



INTERNATIONAL MONETARY FUND FACTSHEET

Standards and Codes: The Role of the IMF

Standards and codes (S&C) are benchmarks of good practices. The IMF and the World Bank have recognized international standards in 12 policy areas related to their work. In assessing countries' observance of these standards, and helping them to implement reforms where needed, the IMF and the World Bank aim to increase economic and financial stability by strengthening countries' economic and financial institutions.

Background

The term “standards and codes” refers to sets of provisions relating to the institutional environment—the “rules of the game”—within which economic and financial policies are devised and implemented. Countries whose institutions are well-regulated and transparent tend to demonstrate better economic performance and greater financial stability. It is thus in countries' own interest to adopt and implement internationally recognized S&C.

The IMF's and the [World Bank's](#) work on S&C was initiated following the emerging market crises of the 1990s as part of our efforts to strengthen the international financial architecture. The development of international standards aims to assist countries in strengthening their economic and financial institutions. In addition, the standards inform market participants (which allows for more effective market discipline), IMF [surveillance](#), World Bank country partnership frameworks, and both institutions' capacity development efforts. The ultimate goal is to promote greater economic and financial stability at both the domestic and international levels.

The global financial crisis made clear that compliance with agreed standards was only one of the building blocks for crisis prevention. The crisis also highlighted gaps and weaknesses and the need to ensure rigorous follow-up implementation. S&C in several areas have been substantially reformed or updated to reflect evolving international best practices, while potential changes in some other areas are still under consideration. Refinements made in individual policy areas in recent years have contributed to the ongoing evolution of the initiative. More than 15 years since the initiative was launched, it now comprises a broad array of S&C work around the long-standing objective of promoting greater financial stability through the development, dissemination, adoption, and implementation of international S&C.

Periodic reviews of the standards and codes initiative aim to continually improve its effectiveness. In July 2017, a [review](#) of the IMF's and the World Bank's work on S&C concluded that the initiative continues to make a substantial contribution to promoting international financial stability and there are no major gaps in its overall architecture. It was found that while implementation of the recommendations of the previous S&C review had been mixed with uneven coverage across certain policy areas and member countries, several policy areas have demonstrated considerable dynamism in S&C work. Progress was made in establishing a standard for crisis resolution and operationalization of its assessment methodology, including through close collaboration between the Financial Stability Board as the standard setter and the Fund and the Bank, and the Key Attributes of Effective Resolution Regimes for Financial Institutions as they apply to the banking sector and the related assessment methodology were endorsed. Additionally, the revised Fiscal Transparency Code was found to provide a good way forward, including its outcome-focused, modular, and graduated approach, to increase the relevance of Fund-set transparency S&C. A strategic approach was adopted, to include leveraging progress made so far and promoting consideration of best practices across policy areas, with an overarching objective of improving the linkages between S&C work and

surveillance, as well as tightening integration with capacity development. The next review of the S&C initiative will be undertaken in due course, following experience gained with operationalizing the recommendations of the 2017 review.

The list of standards and codes

The IMF and the World Bank have recognized international standards in 12 policy areas, which form three broader groups:

(1) Transparency: Standards in these areas have been developed by the IMF.

- **Data Dissemination:** IMF's *Special Data Dissemination Standard* (SDDS), enhanced *General Data Dissemination System* (e-GDDS), and *Special Data Dissemination Standard Plus* (SDDS Plus). IMF's Data Quality Assessment Framework (DQAF) is used for comprehensive assessments of countries' data quality, covering institutional environments, statistical processes, and methodological foundations of the statistical products.
- **Fiscal Policy Transparency:** The IMF's *Fiscal Transparency Code*, part of the *IMF's Fiscal Transparency Initiative*, is the international standard for disclosure of information about public finances. It is based on four pillars covering the key elements of fiscal transparency: (i) fiscal reporting; (ii) fiscal forecasting and budgeting; (iii) fiscal risk analysis and management; and (iv) resource revenue management. The first three pillars have been issued and a draft of the fourth pillar (on resource revenue management) has undergone two rounds of public consultation and several pilots in the field.
- **Monetary and Financial Policy Transparency:** IMF's *Code of Good Practices on Transparency in Monetary and Financial Policies*.

(2) Financial Sector: Standards in these areas, and corresponding assessment methodologies, have been developed by specialized standard-setting bodies.

- **Banking Supervision:** Basel Committee on Banking Supervision's *Core Principles for Effective Banking Supervision*.
- **Securities Regulation:** International Organization of Securities Commissions' (IOSCO) *Objectives and Principles of Securities Regulation*.
- **Insurance Supervision:** International Association of Insurance Supervisors' *Insurance Core Principles*
- **Crisis Resolution and Deposit Insurance:** International Association of Deposit Insurers' *Core Principles for Effective Deposit Insurance Systems*, as well as the Financial Stability Board's *Key Attributes of Effective Resolution Regimes for Financial Institutions*.
- **Financial Market Infrastructures:** Committee on Payments and Market Infrastructures and Technical Committee of International Organization of Securities Commissions' *Principles for Financial Market Infrastructures*.

(3) Institutional and Market Infrastructure: Standards in these areas, and corresponding assessment methodologies, have been developed by specialized standard setting bodies, with substantive input from the IMF and World Bank:

- **Insolvency and Creditor Rights:** A standard based on the World Bank's *Principles for Effective Insolvency and Creditor/Debtor Regimes* and the United Nations Commission on International Trade Law's *Legislative Guide on Insolvency Law* was finalized in consultation with IMF staff.

- **Corporate Governance:** G20/Organisation for Economic Co-operation and Development's [Principles of Corporate Governance](#).
- **Accounting and Auditing:** International Accounting Standards Board's [International Financial Reporting Standards](#) and International Auditing and Assurance Standards Board's [International Standards on Auditing](#).
- **Market Integrity:** Revised Financial Action Task Force (FATF) [recommendations](#) on anti-money laundering and countering the financing of terrorism (AML/CFT), and a revised assessment methodology were agreed in February 2012 and 2013, respectively and endorsed by the Executive Board of the IMF in March 2014.

Assessing observance

Observance of S&C can be assessed, at a member's request, by the IMF and/or the World Bank (and also by the FATF or FATF-style regional bodies (FSRBs) in the case of AML/CFT). In the area of data dissemination, observance is also monitored on a monthly basis for SDDS subscribers and SDDS Plus adherents.

In the financial sector regulation and supervision areas, standards, when assessed in the context of the [Financial Sector Assessment Program \(FSAP\)](#), are summarized in Reports on the Observance of Standards and Codes (ROSCs), which may accompany the FSAP report to the Executive Board.

In the fiscal policy transparency area, Fiscal Transparency Evaluations (FTEs) assess countries against the [Fiscal Transparency Code](#). FTEs provide quantified analyses of the scale and sources of fiscal vulnerability involving a set of fiscal transparency indicators, a summary of country fiscal transparency strengths and reform priorities using heat maps, and an optional fiscal transparency action plan to help countries address reform priorities.

In most instances, there is flexibility in how assessments are done. The findings of an initial assessment may be updated in a reassessment, which can be a new assessment or, in certain areas, a targeted review in which only selected elements of individual standards are evaluated based on pre-specified (for example, risk-based) criteria. FTEs allow for modular assessments covering individual pillars of the Fiscal Transparency Code, which facilitate greater focus on the most pressing transparency issues. The generic DQAF may be applied to seven dataset-specific frameworks. In the case of AML/CFT, all jurisdictions that have joined the FATF network (i.e., the majority of the Fund and World Bank membership) have agreed to undergo regular assessments against the standard. The first assessment is comprehensive—the follow-up assessment (which should take place five years after the first assessment under the prevailing standard)—will be targeted. The findings of the assessment (or, in due course, targeted follow-up assessments) are used in all relevant work streams (e.g., Fund surveillance, capacity development on AML/CFT). Countries are responsible for implementing the recommendations from a standards assessment or review (whether in a ROSC, FSAP, or FTE, etc.) and many request [technical assistance](#) from the IMF and other international bodies to do so.

Fund S&C outputs are prepared and published at the request of the member country. Most of the IMF's member countries have completed one or more S&C output. As of end-December 2016, about 1,600 S&C outputs (mainly ROSCs) have been produced. 75 percent of S&C outputs completed through end-2016 were published. As of end-March 2017, 21 FTEs have been conducted—15 of which have been published—covering countries across a range of regions and income levels.