in the Fund, such as financial stability assessments, the World Economic Outlook (WEO), the Global Financial Stability Report (GFSR), and the Fiscal Monitor, the Early Warning Exercise (EWE), and the G-20 Mutual Assessment Process (MAP).¹

¹ The Fund’s involvement in the MAP exercise is voluntary and at the request of Fund members in the context of the provision of technical assistance services.

Section V outlines a possible proposal for an enhanced data dissemination standard (SDDS Plus) based on the SDDS, which would aim to guide data dissemination practices for countries with systemically important financial sectors, as a way to address the data gaps identified during the global financial crisis, relying heavily on the work of the Fund in collaboration with other agencies, including the Financial Stability Board (FSB). Resource implications are discussed in Section VI and issues for Board discussion are presented in Section VII.

II. DEVELOPMENTS SINCE PREVIOUS BOARD DISCUSSIONS

4. **The [updated GDDS framework](#) and [SDDS framework](#) were disseminated in September 2010 to reflect the Executive Board’s decisions made at meetings on the Seventh Review and on Broadening Financial Indicators in the SDDS.** Several enhancements to the SDDS approved by the Board aimed to address certain data gaps highlighted by the global financial crisis. STA has notified SDDS coordinators and advised them to begin implementing the recent enhancements in the SDDS (as reflected in its legal text) as soon as possible.

A. Progress on Board Approved Modifications since the Seventh Review

5. **Most of the SDDS metadata now have references to internationally accepted statistical methodologies and describe deviations from those methodologies.** In mid-2009, staff reviewed all of the SDDS metadata for such references and deviations. Beginning in October 2009 staff communicated the findings of the review to SDDS coordinators, requesting updates to ensure that the metadata have explicit references to these methodologies and that deviations from them are noted. Staff also posted on the Dissemination Standards Bulletin Board (DSBB) a list of [internationally accepted statistical methodologies](#) for each data category covered by the SDDS. As of mid-January 2011, almost 95 percent of the 1224 data categories metadata presentations (18 data categories² for each of the 68 subscribers) have explicit references to internationally accepted statistical methodologies that the subscriber follows, as well as relevant deviations from them. There are only 63 out of the 1,224 data categories where citations or deviations are missing, mainly regarding wages, the production index, consumer and producer prices, and population. Staff continues to work with subscribers to fill the remaining gaps, with a view to completing this exercise before the Eighth Review in early 2012.

6. **Implementation of the modifications to the Data Template on International Reserves and Foreign Currency Liquidity (Reserves Template) to cover exchange-traded futures settled in domestic currency has been completed.** Reporting in the Reserves Template of the outstanding positions on exchange-traded futures settled in domestic currency, but linked

² Three data categories covered by the SDDS are excluded from this exercise, in part because no internationally accepted statistical methodology has been fully developed. These are: interest rates, the stock market index, and exchange rates.

to a foreign currency, has been confirmed by country authorities and Fund staff. All SDDS subscribers, with one exception, comply with this data dissemination requirement, which became effective since end-August 2009 (for July 2009 data).

7. **A number of Data Reports on the Observance of Standards and Codes (ROSCs) or reassessments are expected in the coming years.** At its discussion on the [Seventh Review](#), the Board encouraged subscribers to conduct and disseminate a Data ROSC or undertake an equivalent exercise at intervals of no more than seven-to-ten years. Staff communicated this message to all subscribers, and made special efforts to be in touch with subscribers that had never conducted a Data ROSC (or equivalent) and in cases where such an exercise was more than 10 years old. Since the Seventh Review, five Data ROSCs (Australia, Costa Rica, Korea, Mexico, and Russia) were conducted and four have been disseminated in 2010 or early 2011 (one report has not been disseminated as yet; see <http://dsbb.imf.org/pages/dqrs/ROSCDataModule.aspx>). Four subscribers have yet to conduct and disseminate a Data ROSC or equivalent exercise, and two others have outdated ROSCs (completed in 1999). By the end of 2011, Data ROSCs will have become a decade old for two additional subscribers. STA is working to update the July 2003 version of the Data Quality Assessment Framework (DQAF), which is used by staff to undertake the assessments under a Data ROSC, to incorporate the latest developments in statistical methodologies (especially the *System of National Accounts 2008 (2008 SNA)* and the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*). During this update, which should be completed by 2012,³ STA's capacity to conduct Data ROSCs could be constrained.

8. **The GDDS is becoming more closely aligned with the SDDS.** The GDDS now places greater emphasis on data dissemination, as reflected in the updated GDDS framework document posted on the web in September 2010. In addition, the GDDS guide for participants and users is in the process of being updated to reflect these modifications and is expected to be disseminated in the first quarter of 2011. Moreover, recasting the GDDS metadata to be in closer alignment with the SDDS has been completed. STA staff worked on the conversion of the GDDS metadata into the DQAF coded format to align them more closely with the SDDS. These revised metadata were sent to the authorities of GDDS participants for review in 2010. The new DQAF-formatted GDDS metadata began to be posted on the DSBB in February 2011. At the same time, since the Seventh Review, GDDS workshops were held in Bahrain, Kenya, Botswana, Azerbaijan, and Ghana, inviting neighboring countries to each workshop.⁴ The workshops allowed participants to

³ Excess demand for Data ROSCs during this period might be accommodated through peer reviews. STA could facilitate such exercises by putting interested countries in touch with potential peer reviewers.

⁴ GDDS workshops were held in March 2009 (Bahrain, 18 participants), August-September 2010 (Kenya, 12 participants), September 2010 (Botswana, 19 participants), September 2010 (Azerbaijan, 20 participants), and November 2010 (Ghana, 14 participants). In addition, an SDDS workshop was held in December 2010 (Saudi Arabia, 34 participants).

review the modifications to the GDDS metadata. The workshops also provided them with an opportunity to study the changes to the GDDS that were designed to strengthen data dissemination by incorporating elements of the SDDS, including especially data category alignment and associated encouraged periodicity and timeliness for each data category; National Summary Data Pages (NSDPs); and Advance Release Calendars (ARCs).

B. Developments in the Broadening of Financial Indicators in the SDDS

9. **Work on incorporating financial soundness indicators in the SDDS is making good progress.** The recent financial crisis highlighted the need for more frequent, timely, and cross-country comparable financial indicators. A new SDDS data category named “Financial Soundness Indicators” (FSIs) was introduced on an encouraged basis as decided by the IMF’s Executive Board in March 2010. The category encompasses seven FSIs: (i) regulatory tier 1 capital to risk-weighted assets, (ii) regulatory tier 1 capital to assets, (iii) nonperforming loans net of provisions to capital, (iv) nonperforming loans to total gross loans, (v) return on assets, (vi) liquid assets to short-term liabilities, and (vii) net open position in foreign exchange to capital. These indicators are encouraged to be disseminated quarterly with one quarter timeliness. As an encouraged data category there is no transition period. Subscribers were informed that the seven FSIs could be disseminated through the Fund’s FSIs database (<http://fsi.imf.org/>), and on their NSDPs along with the already existing financial sector data categories. Subscribers that disseminate this encouraged data category have been requested to include a hyperlink on their NSDPs to the Fund’s FSIs database. As of mid-January 2011, 50 of the 52 countries that report FSIs data to the Fund on the FSI database are SDDS subscribers (and 12 subscribers report FSIs on their NSDPs). The data that are being reported do not always cover all seven indicators (although in many cases other FSIs are being reported), and have diverse periodicity and timeliness characteristics across (and within) countries. Nevertheless, this method of incorporating FSIs in the SDDS has significantly reduced reporting burdens on the SDDS subscribers and is leading to faster and broader dissemination of these data.

10. **The transition to quarterly International Investment Position (IIP) data with quarterly timeliness, is on track.** In order to better understand cross-border linkages and facilitate flow and stock data consistency, the Board prescribed changes in the SDDS legal text requiring subscribers to report quarterly (rather than annual) IIP data with a maximum lag of one quarter and a transition period of four years. The aim is to allow users to link the existing quarterly balance of payments data to quarterly IIP data to obtain a full picture of external vulnerabilities. The transition period is scheduled to end on September 30, 2014. At that time, all SDDS subscribers would have to disseminate quarterly IIP data on their NSDPs for the first and second quarters of 2014. As of January 2011, of the 68 SDDS subscribers, over 60 percent (42) already report quarterly IIP data, thereby meeting these tighter requirements. STA has informed subscribers of the new requirement and the transition period, and consultations confirm that all remaining subscribers that do not currently conform to the new requirement are actively working to meet this schedule. STA is in the process of preparing a pamphlet to assist countries

with the compilation of quarterly IIP data. The pamphlet will outline strategies for building this dataset, including sources of data and estimation techniques, as well as some countries' experience in compiling quarterly IIP.

11. **The new table on external debt by remaining maturity has been incorporated in the SDDS on an encouraged basis.** The table aims to monitor liquidity risks. The SDDS legal text was updated accordingly. As an encouraged data category, there is no transition period. The table could be hyperlinked through the subscriber's NSDP and subscribers have been notified of this change. Thus far, only 10 SDDS subscribers have disseminated the data (see the [external debt hub](#), Table 3 and supplementary Table 3.1).

C. Outreach with Stakeholders

12. **Consultations with subscribers and participants have been an opportunity to highlight the enhancements to the data standards initiatives and the feedback has been positive overall.** As noted above, STA staff have already conducted a series of workshops and seminars with GDDS participants to more widely promote SDDS subscription and GDDS participation, and to listen to feedback from these stakeholders about the recent enhancements to the data standards initiatives, as well as about areas for further improvement. Since the Seventh Review, STA has held six GDDS and SDDS workshops/seminars and conducted outreach consultations with SDDS subscribers. In general, subscribers and participants are pleased with the standards and welcomed the recent enhancements. Some GDDS representatives remain concerned with the requirement under the SDDS to disseminate industrial production and unemployment indexes, especially for economies where agriculture and services, and informal agrarian employment play a large role, respectively. However, in these circumstances, the SDDS already provides for "as relevant" provisions to accommodate these circumstances. For example, if services constitute a large part of a potential subscriber's economy, then a volume index of any other relevant economic activity could substitute for an industrial production index. Participants were also concerned with the different structure of the metadata requested by international and donor agencies, and multiple requests for the same metadata by these agencies. The move to structure both SDDS and GDDS metadata applying the DQAF was a step in the right direction to address this concern, because the DQAF can be linked to the Statistical Data and Metadata Exchange (SDMX), as envisaged at the time of the Sixth Review (2005).⁵ Some GDDS participants saw merit in establishing a distinctive "advanced GDDS" supplementary standard to encourage and support dynamic GDDS participants that have ambitions to graduate to the SDDS.

13. **Feedback from capital markets and other interested parties in data dissemination highlights that there is room for further improvement in cross-country and cross-sector**

⁵ See [Supplement to the Sixth Review of the Fund's Data Standards Initiative: Metadata Standardization in the Data Quality Program](#) (July 2005).

data comparability and in data quality, and that there is interest in longer time series.

Outreach efforts with capital markets and others (such as rating agencies and companies that re-disseminate macroeconomic data) found several recurring themes, as users remain particularly concerned with data quality. They continue to be disappointed with the lack of cross-country and cross-sector comparability of data and are frustrated with the paucity of time series, especially regarding fiscal statistics. Users noted the progress achieved with the establishment by the Inter-Agency Group on Economic and Financial Statistics (IAG) of the Principal Global Indicators (PGI) database⁶ for the countries covered (the G-20 economies), but pointed out that the lack of data comparability across countries limited the type and availability of country-comparative data included in the PGI. In general, they welcomed the SDDS move to quarterly IIP data with dissemination within one quarter of the reference period; however, some were impatient with the length of the transition period that is scheduled to last until September 2014. They also appreciated the increased transparency provided by including citations and deviations from internationally accepted statistical methodologies in the SDDS metadata, as well as the transformation of GDDS metadata into the DQAF standardized format, which provides for search capabilities that can be exploited by users on the DSBB. Nevertheless, many users found that the data standards initiatives fail to provide a quick and simple assessment of data quality. They cited specific examples of countries' data categories that markets generally discount because of poor quality (especially regarding the dimension of accuracy). They noted that the SDDS (and the Fund) have been slow to recognize these perceptions of weak data quality, either through SDDS nonobservance procedures, or the Fund's procedures for breach of obligations under Article VIII, Section 5.

14. Stakeholders are also interested in more data to assess financial risk, as long as this effort balances costs and benefits, and in this context, capital markets supported the possible new tier to the Fund's Data Standards Initiatives (SDDS Plus) described in Sections IV and V, below. Many stakeholders were curious about the Fund's work regarding the transfer of risk and data collection on systemically important global financial institutions and sectors, particularly with regard to risk build-up in the financial sector, cross-border interconnections, and vulnerability of domestic economies (and financial institutions) to shocks. Some capital market players noted the additional data reporting burden (including on financial institutions), but recognized the overarching and systemic value of these data efforts. They requested the Fund to keep these costs in mind, and to collaborate closely with others, such as the Bank for International Settlements (BIS) and the Financial Stability Board (FSB), to avoid any duplication of effort. In this context, data users noted that they tend not to use forward-looking indicators (FLIs) from the SDDS, suggesting that these indicators could represent an area of streamlining in the SDDS.⁷

⁶ The PGI website, <http://www.principalglobalindicators.org/default.aspx>, is hosted by the IMF, and is an undertaking of the IAG. Members of the IAG are the BIS, the European Central Bank, Eurostat, the IMF (chair), the Organisation for Economic Co-operation and Development, the United Nations (UN), and the World Bank.

⁷ At present, 16 SDDS subscribers report FLIs through their NSDPs.

D. New Fund Financing Instruments Related to the SDDS

15. Two new Fund financing instruments have implications for the SDDS and related work. Since the Seventh Review, two new Fund financing instruments have been established that reference the SDDS: the Flexible Credit Line (FCL) and the Precautionary Credit Line (PCL). On March 24, 2009, as part of a package of reforms to the Fund's lending facilities, the Board decided to establish the FCL. This instrument provides upfront access to Fund resources for members with very strong economic fundamentals and policy frameworks. Staff guidelines were issued in November 2009.⁸ In August 2010, the Executive Board approved a set of reforms to further strengthen the Fund's capacity to assist member countries in preventing crises. The additional reforms included refining the FCL with a view to increasing its effectiveness and predictability, and establishing a new instrument, the PCL, to broaden the availability of crisis prevention instruments to countries that have sound fundamentals and policies but do not yet meet the qualification standard of the FCL.⁹ The qualification criteria for both of these facilities include the existence of adequate data, pointing explicitly to the SDDS and highlighting the benefits of SDDS subscription and data transparency and integrity.

16. SDDS implications stemming from the FCL: ex-ante criteria. The FCL was designed for crisis mitigation and prevention for members with very strong fundamentals and policies. The FCL is intended for members that meet specific qualification criteria,¹⁰ including data adequacy, specifically regarding data transparency and integrity as determined by SDDS subscription or the Funds' judgment that satisfactory progress is being made toward meeting SDDS requirements. These are to be assessed routinely through evaluations of data quality and integrity in the context of Article IV consultations.¹¹

17. SDDS implications stemming from the PCL: ex-ante and ex-post conditionality. A member's qualification for a PCL arrangement is assessed against five areas, with the member being expected to perform strongly in most of these areas and not to substantially underperform

⁸ See [GRA Lending Toolkit and Conditionality: Reform Proposals](#) and [Supplements](#) and [The Flexible Credit Line---Guidance on Operational Issues](#), November 3, 2009).

⁹ See [The Fund's Mandate—Future Financing Role](#) and [The Fund's Mandate---The Future Financing Role: Revised Reform Proposals](#).

¹⁰ A member's qualification assessment for an FCL is in the following areas: (i) external position and market access; (ii) fiscal policy; (iii) monetary policy; (iv) financial sector soundness and supervision; and (v) data adequacy, as set forth in paragraph 2 of Decision No. 14283-(09/29), as amended by Decision No. 14714-(10/83).

¹¹ Since the creation of the FCL, three members have accessed this arrangement: Colombia, Mexico, and Poland. All of them were current subscribers in observance of SDDS requirements and, therefore, met this FCL qualification.

in any of them.¹² Among these areas is the one of “data adequacy”. In turn, data adequacy for purposes of the PCL, as in the case of the FCL, calls for the member to be a subscriber of the SDDS or be judged by the Fund to be making satisfactory progress toward meeting the SDDS requirements. When the member requesting a PCL is a non-SDDS subscriber, staff must determine whether the member is making satisfactory progress toward meeting SDDS requirements. In some cases, this might require an SDDS assessment mission and an agreement on an action plan with the authorities to determine the steps and timetable for remaining on track with satisfactory progress. If remaining vulnerabilities of the member regarding data adequacy are judged critical to address for the success of the program, this may require ex-post conditionality in this area to be established under the PCL arrangement.

III. PROPOSED THEMES FOR THE EIGHTH REVIEW

18. **The SDDS was designed to evolve over time to address new data needs and to keep its relevance as a tool for crisis prevention, and SDDS’ enhancements are important to ensure that the objective of promoting transparency is maintained.** The SDDS was established in the aftermath of the financial crises of the 1990’s (starting with the 1994 Mexican crisis), in response to the broad consensus that the lack of transparency in providing information played a major role in triggering and prolonging crises. The emphasis on transparency was based on the expectation that the release of more comprehensive, frequent, and timely data together with more information on economic and financial policies would enable economic agents to take timely and informed steps that would help support sound economic policies, reducing the probability of crises.

A. Possible Further Enhancements to the SDDS and the GDDS

19. **The purpose of this section is to provide Executive Directors with possible themes regarding further enhancements to the SDDS and the GDDS for discussion at the time of the Eighth Review of the Fund’s Data Standards Initiatives, planned for early 2012.** The Review would update and report on progress on the implementation of changes since the discussions on the [Seventh Review](#) and on [Broadening Financial Indicators in the SDDS](#), in December 2008 and March 2010, respectively. For the SDDS, the Eighth Review would focus on progress with: (i) additional subscription; (ii) citations and deviations regarding internationally accepted statistical methodologies; (iii) encouragement to conduct and disseminate Data ROSCs or equivalent exercises by subscribers; (iv) implementation of the modifications to the Reserves Template; (v) incorporation of FSIs as an encouraged data

¹² In addition to the qualification criteria, under no circumstances would a PCL arrangement be approved for a member facing any of the following circumstances: (i) sustained inability to access international capital markets; (ii) the need to undertake large macroeconomic or structural policy adjustments, unless these were set credibly in train before approval of the arrangement; (iii) a public debt position that is not sustainable with a high probability; or, (iv) widespread bank insolvencies. See paragraph 2(b) of Decision No. 14715-(10/83) adopted August 30, 2010.

category; (vi) work to ensure a smooth transition to quarterly IIP data with quarterly timeliness by the end of the transition period (reporting data for 2014 beginning in September 2014); (vii) reporting external debt by remaining maturity as an encouraged data category; and (viii) updating the SDDS Guide for Subscribers and Users. For the GDDS, the Eighth Review would focus on progress with: (i) additional participation; (ii) the alignment of the GDDS data categories to the SDDS; (iii) GDDS metadata conversion to the DQAF format along with the new presentation of this information on the DSBB; (iv) steps that could be developed to encourage participants to update their metadata and plans for improvement at least on an annual basis; and (v) updating the GDDS Guide for Participants and Users. The Eighth Review would also report on the outcome of consultations with SDDS subscribers and GDDS participants, and outreach to capital markets and other stakeholders.

20. **Possible directions for the Fund’s Data Standards Initiatives under the Eighth Review are envisaged to include further enhancements to the SDDS and a proposal for the SDDS Plus (as described in Sections IV and V below).** Staff outreach to capital markets confirms their support for such a proposal. Based on the experience with the recent enhancements to the Initiatives, and feedback from consultations and outreach exercises, the Eighth Review would suggest some likely directions for the Fund’s Data Standards Initiatives. This is expected to include refining enhancements that were approved by the Board for the SDDS regarding FSIs (including perhaps adding more FSIs to this encouraged data category), as well as discussions on incorporating information regarding systemically important global financial institutions and sectors, sectoral balance sheets, additional fiscal data, and real estate data, as envisaged at the time of the March 2010 Board discussion. One possible additional new direction envisaged is the establishment of the “SDDS Plus”, as described in the following sections, depending on Board guidance.

B. Methodology for Data Comparability

21. **To address some of the concerns raised by stakeholders, the Eighth Review could consider modifications to the SDDS that would enhance cross-country and cross-sector data comparability.** Internationally accepted statistical methodologies are critical to data comparability within and across countries and to data quality and credibility. Comparability of data (across sectors and internationally) depends in large part on the implementation of these methodologies. In macroeconomic statistics, STA has been at the forefront of development and coordination of these efforts, and collaborates with other international and regional organizations, to produce, promulgate, and support the implementation of the latest methodologies (including the *2008 SNA* (IMF, OECD, Eurostat, United Nations, and the World Bank); the *Consumer Price Index Manual: Theory and Practice 2004—CPIM 2004* (ILO, IMF, OECD, Eurostat, United Nations, and the World Bank); the sixth edition of the *BPM6*; the *Government Finance Statistics Manual 2001—GFSM 2001*; the *Monetary and Financial Statistics Manual 2000—MFSM 2000*, and related compilation guides and data collection

templates).¹³ These five methodologies in the four main areas of macroeconomic statistics (real, external, fiscal, and financial sectors) continue to evolve and aim to provide compilers and users with an integrated set of macroeconomic statistics. To the extent that SDDS subscribers (and the rest of the Fund membership) adopt these methodologies and templates, the data will become more comparable across sectors within a country and across countries, contributing to improved data quality.

22. **In the context of the Eighth Review, adoption of the most recent versions of the five main internationally accepted macroeconomic statistical methodologies could be prescribed under the SDDS, after an appropriate transition period.** Up until now, the adoption of internationally accepted statistical methodologies has not been an explicit goal of the Fund's Data Standards Initiatives, in part because this was seen as being overly ambitious and because it was perceived as being a distraction from the main objective of improving data dissemination and metadata transparency. The emphasis at the inception of the SDDS was on getting economies to describe their current methodological practices and make them more widely known, not to change those practices. However, due to more emphasis on strengthening bilateral and multilateral surveillance, the demand for cross-country and cross-sector data comparability has increased considerably. Thus, it may be propitious to reconsider the role of the SDDS to strengthen data quality, in particular, relative to internationally accepted statistical methodologies. While the Fund continues to encourage members to adopt these methodologies in general, broad acceptance of the *CPIM 2004* and predecessors to the *2008 SNA* and the *BPM6* by the membership (the *1993 SNA*, and the *BPM5*, respectively), increasing use of the integrated monetary and financial statistics in Fund operational work based on the *MFSM 2000*, and the Board's requirement to present fiscal data in staff reports from May 2011 using the *GFSM 2001* format, all suggest that the existing SDDS could be modified to require each of the five main macroeconomic statistics methodologies to be adopted by SDDS subscribers in whole or in large part, after an appropriate transition period. Among these five methodologies, the *GFSM 2001* may present the greatest challenges for most subscribers. The SDDS also could require that subscribers develop and disseminate a migration plan to adopt each of these methodologies, including the public dissemination of detailed timetables for the implementation of these plans. Explicitly prescribing these five main methodologies would, at the end of the transition period, lead to more comparable macroeconomic data within and across SDDS subscribers.

C. Links to Time Series for Greater Data Dissemination

23. **The SDDS could prescribe hyperlinks to longer time series and more detailed data via the NSDPs.** The SDDS was developed to provide users with 21 data categories, but NSDPs were designed to contain only the two latest observations for each variable. This lack of

¹³ See the SDDS list of internationally accepted statistical methodologies: <http://dsbb.imf.org/Pages/SDDS/StatMethod.aspx>.

extensive time series in the design of the SDDS has been a point of frustration for many users and limited the utilization of the Standard by users. On the other hand, many subscribers provide longer time series in locations other than the NSDP, but users may have difficulties locating these time series. Thus, one simple solution might be to require that NSDPs contain hyperlinks to the full set of data (providing quick access to more detailed and longer time series) behind each data category. This new requirement could be considered for all or a subset of data categories, and may need to involve a reasonable transition period to be implemented and monitored. STA would undergo a review of time series currently hyperlinked through the NSDPs and undertake an inventory where other links could be made available, and would report back to the Board on its findings at the Eighth Review, including some specific suggestions on possible minimum requirements by data category and periodicity.

D. Revisiting the SDDS Nonobservance Procedure

The Case for Revisiting the SDDS Nonobservance Procedure

24. **SDDS nonobservance procedures have evolved over time.** In establishing the SDDS in 1996, the Executive Board noted that it would be necessary to signal when a subscriber was no longer fulfilling its SDDS undertakings. The Board approved the procedures of SDDS nonobservance on the occasion of the Second Review of the SDDS in December 1998 and established a graduated four-step approach to cases of nonobservance (see Annex I). The steps have been slightly modified over time. In particular, the current legal text (Annex II) indicates that a notice on the DSBB could be placed at the same time that the matter is brought to the attention of the Governor for the Fund.¹⁴ The current procedures allow a high degree of interpretation and do not impose a strict timeline in their implementation, which can undermine the credibility of the SDDS.

Toward a Rule-based SDDS Nonobservance Procedure

25. **In practice, SDDS nonobservance procedures have not followed time limits.** As implemented, nonobservance procedures have not followed a rigorous timeline due to certain ambiguities in the rules and certain exogenous factors. At times, it has taken staff and Management years to bring the nonobservance of SDDS requirements to the attention of the Board. In the meantime, markets generally understood that a data problem existed; yet, the SDDS subscriber failed to correct the problem. In other cases, the quality of data from some subscribers is commonly deemed to be questionable, but the subscribers' metadata and data reporting do not constitute nonobservance of current SDDS requirements. Some data issues could be handled under the Fund's data provision procedures. However, this differs substantially from SDDS nonobservance, which concerns data and metadata dissemination to the public,

¹⁴ The legal text does not specify how the Governor for the Fund would be notified (by letter or otherwise) and whether IMF Management or Department Directors should communicate the matter.

rather than to the IMF. Thus when data dissemination or data reporting to the Fund are not at the core of the data quality problem, other important data quality issues can fall through the cracks of these two mechanisms available to the Fund.

26. **Time limits for SDDS nonobservance procedures could be proposed at the time of the Eighth Review.** Staff would aim to propose a more structured timeline, based on a set of rules for Board consideration. These revised rules would aim to clarify the maximum time lags for each of the four steps for serious deviations from SDDS requirements, and these deviations also would be explicitly defined in the legal text. The exact legal language could be proposed at the time of the Eighth Review.

E. SDDS Streamlining

27. **There are a couple of aspects of the SDDS that are not widely applied or used: ARC flexibility options and the FLIs data category.** Consideration could be given to streamlining these aspects of the SDDS in the context of the Eighth Review.

28. **In particular, the SDDS allows for up to two flexibility options on the ARC.** Specifically, (see the SDDS legal text (II.2.a)), the SDDS allows “flexibility for the distribution of the release dates for up to two data categories.”¹⁵ However, only 14 SDDS subscribers have ever invoked these ARC flexibility options (covering 15 different data categories), many of which no longer do so, leaving a total of only 14 current cases for all SDDS subscribers and data categories (Table 1). The staff could propose to delete these flexibility options from the standards, after an appropriate transition period.

TABLE 1: ARC FLEXIBILITY OPTIONS USED BY SDDS SUBSCRIBERS

Country	Category	Start Date
Australia	Central government debt	1/1/2003
Australia	Central government operations	1/1/2003
Canada	Central government debt	2/2/2007
Canada	Central government operations	1/1/2003
Costa Rica	Central government operations	1/1/2003
Ecuador	National accounts	1/1/2003
Finland	Central government operations	1/1/2003
France	Balance of payments	1/1/2003
Japan	International investment position	1/1/2003
Norway	Employment	6/30/2006
Philippines	Interest rates	1/1/2003
Thailand	Employment	1/1/2003
Thailand	Unemployment	1/1/2003
Thailand	Wages and earnings	1/1/2003

¹⁵ A data category for these flexibility options can be defined to cover labor market statistics (covering wages, unemployment and employment statistics) or price statistics (covering consumer and producer price indexes).

29. **Similarly, only 16 subscribers have provided data under the FLIs, an encouraged data category.** Given other statistical priorities and the lack of dissemination, and other demands from users, staff also could propose to drop this data category from the SDDS. Streamlining the SDDS in this way would contribute to the notion that modifications to the SDDS are not unidirectional. Modifications to strengthen the SDDS both add and subtract encouraged data categories and simplify the structure to enhance the understanding and operational efficiency of the standard.

IV. THE CASE FOR A NEW TIER OF THE FUND'S DATA STANDARDS INITIATIVES: THE SDDS PLUS

30. **This section makes the case for an efficient way to contribute to addressing data gaps identified during the global financial crisis through a new tier of the SDDS (the SDDS Plus).** The purpose of an SDDS Plus would be to create a stronger data dissemination standard that would support other Fund activities (such as mandatory financial stability assessments, the EWE, and work on the G-20 MAP), particularly for SDDS subscriber countries with systemically important financial sectors. In short, the SDDS Plus would aim to serve the broad membership by focusing on stronger data dissemination by a narrower range of target economies that could help strengthen the international financial system.

A. The SDDS May Not Be Enough

31. **As it stands, the SDDS is an effective data dissemination monitoring instrument.** Subscription is voluntary, but involves both commitment to observe the SDDS dissemination prescriptions and monitoring of observance requirements. While the SDDS is an effective tool to encourage the Fund membership to improve data dissemination, more may be needed from countries with financial sectors that are integrated to international financial markets to help monitor systemic risk and implement macro-prudential policies.

32. **It has been recognized that a lack of data was not a main cause of the global financial crisis; nonetheless, the recent crisis revealed serious data gaps in key areas.** One key feature of the recent crisis was its rapid pace of propagation resulting from a high degree of interconnectedness of financial institutions and markets; the lack of data as an inhibiting factor in identifying the crisis in real time. The financial crisis revealed that regulators, supervisors, policy makers, and market participants did not have adequate data available to measure the extent to which financial institutions and markets were linked to properly evaluate the risks and their effects on national and global financial systems.

B. An SDDS Plus Must Have Strong Links to the Fund’s Mandate

33. **The SDDS Plus would be designed to be fully consistent with the Fund’s mandate on the stability of the international monetary system and on surveillance.** Specifically, the data requirements under an SDDS Plus would aim to positively reinforce the financial stability assessments for countries with systemically important financial sectors. To strengthen financial sector surveillance by mapping interconnectedness across sectors and across borders, it is essential to fill gaps in financial sector data, while taking into account possible spillovers and linkages. This would be supported by the work of the IMF, in collaboration with the FSB, to address data gaps in the context of a G-20 Data Gaps Initiative endorsed by the International Monetary and Financial Committee (IMFC).

34. **Depending on the data categories included, the SDDS Plus could support other work of the Fund as follows.** The Board has recently endorsed mandatory financial stability assessments (FSAs) under the Financial Sector Assessment Program (FSAP)¹⁶ for 25 countries every five years and 24 of these 25 countries are SDDS subscribers. The underlying data for an FSAP could be enumerated and compared against the existing SDDS requirements, as well as the data gaps identified below, to see whether some gaps could be filled in the SDDS Plus. Consistent with the WEO and the GFSR, the SDDS Plus could provide fiscal and financial data covering a wide range of countries and thereby contribute to more detailed analysis on the interconnectedness of markets, cross-border transactions, and risk assessments. The SDDS Plus framework also could play a critical role by bridging data gaps to measure systemic liquidity risk. In addition, providing more granular data would give market participants a much-needed opportunity to run their own analyses and risk scenarios. To support the work covered by the Fiscal Monitor, the SDDS Plus could help monitor market sentiment more closely, which would affect medium-term sovereign rollover plans. Eventually, detailed and timely fiscal data could help to track fiscal consolidation and pin down the timing of exit plans.

V. THE SDDS PLUS: A PROPOSAL

35. **This section broadly outlines possible governance elements and modalities of an SDDS Plus, and reviews data categories that could be required in such a standard.** It attempts to strike a balance between providing the Board with sufficient detail to formulate a view as to whether staff should pursue the development of an SDDS Plus proposal at the time of the Eighth Review of the Fund’s Data Standards Initiatives, without going into excessive specificity at this time. The lack of full specificity stems in part from the need to consult further

¹⁶ The definition of systemically important financial sector draws on a concept framework developed by the IMF, the BIS, and the FSB [*Guidance to Assess the Systemic Importance of Financial Institutions, Markets and Instruments: Initial Considerations*](#).

with stakeholders, and in part to take into account rapidly changing circumstances in the work to fill data gaps (such as a conference on balance sheets and consultative group meetings on FSIs both being hosted by the IMF Statistics Department later in 2011).

36. **The SDDS Plus would be part of the Fund’s Data Standards Initiatives.** These initiatives were aimed at fostering a disciplined and structured approach to the official dissemination of macroeconomic data. It led to the establishment of the SDDS and the GDDS. The IMF encouraged member countries with access or preparing to access capital markets to subscribe to the more demanding SDDS, while other countries were urged to participate in the GDDS with a view to possibly prepare for eventual graduation to the SDDS. In this context, the SDDS Plus would go beyond the focus on access to international capital markets by putting an emphasis on countries that have systemically important financial sectors. In other words, the SDDS Plus could aim to include economies that are both borrowers in the international financial markets, and have financial sectors that are integral to the operation of international financial markets. The target group of countries plays a leading role in international capital markets and has institutions that are interconnected through channels such as interbank lending, security lending, repurchase agreements, and derivatives contracts. As identified in the Board paper on Understanding Financial Interconnectedness,¹⁷ countries have become more inter-linked with each other through asset and liability management strategies of their governments, and financial institutions and corporations, which have become increasingly global in nature. Thus, analysts need information on network linkages to better understand and foresee how shocks to institutions and markets can propagate through the international financial system. These developments underline the potential usefulness of developing an SDDS Plus.

A. Possible Governance Elements and Modalities of an SDDS Plus

37. **Accession.** To accede to the SDDS Plus, a country would need to be a subscriber in full observance of the SDDS. Similar to the SDDS, adhering to the SDDS Plus would be voluntary, but once a country adheres, it undertakes to meet the most rigorous data dissemination and data quality standards within the Fund’s Data Standards Initiatives. SDDS subscribers with systemically important financial sectors would be encouraged to adhere to the SDDS Plus.

38. **Modalities.** Modalities for monitoring the observance of SDDS Plus requirements, as well as nonobservance procedures would likely be similar to the SDDS. The SDDS Plus could use the NSDP and ARC mechanisms from the SDDS. However, it would require that hyperlinks on NSDPs provide users with access to time series of some minimum length (say five years of data), depending on the data category. The SDDS Plus data categories would have periodicity and timeliness requirements.

¹⁷ [*Understanding Financial Interconnectedness*](#)

39. **The SDDS Plus would contain only required data categories.** SDDS plus would include all the existing requirements of the SDDS, but nothing would be categorized as “encouraged”. In addition, taking existing data compilation and dissemination practices into account, transition periods for data categories would be considered, as appropriate. Data categories that would be required under the SDDS Plus could be considered for the SDDS as “encouraged” data categories. Modifications to the data elements in the SDDS Plus would follow the same process as the SDDS, through IMF Executive Board decision that takes place simultaneously with the normal periodic reviews of the Fund’s other Data Standards Initiatives. Associated metadata could be required for each data category. The metadata would need to cite the relevant internationally accepted statistical methodologies and adherents would be expected to compile and present their data using the latest methodologies, or to present a timetable for adoption of those methodologies in their metadata. Metadata report formats and certification could follow the same modalities as the SDDS.

B. Data Gaps Highlighted by the Global Financial Crisis for the SDDS Plus

40. **Ongoing work by the IMF, in collaboration with the institutions comprising the IAG and with support from the Financial Stability Board (FSB) Secretariat, to address data gaps in the context of the G-20 Data Gaps Initiative, points the way forward for the development of the SDDS Plus.** Considerable progress has been made since the beginning of the global financial crisis to identify data gaps and to develop work plans and time tables to address these gaps, as reflected in two reports presented to the G-20 Ministers of Finance and Central Bank Governors for their meetings in October 2009 and May 2010.¹⁸ In particular, the latter report called for visits by IMF staff to individual G-20 economies to discuss with the authorities the challenges, resource implications, and reporting practices involved in implementing the envisaged work plans to address identified data gaps. These bilateral consultations along with the planned Senior Officials Conference to be organized by the IMF and FSB in March 2011, are scheduled to be reflected in a third progress report requested by the G-20 Ministers of Finance and Central Bank Governors by June 2011.

41. **In this context, data gaps have been identified in three main areas: 1) the build-up of risk in the financial sector (both bank and nonbank); 2) cross-border linkages: investment positions and exposures; and 3) the monitoring of vulnerabilities to domestic economies.** These areas and corresponding data gaps can be described as follows:

1. The degree and location of leverage or excessive build-up of risk within the system, particularly as regards unregulated or lightly regulated institutions and instruments (the “shadow banking system”), but also liquidity, credit, and tail

¹⁸ These reports can be found at: <http://www.imf.org/external/np/g20/pdf/102909.pdf> and <http://www.imf.org/external/np/g20/pdf/053110.pdf>, respectively.

risks within the regulated sector. The main data gaps identified under this heading are:

- i. International reporting of indicators of current financial health and soundness of financial institutions (so-called Financial Soundness Indicators (FSIs)). Some of the FSIs are already included in the SDDS on an encouraged basis (see paragraph 9 above);
 - ii. Measures of aggregate leverage and maturity mismatches in the financial system; and
 - iii. Risk transfer instruments, including data on the credit default swap markets.
2. Important cross-border linkages: investment positions and exposures that have developed and are not captured by available information. The main data gaps identified under this heading are:
- i. Financial linkages of systemically important global financial institutions; and
 - ii. Cross-border banking flows, investment positions, and exposures, in particular, to identify activities of nonbank financial institutions.
3. Data availability to monitor the behavior and exposures of economic agents within the domestic economy. The main data gaps identified under this heading are:
- i. The sectoral coverage of national balance sheet and flow-of-funds data;
 - ii. Cross-country standardized and comparable government finance statistics; and
 - iii. Comparable data on real estate prices.

42. **SDDS Plus could be aligned with the dissemination of macroeconomic data on the [PGI website](#).** This website is an inter-institutional effort that has been implemented under the auspices of the IAG to respond to one of the recommendations of the G-20 Data Gaps Initiative.

Currently, the PGI website presents data for the G-20 economies in comparable units of measure. It could be envisaged to develop it to an umbrella for the NSDPs of SDDS Plus subscribers.¹⁹

C. Possible Data Categories in an SDDS Plus

43. **The review of possible data categories for the SDDS Plus could be assessed against the noted three main areas of data gaps.** The paragraphs below take each area in turn and describe examples of the kind of corresponding data categories that could be included in the SDDS Plus. This preliminary description of the SDDS Plus contains data categories with two types of statistical frameworks: 1) statistical frameworks already well established, for which data compilation and dissemination is occurring; and 2) statistical frameworks under study or development, for which data compilation, if any, may apply a variety of sources and methods across economies. Examples of data categories are described within each of the three main areas, identifying whether they are based on established frameworks or not. As noted above, taking existing data compilation and dissemination practices into account, transition periods for data categories would be considered, as appropriate.

Build-up of Risk

44. **Data for monitoring the build-up of risk in the financial sector might include broader coverage of monetary and financial sector statistics and its components, as well as FSIs.** The statistical framework for monetary and financial statistics is well developed. SDDS Plus should cover the Other Financial Corporations (OFCs) (as defined in the *MFSM 2000*, especially breakdowns that reveal leverage and maturity mismatches between banks and nonbanks in the financial system), given the importance of these institutions to analyzing capital flows and assessing financial stability. One approach is for economies to report the IMF's OFC Survey, but staff could also investigate other data sets covering non-banking financial institutions. These data would complement the Other Depository Corporations Survey and the Central Bank Survey that are already part of the SDDS.

45. **Moreover, the inclusion of a set of required FSIs, building on the experience with this encouraged data category in the SDDS, would be an important component of the SDDS**

¹⁹ Enhanced data access to the PGI website, <http://www.principalglobalindicators.org/default.aspx>, could be achieved by changing the format of the NSDP to align it with the Statistical Data and Metadata exchange (SDMX) standards. The SDMX is a computer-readable format developed by the same seven international organizations that comprise the IAG and is recognized by the UN Statistical Commission as “*the preferred standard for the exchange and sharing of data and metadata*.” At the 39th Session of the UN Statistical Commission in February 2008, attended by delegations from about 130 countries and 40 international agencies, SDMX was recognized as the preferred standard for the exchange and sharing of data and metadata. The Commission also encouraged implementation by national and international statistical organizations. The IMF could consult with SDDS subscribers on modalities to modify the format of the NSDP to take advantage of the benefits provided by the SDMX standards.

Plus framework to monitor financial sector risks. The FSIs are an increasingly well established set of data. The work to prepare an SDDS Plus should include a review of the list of FSIs. While seven FSIs were included in the SDDS on an encouraged basis following the Seventh Review, staff will review this list and evaluate the possibility of including at least some of these FSIs as prescribed data categories in the SDDS Plus with appropriate transition periods (for example on real estate prices and loans, also see below), as necessary. This list will be reviewed in consultation with MCM, RES, and SPR, with the FSI Reference group, scheduled to meet in November 2011, as well as with SDDS coordinators, particularly with potential SDDS Plus adherents, and capital market participants. Any modifications to the list of FSIs incorporated in the SDDS would be taken into account for the SDDS Plus in the context of the Eighth Review.

Monitoring Cross-border Interconnections

46. **Monitoring cross-border interconnectedness could also rely on some recently established data areas, as well as the development and implementation of data collection on systemically important global financial institutions and sectors, which also would contribute to monitoring risk build-ups.** IMF surveys of portfolio investment (the Coordinated Portfolio Investment Survey-CPIS) and direct investment (the Coordinated Direct Investment Survey-CDIS) represent increasingly well established statistical instruments. In addition, several areas of statistics are under development. Participation in these surveys and dissemination of specific CPIS and CDIS data sets could be considered for inclusion in the SDDS Plus.

47. **There is also ongoing work where statistical frameworks are under study or development, which could identify additional data categories for the SDDS Plus to monitor cross-border interconnections.** The BIS banking database could provide more granular insight regarding leverage and maturity mismatches for groupings of depository corporations across borders. Also, surveys on financial derivatives data could provide valuable information on international risk transfer instruments. The SDDS Plus could involve participation in the Currency Composition of Foreign Exchange Reserves exercise, while the data reported would remain confidential. Moreover, there are other initiatives underway that could be relevant in this regard, including the FSB and IMF work to develop a template to collect and disseminate data on systemically important global financial institutions. However, there may be procedural and operational issues to resolve and this merits further investigation in collaboration with the BIS, the FSB, and other stakeholders, if such datasets were to be considered for an SDDS Plus.

Domestic Economies' Susceptibility to External Shocks

48. **Data gaps to address domestic economies' susceptibility to external shocks covers a broad gamut of data categories, principally the incorporation of sectoral balance sheets, enhanced fiscal data (including balance sheets), and real estate prices.** Each of these data sets are in a different stage of development and implementation.

Sectoral Balance Sheets

49. **Strengthening sectoral position and flow of funds data in macroeconomic accounts could be incorporated in the SDDS Plus; these are known as the balance sheets and accumulation accounts in national accounts terminology.** An IMF-OECD conference to be held in Washington, DC in February 2011 will discuss strengthening sectoral positions data for the main *System of National Accounts (SNA)* resident institutional sectors (nonfinancial corporations, financial corporations, general government, households, and nonprofit institutions serving households) and for subsectors of the financial corporation sector, as well as for the rest of the world sector. This would possibly include breakdowns by counterparty sector, and for selected instruments, breakdowns by long- and short-term maturity, and domestic and foreign currency. Based on the G-20 work and the proceedings from the February 2011 conference, SDDS Plus adherents could be required to disseminate integrated stock and flow data to support monitoring and analysis of the build-up and transfer of risk across sectoral boundaries and to permit the analysis of vulnerabilities of a domestic economy to shocks. In principle, these stock and flow data in the national accounts framework should be consistent with stocks and flow data in the monetary and financial statistics, and the balance of payments and international investment position data mentioned in previous paragraphs, as well as government finance statistics mentioned in the next paragraph. While the statistical methodology is well developed, given the complexities of the compilation tasks, significant transition periods will be required, perhaps using a phased approach (such as less detailed quarterly data and more detailed annual data with different timeliness).

Fiscal Data

50. **The staff could propose that SDDS Plus adherents adopt the *GFSM 2001* presentation for the dissemination of fiscal data,²⁰ consistent with the 2010 Board decision to adopt the *GFSM 2001* as the standard for the presentation of the Fund's fiscal data beginning in May 2011.** While the *GFSM 2001* methodology is well developed, compilation fully using this methodology remains to be implemented in most countries. As of October 2010, 61 SDDS subscribers (90 percent) report consolidated central government operations in the *GFSM 2001* format for publication in the *GFS Yearbook*. Similarly, the SDDS Plus could explore data dissemination with a more consistent approach to coverage for fiscal data. For example, it could require dissemination of consolidated general government operations, so that all general government agencies (including extra-budgetary and social security units) are covered. The SDDS Plus could require that metadata clearly enumerate the institutional units covered at each level of government. Therefore, the SDDS Plus could strengthen the coverage,

²⁰ The *GFSM 2001* will be updated and, in this context, STA is establishing an expert advisory group in 2011 to advise on this work, which is expected to take a couple of years.

periodicity and timeliness of fiscal data, potentially requiring quarterly general government operations data within three-four months. This is consistent with quarterly national accounts, which would also compile quarterly accounts for the general government sector. Moreover, consistent with other possible stock and flow data sets, the fiscal data could require financial balance sheets for the general government. The increased role of fiscal interventions in many countries suggests that more comprehensive data on government debt is needed urgently, especially if these data could be set in the context of total liabilities and financial assets of the general government. Again, the SDDS Plus could require metadata that would assist users to understand the methods used to compile the financial balance sheet, (such as the omission of accounts receivable/payable or the treatment of government employee pension funds). Fiscal data categories in an SDDS Plus would likely need to incorporate appropriate transition periods, given the challenges to disseminate general government operations data with 3-4 months timeliness and the complexities to compile balance sheets.

Real Estate

51. **Even though the development of the framework for real estate price indices is at an early stage, consideration could be given to including residential and commercial real estate price indices in the SDDS Plus,** consistent with recommendation 19 in the report “*The Financial Crisis and Information Gaps*,” endorsed at the November 2009 meeting of G-20 Finance Ministers and Central Bank Governors.²¹ Recommendation 19 encourages the dissemination on the BIS website of publicly available data on real estate prices and their inclusion in the PGI website. The BIS website, which brings together available data from different countries, currently includes residential property price indices (RPPIs) for 39 countries,²² but the metadata on the indices is limited. The inclusion of RPPIs in SDDS Plus would enhance and complement this important data series. Four concerns arise, however. First, often more than one RPPI is available for each country on the BIS site and these have often been selected from a larger pool of RPPIs available within each country. The criteria regarding the actual series selected are, in some cases, not clear. Second, metadata on the indices are often limited, especially those RPPIs provided by private companies. This suggests that while adding these RPPIs to the SDDS Plus could add value, there would be potentially significant staff effort needed in surveying their producers to complete the required SDDS metadata. Third, methods for constructing RPPIs vary depending on the data and institutional mechanisms in each country for buying and selling houses. However, this need not be an argument for excluding real estate

²¹ The report is available at: <http://www.imf.org/external/np/g20/pdf/102909.pdf>. Under recommendation 19, the Inter-Secretariat Working Group on Price Statistics (IWGPS) is to complete the planned handbook on real estate price indices in 2011. The BIS and member central banks are disseminating on the BIS website publicly available data on real estate prices. The BIS data on real estate prices (residential and commercial) is hyperlinked to the PGI website (<http://www.principalglobalindicators.org/default.aspx>).

²² <http://www.bis.org/statistics/pp.htm>.

prices from the SDDS Plus, as the institutional arrangements for processing transactions have a role to play in selection of methodology. Fourth, there are only limited data and metadata available on commercial property price indices; thus, they probably should not be included in the SDDS Plus at an early stage. As noted above, an alternative might be to include the FSIs relevant to real estate prices and loans initially in the SDDS Plus (see above).

D. Data Category Overlaps with the SDDS

52. **Most data categories for the SDDS Plus would be new data dissemination requirements; only two proposed data categories have direct overlap with the SDDS: FSIs and General Government Operations data.** The FSIs in the SDDS represent an encouraged data category, but would be required in the SDDS Plus. The SDDS Plus also could require the same set FSIs in the SDDS, or it could add other FSIs that remain outside the SDDS. While quarterly General Government Operations data with quarterly timeliness are encouraged in the SDDS, the SDDS Plus could require such periodicity and timeliness. In addition, it also could require that the data are disseminated using the *GFSM 2001* format.

VI. RESOURCE IMPLICATIONS

53. **Some of the proposals that could be raised during the Eighth Review would have resource implications.** In particular, the modification to require adoption of the five main macroeconomic statistical methodologies under the SDDS would be an extension to the current requirement to cite internationally accepted statistical methodologies and deviations from them in SDDS metadata. Getting subscribers to formally agree to adopt any or all five methodologies, and incorporate progress with their implementation in the metadata would absorb additional resources by subscribers and the Fund staff. Moreover, support to assist some subscribers with the implementation process would add demand for STA technical assistance. In addition, the move to add hyperlinks to available time series on NSDPs for all data categories would need to be implemented by subscribers and checked by Fund staff, at least in an initial round. Also, the implementation of a required timeline for nonobservance procedures would require staff time and IT budget to develop the appropriate automated mechanisms. Proposals to remove the ARC flexibility option or delete FLIs from the SDDS would involve minimal resource costs. In any case, proposals to be considered at the Eighth Review would be accompanied by staff's best estimates of costs. Monitoring a new SDDS Plus standard, in which all data categories would be prescribed, is likely to require considerable staff resources, especially in the initial phases.

54. **While the cost of implementing all proposed enhancements under an SDDS Plus could be high, many countries have already incurred or are in the process of incurring much of the fixed costs.** Many countries that could potentially be interested to adhere to the SDDS Plus, including especially the G-20 economies and other countries with strong linkages to systemically important global financial institutions acknowledge the need for greater information on financial interconnectedness and that the cost of not having the information when needed

outweighs the reporting costs, if the reporting requirements are structured consistent with existing initiatives as far as possible.²³ There would be no costs to members that would choose not to voluntarily adhere to the SDDS Plus. Staff would report on estimated costs to the Fund, and the Fund membership of an SDDS Plus, at the time of the Eighth Review.

²³ Banco de México (2010) *Financial Stability: The Data Challenges- The Mexican Experience*, October 7, 2010

VII. ISSUES FOR DISCUSSION

55. Directors' views are sought on:

- *Do Directors agree that staff should undertake further work on the enhancements to the Fund's Data Standards Initiatives outlined in Section III and come back to the Board with concrete proposals in the Eighth Review?*
- *Do Directors agree that staff should undertake further work on a proposal for an SDDS Plus for discussion at the time of the Eighth Review? If so, do Directors agree that the SDDS Plus should be an additional tier of the SDDS? Do Directors agree that the draft elements of the SDDS Plus proposal are broadly appropriate? Specifically, are the data areas, where statistical frameworks have been developed, appropriate for consideration in an SDDS Plus? Should staff explore possible elements in data areas where statistical frameworks and compilation represent on-going work? Are there other data sets or elements that deserve attention?*

ANNEX I

The Executive Board approved proposals for addressing nonobservance of the SDDS on the occasion of the Second Review of the SDDS. These proposals may be summarized as follows:

1. Fund staff would continuously monitor the data dimension and the advance release calendars element of the access dimension of the Special Data Dissemination Standard (SDDS).
2. Fund staff would try to resolve each case of nonobservance directly with the subscriber, and, if necessary through the Executive Director.
3. If no resolution ensued, the matter would be brought to the attention of the subscriber's Governor for the Fund and the Fund could post a notice on the Dissemination Standards Bulletin Board (DSBB) describing the problem, the subscriber's response, and efforts underway to remedy it.
4. If no remedy resulted, the matter would be referred to the Executive Board, which could decide that the subscriber was not in observance of the SDDS and (a) the staff would place a notice to that effect on the DSBB and, if satisfactory corrective measures were not taken, (b) the Executive Board could decide to remove the metadata of the subscriber from the DSBB.

ANNEX II

Excerpt from the SDDS Legal Text (Section III.4):

Selected Decisions and Selected Documents of the IMF, Thirty-Fourth Issue—Summing Up by the Acting Chairman—Standards for the Dissemination of Economic and Financial Statistics to the Public by Member Countries and Implementation of the SDDS

Prepared by the Legal Department of the IMF
Updated as of September 1, 2010

4. Observance of the SDDS and Removal from the DSBB

Subscribers to the SDDS are expected to observe the elements of its four dimensions described in section II above, to maintain a NSDP, and observe the metadata certification requirement in section III.2 above and the monitoring requirements set forth in section III.3 above. Deviations of any kind from SDDS undertakings will be brought immediately to the attention of the subscriber. Subsequent steps for dealing with such deviations will follow a graduated approach that distinguishes between minor and serious deviations.

The Fund staff would monitor regularly the observance by subscribers of the requirements of the data dimension (section II.1 above), the advance release calendars element of the access dimension (section II.2. (a) above), the certification requirement (section III.2 above), and the automated monitoring requirements (section III.3 above).

In cases of nonobservance of the practices prescribed for these items, the Fund staff would try to resolve the issue with the subscriber, at first directly, and then, if necessary, through the Executive Director representing the subscriber in the Fund.

If these efforts fail to produce a satisfactory solution, the matter would be brought to the attention of the subscriber's Governor for the Fund. At the same time, the Fund staff could post a note on the DSBB indicating that the Fund staff has determined that the subscriber is not in observance of its undertakings under the SDDS. The note would also describe the problem, the subscriber's response to the problem and the efforts underway to remedy it.

If the problem persisted thereafter without the subscriber taking satisfactory corrective measures, the matter would be referred to the Executive Board of the Fund, which could decide to delete the metadata of that subscriber from the DSBB.

Finally, an annual report that assesses each subscribing member's observance of its undertakings under the SDDS will be posted on the DSBB.