INTERNATIONAL MONETARY FUND

# Assessments of the IMF Code of Good Practices on Transparency in Monetary and Financial Policies—Review of Experience

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## EXECUTIVE SUMMARY

**Assessments of the IMF *Code of Good Practices on Transparency in Monetary and Financial Policies (MFP Transparency Code)* began in 1999.** In a December 2000 Board paper the experience of 23 countries with the MFP Transparency Code was reviewed. [1] In this paper, a follow up of such a review is presented. By considering forward-looking perspectives on the Code, the paper embraces the recommendations for streamlining contained in the February 25, 2003, Board discussion of the Financial Sector Assessment Program (FSAP) (SM/03/77)

**The current review covers the MFP Transparency Code assessment experience of 38 countries that were assessed between December 2002 and mid-2003.[2]** These countries span diverse levels of development among the Fund's membership. The review is based on the assessments of the MFP Transparency Code in countries and on information generated from questionnaires sent to national authorities and area departments.

**The comparability of the first and second reviews is limited.** Four of the countries were also included in the first review, but only two of them present a reasonable basis for comparison mainly because the early assessments were experimental and in some cases were conducted by national authorities. Furthermore, the approaches used were not always consistent. Though limited, the information from these two countries with the comparable assessments indicates improvements in transparency practices and assessment procedures.

**The overall level of observance of transparency of monetary and financial policies in the current review is generally high although slightly lower than that reported for countries in the previous paper.** There are no sufficient data yet to enable a meaningful evaluation of individual country practices over time. The observed decline can be attributed in part to the inclusion of many low-income countries whose monetary policy transparency practices turned out to be weaker than high-income economies across all categories. Also, qualitative improvements have been made in assessment procedures as staff have gained experience in conducting assessments. Although the methodology for MFP assessments has not changed, a number of supporting documents, including guidance notes, have helped to improve the assessment process since the last Board paper.

**Public availability of information on monetary policy was not only the most observed transparency category for the set of countries reviewed in this paper, but also exceeded the degree of compliance observed in the December 2000 review.** Many central banks are making more effective use of various channels of communication to increase the public's access to information. Like the first Board paper, the current paper shows that transparency

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[1] SM/00/269, Review of the Experience with the Assessments of Implementation of the IMF *Code of Good Practices on Transparency in Monetary and Financial Policies*, December 1, 2000.

[2] MFD staff who contributed to this paper were Claudia Jadrijevic, S. Sriramachandran (now FIN), Obert Nyawata, Jodi Scarlata, and Arne B. Petersen.

practices with respect to the accountability and assurance of integrity of the central bank continue to be the weakest.

**For financial policies, transparency practices were strongest in the ability of agencies to formulate and report policy decisions to the public.** Transparency practices pertaining to the public availability of information were also strong,[3] while practices related to the accountability and assurances of integrity of financial agencies were the weakest (as was also the case for monetary policy). Among all financial sectors, banking supervisory agencies had the most developed transparency practices while insurance regulatory agencies had the least transparent practices.

**National authorities expressed broad satisfaction with the clarity and usefulness of the MFP Transparency Code and did not advocate any major changes.** Many countries introduced some improvements to their transparency practices during and after the FSAP process. Others indicated that the MFP Transparency Code provided them with a benchmark against which to assess their own initiatives in the area of transparency.

**Consistent with the conclusions of the recent Board discussion of the FSAP program, the coverage and depth of future assessments under the MFP Transparency Code will be selective.** Individual standard-setting bodies have increasingly included transparency-related criteria in their individual standards and codes. A case in point is the International Association of Insurance Supervisors (IAIS). Fund staff will encourage other standard-setting bodies to incorporate the main elements of the MFP Transparency Code with the hope of eliminating the need for stand-alone MFP Transparency Code assessments for financial agencies over the long term.

**Based on input received from country authorities, area departments, and internal review, staff do not propose any changes to the MFP Transparency Code at this time.** However, staff will continue to review the MFP Transparency Code with a view to streamlining and strengthening the code, which could be presented for the Board's approval when the Code is next reviewed, in about two years**.** Further examples of good transparency practices identified during the current review will be used to strengthen the S*upporting Document to the Code of Good Practices on Transparency in Monetary and Financial Policies*.[4]

**Transparency practices relating to the accountability and assurance of integrity of policy continue to be a challenge.** This has also been brought out in other Fund initiatives such as the safeguards assessments and the SDDS. The code is currently not very explicit regarding the quality of accounting standards and disclosures. The ongoing process of convergence between IFRS and U.S. GAAP may ultimately yield converged standards which could eventually be indicated as the desirable framework for transparency assessments.

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[3] Practices relating to public availability of information refer to the need for financial agencies to issue periodic reports outlining developments in market structure, regulatory issues, guidelines, issues of systemic importance, etc.

[4] The Supporting Document was approved by the Executive Board on July 24, 2000 (SM/00/103).

## I. INTRODUCTION

1. **Since the spring of 1999, assessments of the IMF *Code of Good Practices on Transparency in Monetary and Financial Policies (MFP Transparency Code)* have now been conducted for 57 out of 184 member countries of the Fund (Appendix Table 1)**. Initially undertaken as stand-alone assessments, detailed assessments of the MFP Transparency Code are now conducted by staff and outside experts as part of the FSAP and summarized in the FSSA report in the context of Article IV surveillance. Detailed assessments of financial sector standards described in this paper are the basis for Reports on Observance of Standards and Codes (ROSCs), which feed into the Fund's surveillance and technical assistance.[5]

2. **In the first Board paper reviewing the experience of 23 countries with the MFP Transparency Code,[6] it was found that transparency of monetary policy was strongest in those practices relating to the clarity of roles, responsibilities and objectives of central banks for monetary policy**. In almost all countries, the ultimate objectives of monetary policy, the central bank's responsibilities and authority to use monetary policy instruments were specified and disclosed in legislation. Accountability and assurances of integrity of the central bank displayed the largest number of shortcomings. Staff recommendations called for improvements with respect to the overall content and form of transparency (e.g., the quality and timeliness of information, frequency of publications) and identified weaknesses in the means by which the accountability and integrity of central banks are ensured.

3. **Across all financial supervisory and regulatory agencies reviewed, transparency was strongest in practices relating to public availability of information on financial**

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[5] The Fund Board, in reviewing international standards encouraged greater prioritization of assessments and ROSCs as key to focusing the scarce capacity of members and Fund resources on areas where reforms are most needed (see "Summing Up by the Acting Chair—International Standards—Strengthening Surveillance, Domestic Institutions, and International Markets; Executive Board Meeting 03/26, March 19, 2003," BUFF/03/43). The Board also discussed financial sector standards in the context of the FSAP program, and supported the ongoing efforts by the staffs of the IMF and the World Bank to make the program more efficient and effective through streamlining and prioritization (see "The Acting Chair's Summing Up—Financial Sector Assessment Program—Review, Lessons, and Issues Going Forward," BUFF/03/42, March 18, 2003).

[6] SM/00/269, Review of the Experience with the Assessments of Implementation of the IMF *Code of Good Practices on Transparency in Monetary and Financial Policies*, December 1, 2000.

**policies**. The financial agencies overseeing deposit insurance, insurance, and securities markets exhibited the weakest transparency practices in the area of accountability and assurance of integrity of financial agencies. In banking supervision and payment systems oversight, transparency deficiencies were most pronounced in practices relating to the clarity of the roles, responsibilities, and objectives of the institutions.

4. **This paper reviews the experience of 38 countries with the assessment of the MFP Transparency Code since the earlier Board paper of 2000.** It describes changes in the quality of assessments in the new set of countries covered and identifies strengths and weaknesses, as well as actions taken by Fund staff to further improve the quality of the assessment process itself. Based on a survey of countries that have participated in the MFP Transparency Code assessments, the paper incorporates feedback received from country authorities and area departments. The paper also presents perspectives on the way forward.

## II. Improvements in the Assessment Methodology for the MFP Transparency Code

5. **A number of initiatives have been taken in order to enhance the effectiveness of the tools for assessing the transparency of monetary and financial policies and provide further guidance to assessors.** As part of the work plan outlined in the December 2000 Board paper, staff have prepared several documents to provide guidance to assessors and country authorities in conducting assessments of the MFP Transparency Code. Staff produced two Guidance Notes for Assessing the *Code of Good Practices on Transparency in Monetary and Financial Policies*, one for transparency in monetary policies and one for transparency in financial policies. These two guidance notes provide assistance in conducting an assessment, including direction on the interpretation of the Code, a discussion of the difficulties and problems that might arise during the assessment, and examples and practical suggestions to address broad principles of transparency. Staff also drafted documents to assist both the country authorities and outside experts in this effort—*Briefing Note for Country Authorities for Assessment of the MFP Transparency Code,* and *Terms of Reference: Expert Participating in MFP Transparency Code Assessment.* While the general assessment methodology has not changed since its inception in 1999, these references have served to improve the overall process of the assessments. Within the Fund, the *Guidelines for Foreign Exchange Reserve Management*, the *Guidelines for Public Debt Management*, and *Safeguards Assessment: Staff Operational Guidelines* have all recognized the value of transparency and included aspects of the MFP Transparency Code.

## III. Recent Findings of MFP Transparency Assessments

6. **Assessments have been undertaken in a broad range of countries covering a wide spectrum of the levels of development among the Fund membership**. Consequently, the coverage in this paper is wider than that of its predecessor and includes a higher number of middle- and low-income economies. Differences in the composition of countries assessed preclude a meaningful comparison that would permit generalized inferences about emerging trends in transparency practices. Of the 38 countries covered in the second review, only four were included in the first review, and only two of them present a reasonable basis for

comparison. Comparability is limited because earlier assessments were experimental and mostly self—assessments, standard templates were not used in all cases, and a number of practices were not assessed in the first review.[7]

### A. Central Banks and Monetary Policy

7. **While reflecting the generally high level of transparency,[8] the assessments of transparency of monetary policy in the set of countries reviewed in this paper were rated slightly lower than was seen in the first sample**.[9] The relatively lower level of transparency for the countries reviewed in this paper can be attributed to several factors. First, the initial group of MFP Transparency Code assessments included a pilot group with a few self-assessments, which tended to be less strict than the assessments made by staff and experts. Second, the set of countries in this Board paper includes many low-income countries whose monetary policy transparency practices have been assessed as weaker than both the middle- and high-income economies (discussed below). Third, staff have gained increased experience in conducting the assessments, resulting in clear qualitative improvements in the assessment procedures. The assessors have become more familiar with the MFP Transparency Code and the evaluation process; and the descriptions of country practices have been enhanced, as have the linkages between assessors' findings and the recommended actions to improve transparency. The increased experience with the assessment process across a variety of countries, in conjunction with the added direction provided in the Guidance Notes, has enabled staff and experts to conduct more thorough and rigorous assessments. The qualitative improvement in the assessments may make more difficult the comparability of the assessments across time; nevertheless, the data will ultimately provide valuable information on developing trends in transparency.

8. **The public availability of information on monetary policy was the most observed transparency category for the second set of countries and also exceeded the degree of compliance observed in the early set of countries (Table 1)**. Recent MFP Transparency Code assessments have reflected the fact that many central banks have made more effective use of the various channels of communicating to the public, including not only regular publications but increasingly their web sites, in order to make information more readily accessible to the public. As was the case in the first Board paper, practices with respect to the accountability and assurance of integrity of the central bank continue to display the weakest degree of transparency (Box 1).

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[7] The statistics for the two comparable cases reveal movements in both directions. For monetary policy, 63 percent and 70 percent, respectively, of the ratings of the detailed transparency principles for the two countries remained the same between the two reviews. Of the remainder, 17 percent and 9 percent, respectively, of the ratings improved while 11 percent and 20 percent were downgraded. Possible sources of improvements are corrective measures that were taken after the initial assessments. Downward revision might reflect qualitative improvements in the assessment process.

[8] As reflected in the percentage of practices assessed as fully observed across the four categories of the Code.

[9] As noted above, with the exception of four countries that were included in both reviews, the sets of countries are different.

Table 1. MFP Transparency Code Assessments of Monetary Policy 1/

| | All monetary policy transparency practices of the Code | Clarity of roles responsibilities and objectives of agencies for monetary policy | Open process for formulating and reporting monetary/financial policy decisions | Public availability of information on monetary policy | Accountability and assurances of integrity by the central bank |
|---|---|---|---|---|---|
| **December 2000 Board Paper** 2/ | | | | | |
| -Observed | 73 | 78 | 71 | 70 | 69 |
| -Broadly observed 3/ | 19 | 17 | 19 | 27 | 16 |
| -Not observed | 8 | 5 | 10 | 3 | 15 |
| **Current Review** 4/ | | | | | |
| -Fully observed | 69 | 69 | 68 | 75 | 63 |
| -Broadly observed | 12 | 12 | 14 | 12 | 9 |
| -Partly observed | 13 | 16 | 13 | 11 | 13 |
| -Not observed | 6 | 3 | 4 | 3 | 14 |

Source: Country Assessments of the MFP Transparency Code

1/ Numbers in the table represent the average percentage shares (across the detailed practice-by-practice assessments) of the applicable and assessed practices from the respective section(s) of the MFP Transparency Code categorized as being observed, broadly observed, and not observed.
2/ A total of 21 countries were assessed in Board Paper I.
3/ Some assessments at the time of the first Board paper did not have a "partly observed" rating; therefore, the rating "broadly observed" combines ratings of both "broadly" and "partly observed."
4/ A total of 35 countries' transparency practices in monetary policy were assessed in the current review.

Box 1. Main Weaknesses in the Transparency Practices
of Central Banks and Monetary Policy

**I. Clarity of Roles, Responsibilities and Objectives of Central Banks**

- A general lack of clarity in the hierarchy among a multiplicity of monetary policy objectives and how potential conflicts among them would be resolved.
- Potential conflicts in the policy objectives as provided for in different statutes.
- Lack of clarity in the responsibility over foreign exchange policy.
- Absence of specifics and conditions under which governments may override central bank policy decisions.
- The existence of legal provisions to use various instruments is often encumbered by the need to seek approval from another authority, e.g., the ministry of finance.
- Disclosure of certain information is often limited by strict interpretations of secrecy rules governing operations of some central banks.
- Accountability of some central banks is weakened by the absence of an explicit legal requirement to report to a legislative body or designated public authority to inform on the conduct of monetary policy and the fulfillment of policy objectives.
- Unclear institutional relationships between central banks and governments and associated agency roles and financial transactions.

**II. Open process for Formulating and Reporting Monetary Policy Decisions**

- Poor or nonexistent explanations for the rationale and functioning of its policy instruments.
- Insufficient frequency of disclosures (with some authorities arguing that the guidelines are not clear in that regard).
- Reservations about announcing meeting schedules for policy making bodies.

**III. Public Availability of Information on Monetary Policy**

- Many countries subscribe or plan to subscribe to the International Monetary Fund's data dissemination standard (Special Data Dissemination Standard—SDDS, and the General Data Dissemination System, GDDS), but there remain weaknesses in that some countries exclude items such as international reserves in their templates.
- The timeliness and frequency of publications is a common problem.
- There are some concerns about the quality of some of the information that is disclosed.

**IV. Accountability and Assurances of Integrity by the Central Bank**

- Some deficiencies were identified in some of the procedures in the areas of auditing and accounting.
- There were many cases of nondisclosure of internal governance procedures including the standards for the personal conduct of staff.
- Nondisclosure and/or lack of explicit legal protection for officials and staff in the conduct of their official duties.

9. **While it is too early to draw firm conclusions on transparency practices within countries across time**,[10] there are indications that many countries introduced improvements during the FSAP process, which raises expectations that compliance with the Code will improve.[11] For example, assessments in some countries were carried out while revisions to legislation pertaining to transparency were in midstream. In many cases, the assessments noted that the deficiencies identified in the existing statutes would be eliminated in the new

[10] To date, most of the country assessments have been static analyses and have not tracked changes in transparency over time.

[11] This was the case for many transition economies and especially those seeking entry to the European Union.

statutes. In addition, the fact that most of the information on transparency to date is snapshots of individual countries should not detract from the qualitative improvements in the assessment process.

**Financial policies**

10. For all financial agencies, the level of transparency of financial policies was also generally high, although as in the case of monetary policy the new sample has slightly lower ratings (Table 2). The explanation for the moderate decline is the same as that noted for monetary policy. Across the financial sectors assessed, transparency practices were strongest in financial agencies' formulation and reporting of financial policy decisions to the public (Table 3). A majority of agencies publicly disclosed the financial reporting requirements of financial institutions. Most countries were found to consult market participants before making changes to financial regulations, although not all had a formal consultative process in place. While changes to financial policies were publicly announced, the assessors recommended that financial agencies provide explanations and the rationale for the proposed changes to the public. Across all financial agencies, public disclosure of information-sharing arrangements with other regulatory authorities was relatively weak. Many countries did not have formal information-sharing agreements and instead relied on informal arrangements that were not publicly disclosed.

11. **Practices pertaining to the public availability of information also reflected strong transparency.** In general, senior officials of all agencies explained their institutions' objectives and performance to the public, and texts of regulations and applicable guidelines were made available. Many agencies provided information, particularly annual and quarterly reports, through their website. Where information was transmitted through bulletins and circulars, recommendations were made to enhance transparency by posting regulations and proposed policy changes on the agencies' websites, where available. Improvements were recommended for transparency practices relating to the disclosure of information on aggregate market transactions and provision of emergency financial support (when such disclosure would not be disruptive to financial stability).

12. **As with monetary policy, the weakest areas of transparency-related to the accountability and assurances of integrity of financial agencies (Box 2)**. In particular, financial agencies needed to improve the disclosure of internal governance procedures and the standards for the conduct of personal affairs of officials. In many cases, specific guidelines with respect to the conduct of staff were not developed for individual agencies and the governance procedures that applied generally to civil servants were also applicable to staff in the financial agencies. However, a majority of financial agencies had prepared financial statements that were independently audited.

Table 2. MFP Transparency Code Assessments of Financial Policies
(In percent)

| | Financial supervisory agencies assessed 1/ | | | | |
|---|---|---|---|---|---|
| | Payment Systems | Banking Supervision | Insurance Regulation | Securities Regulation | Deposit Insurance |
| **December 2000 Board Paper** 2/ | | | | | |
| - Observed | 75 | 77 | 75 | 78 | 84 |
| - Broadly observed 3/ | 19 | 16 | 19 | 15 | 5 |
| - Not observed | 6 | 7 | 6 | 7 | 11 |
| **Current Review** 4/ | | | | | |
| - Fully observed | 69 | 71 | 61 | 69 | 73 |
| - Broadly observed | 10 | 10 | 10 | 11 | 7 |
| - Partly observed | 15 | 13 | 16 | 13 | 14 |
| - Not observed | 6 | 6 | 10 | 7 | 6 |

Source: Country Assessments of the MFP Transparency Code

1/ Numbers in the table represent the average percentage shares (across the detailed practice-by-practice assessments) of the applicable and assessed practices from the respective section(s) of MFP Transparency Code categorized as being observed, broadly observed, and not observed.
2/ A total of 21 countries were assessed in Board Paper I.
3/ Some assessments at the time of the first Board paper did not have a "partly observed" rating; therefore, the rating "broadly observed" combines ratings of both "broadly and "partly observed."
4/ The transparency practices in financial policies of a total of 37 countries were assessed in the current review.

Table 3. MFP Transparency Code Assessments of Financial Policies—Current Review
(In percent) 1/, 2/

| | Clarity of roles, responsibilities and objectives of agencies for financial policy | Open process for formulating and reporting financial policy decisions | Public availability of information on financial policy | Accountability of assurances by the central bank/financial agency |
|---|---|---|---|---|
| Banking Supervision | 77 | 85 | 86 | 74 |
| Insurance Regulation | 69 | 79 | 71 | 63 |
| Payment Systems | 70 | 85 | 82 | 80 |
| Securities Regulation | 82 | 84 | 83 | 69 |
| Deposit Insurance | 76 | 86 | 84 | 74 |

Source: Country Assessments of the MFP Transparency Code

1/ Numbers in the table represent the average percentage shares (across the detailed practice-by-practice assessments) of the applicable and assessed practices from the respective section(s) of MFP Transparency Code categorized as being fully observed or broadly observed.
2/ In addition, assessments were done for three agencies that supervised pension funds. The table does not present information on a summary of these assessments because of the small sample size.

Box 2. Main Weaknesses in the Transparency Practices in Financial Policies

**V. Clarity of Roles, Responsibilities and Objectives of Financial Agencies Responsible for Financial Policies**

- Lack of legal basis for the objectives and responsibilities for some financial agencies.
- Lack of documentation spelling out explicit and detailed definition of the institutional oversight role of some central banks in respect of payment systems and its relations with banking activities.
- Lack of explicit and clearly defined authority along with the necessary powers to issue and enforce accompanying regulations. Little specific focus on the implicit risks of participation in payment systems.
- Insufficient published information on objectives, operations and outcomes of financial agencies.
- Legal requirements for submission of reports on developments not sufficiently comprehensive.
- Lack of clarity of terms of appointment and dismissal of key officers.
- Little information on formal arrangements for cooperation and exchange of information among various supervisory agencies.
- Absence of information on investor protection schemes in securities regulations.
- Lack of legal underpinning of the regulations and procedures for securities.

**VI. Open Process for Formulating and Reporting Financial Policies**

- Absence of public disclosure of the relationships between financial agencies.
- Lack of specific requirements for periodic reporting on financial agencies.
- Lack of disclosure of information-sharing arrangements among agencies.
- Absence of public announcement of changes in payment systems policies.

**VII. Public Availability of Information on Financial Policies**

- Many annual reports do not provide adequate coverage of payment system operations, and banking supervision. With respect to insurance supervisory agencies periodic reports do not sufficiently discuss progress on achieving policy objectives.
- The body of applicable laws, regulations and other guidelines for the insurance sector could be made more user friendly (especially to non-specialists).
- Sparse information on capital market development and processes for market supervision.

Poor disclosure of information on emergency financial support to institutions.

**VIII. Accountability and Assurances of Integrity by Financial Agencies**

- Accountability of financial agencies is not clearly defined in legislation.
- Lack of a Code of Conduct for the staff performing supervisory functions.
- Information on internal control and audit, internal governance procedures, accounting policies, etc., is not consistently disclosed.
- Insurance sector frequently suffers from weak internal arrangements for the resolution of conflicts and disputes in settlement processes.

13. **Across all financial sectors, banking supervisory agencies had the most well-developed transparency practices.** The most pronounced strengths in these areas related to the availability of texts and regulations, the public disclosure of agency responsibilities, the explanation of changes in financial policies, and the provision of information on consumer protection agreements. Senior officials generally explained the institutions' objectives and past performance to the public. However, weaknesses were identified in practices relating to the disclosure of procedures for the dismissal of members of governing bodies, information-sharing arrangements with other agencies, and the disclosure of aggregate information on emergency financial support to financial institutions.

14. **Insurance regulatory agencies had the least transparent practices overall.** These agencies had lower levels of observance with respect to providing periodic updates on how policy objectives were being achieved and to disclosure of their relationships with other financial agencies, in particular related to information-sharing arrangements. In many countries, information-sharing arrangements were based on informal understandings or memorandum of understandings that were not publicly disclosed. Compared with other financial agencies, many insurance supervisory agencies were not required to publicly disclose their financial statements.

### B. Observance of the MFP Transparency Code by Countries at Different Income Levels

15. **The relative levels of observance of monetary and financial policies by income-level[12] are presented in Table 4.** The observance of transparency practices in monetary and financial policies by high-income countries is consistently higher than that of middle- and low-income countries, with the greatest strengths in monetary policy, banking supervision, and payment systems regulation. Observance was weakest in low-income countries, often reflecting nascent financial market development. Insurance supervision had the weakest observance of transparency, on average, across all income levels.

Table 4. MFP Transparency Code Assessments According to Annual Per Capita GNP 1/
(In percent)

| | Average for all countries | High-income economies 2/ | Middle-income economies 3/ | Low-income economies 4/ |
|---|---|---|---|---|
| Monetary Policy | 81 | 90 | 78 | 72 |
| Banking Supervision | 81 | 87 | 77 | 77 |
| Insurance Regulation | 71 | 82 | 66 | 66 |
| Payment Systems | 79 | 87 | 70 | 59 |
| Securities Regulation | 80 | 86 | 75 | 68 |
| Deposit Insurance | 80 | 82 | 87 | 64 |

Source: Country Assessments of the MFP Transparency Code.
Note: In addition,. Assessments were made for three agencies that supervise pension funds. The table does not present information on a summary of these assessments because of the small sample size.
1/ Numbers represent the average percentage shares (across the detailed practice-by-practice assessments) of the applicable and assessed practices from the respective section(s) of the MFP Transparency Code categorized as being fully observed and broadly observed.
2/ High-income economies ($9,076 or more) include: Barbados, Canada, Finland, France, Hong Kong, Iceland, Ireland, Israel, Korea, Luxembourg, Switzerland, the United Arab Emirates, and the United Kingdom.
3/ Middle-income economies ($736–$9,075) include: Armenia, Brazil, Bulgaria, Costa Rica, Croatia, the Czech Republic, the Dominican Republic, Egypt, El Salvador, Estonia, Estonia, Gabon, Guatemala, Hungary, Iran, Kazakhstan, Latvia, Lithuania, Mexico, Morocco, Peru, Philippines, Poland, the Russian Federation, the Slovak Republic, Sri Lanka, Tunisia, and Ukraine.
4/ Low-income economies ($735 or less) include: Bangladesh, Cameroon, Cote d'Ivoire, Georgia, Ghana, India, the Kyrgyz Republic, Nigeria, Senegal, Uganda, and Zambia.

[12] The classification of incomes is from the World Bank Atlas.

## IV. Feedback from National Authorities

16. **Staff solicited the views of national authorities on their experience with the MFP Transparency Code.** (Appendices II and III) The response rate was 65.4 percent of those surveyed (34 countries responded out of a sample of 52).

17. **National authorities viewed the MFP Transparency Code as clearly outlining desirable transparency practices, and noted that the assessments of transparency for their country's monetary and financial policies were useful for their operations**. A few countries indicated that the implementation of monetary and financial policies had since improved and the independence and accountability of their institutions had been enhanced as a result of the changes implemented. Some authorities mentioned that the identification of weaknesses in transparency had helped in the development of strategies for corrective actions and in support of domestic reforms. Authorities appreciated the opportunity to compare themselves with other countries, noting that there were positive externalities to be derived from making the local and international financial community aware of a country's conformity to international best practices. Even in countries where most practices were already observed, some authorities found the discussions with assessors helpful, either with respect to the finalization of statutes undergoing revision or as an affirmation of their efforts in the area of transparency. Some concerns were expressed about the time demands of the process and for many countries it was considered too early to ascertain improvements in transparency resulting from the process.

18. **Most authorities agreed with the findings and recommendations of the MFP Transparency Code assessments and pointed to measures that they had introduced, or planned to introduce, to correct identified weaknesses**. However, questions were raised as to:

- whether assessments should take into account the level of economic development in countries;
- whether the public disclosure of some financial data could not engender financial sector instability and accentuate risks;
- the practicality of consultations with market participants and other interested parties on changes in monetary and financial regulations;
- and the need to explain internal governance procedures to the general public.

Reservations were also expressed on the public disclosure of data reported by financial institutions to the central bank. Authorities pointed out the difficulties involved in forecasting exercises and the potential for inaccurate forecasts to undermine the credibility of the central bank, especially regarding the publication of quantitative inflation forecasts.

19. **Already, the initiation of the FSAP process has motivated some countries to introduce improvements to transparency practices, likely in part to enhance the results of the assessment**. Half of the respondents, especially from EURO accession countries, reported changes that were introduced during the course of the FSAP process. Information

received from national authorities indicates that 17 and 18 main changes, respectively, were introduced under the four main categories of transparency practices in monetary and financial policies. For monetary policy, most actions taken *during* the FSAP process pertained to improvements in the public availability of information, followed by measures to clarify the roles and responsibilities of the institutions. Regarding the former the most common improvements were the more effective use of various channels of communication—especially web sites—to provide information to the public and amendments to legislation to further clarify the roles and objectives of policy. Few actions were reported as having been taken to improve openness in formulating and reporting monetary policy decisions and in the accountability and assurance of integrity of central banks. The changes that were introduced in financial policies were more evenly distributed across the four broad categories of transparency practices. Most of the actions concerned the public availability of information on financial policies. This was followed by equal numbers of broad changes in the areas of the clarity of roles, responsibilities and objectives for financial agencies, and accountability and assurance of integrity by financial agencies.

20. **A much larger number of countries—comprising almost 88 percent of those responding—indicated that they had taken some actions to improve transparency practices *subsequent to* the FSAP process.** Many changes were reported for both monetary and financial policies. For monetary policy a total of 47 changes were reported in the broad categories of transparency practices. Changes occurred most frequently with regard to the public availability of information on monetary policy. The types of improvements mirrored those taken during the course of the FSAP: the quality and quantity of disclosed information on monetary policy was improved; more and better information was made available to the public through different channels (the institution's web page and through government gazettes, and annual or quarterly reports); and explicit provisions were made in legislation to improve the disclosure of information, such as in quarterly and annual reports. There were 37 changes with respect to transparency practices in financial policies. Most of the changes concerned improvements in the clarity of roles, responsibilities, and objectives of financial agencies responsible for financial policies. Changes concerning public availability of information on financial policies also featured prominently. Changes concerning the other two areas of transparency practices were also significant, suggesting an improved balance in addressing the various areas.

21. **Box 3 presents a list of some of the specific measures that were taken by the authorities during and after the FSAP process.** Many countries surveyed also indicated that they envisaged taking additional actions to enhance the transparency of monetary and financial policies in light of the findings of the FSAP process.

## V. Feedback from Area Departments

22. **Most desk officers believed that the country authorities were generally satisfied with the assessments**. Particular benefits cited in this regard included: fostering an awareness of best practices and providing benchmarks to which they could aspire; helping central bank officials mobilize political support for greater independence of central banks;

providing a catalyst for changes to practices in transparency; and affirming the country's own transparency initiatives.

Box 3. Examples of Initiatives Taken by Countries to Improve Transparency

**Clarity of roles, responsibilities and objectives of policy (I, V)**
1. Draft amendments and/or setting up of new Central bank and Banking Statutes to make roles and objectives explicit.
2. Legislation to enhance the independence of the central bank.
3. Harmonization of a national constitution and the central bank statutes on the primary objectives of monetary policy.
4. Clear delineation of responsibilities and modalities for interaction among financial agencies.
5. Establishment of a single supervisory authority and unification of financial sector policies.
6. Signing of MOUs among financial agencies.
7. Setting up of a Financial Market Authority as an independent legal entity with clear rules, powers and responsibilities.

**Open process for formulating and reporting policy decisions (II ,VI)**
8. Holding of regular consultations with the private sector and other interested parties.
9. Announcement of the schedule of Monetary Council meetings.
10. Announcement and disclosure of interest policy decisions.
11. Setting up of an investigations and consumer reporting office in the banking supervision department to ensure transparency.
12. Setting up a preannounced schedule of monetary policy decisions and publishing them in a bulletin.
13. Publication of bank-wide interest rates and charges/commissions.

**Public availability of information on monetary and financial policies (III, VII);**
14. Development of an action plan to increase the degree of transparency.
15. Improvement of channels of communication with the public.
16. Issuance of a comprehensive banking supervision compendium and its publication on website.
17. Inclusion of more information on regulatory work in the central bank's annual report.
18. Placement of the laws regulating deposit insurance guarantees, investor protection schemes etc. on website
19. Publication of audited financial statements.
20. Information on payment systems made more readily available.
21. Increased participation of central bank governor in meetings and seminars to discuss monetary policy and its guidelines.
22. Establishment of a public affairs unit to provide information to the public.
23. Increased frequency of the publication of inflation forecasts

**Accountability and assurance of integrity by the central bank and regulatory agency (IV, VIII)**
24. Establishing the position of compliance officer and requiring that this officer issue an annual report.
25. Approving regulations on the preparation of financial statements of commercial banks and other financial institutions.
26. Improved clarity on disciplinary procedures on lending institutions.
27. Code of ethics published on website.
28. Adoption of International Accounting Standards.
29. Preparation of internal governance procedure and code of conduct.
30. Amendment of statute to accord legal protection of officers in the execution of their duties.
31. Uniform accounting standards and disclosure requirements adopted by banks and external auditors.
32. Publication of audited financial statements.
33. Signature of an MOU with an Accounting and Auditing Monitoring Board.

23. **Nevertheless, a few desk officers questioned the value added of the transparency assessments, especially in cases where standards of transparency were already high because of independent initiatives by countries**. While acknowledging that many countries

had started implementing the recommendations from assessments, some desk officers thought that it was too early to determine the concrete improvements. Others thought that the MFP Transparency Code should be further streamlined to make it less cumbersome and less time-consuming. Some argued for tailoring the Code to the circumstances of individual countries and taking into account different levels of development.

24. **Desk officers' suggestions for improvements were consistent with those of the national authorities.** They included providing a more focused and prioritized list of recommendations; addressing the issue of overlaps between the MFP Transparency Code and other international standards; and including follow-up mechanisms to ensure the implementation of the recommendations.

## VI. Fund Initiatives with Linkages to the MFP Transparency Code

25. **Transparency issues with implicit and explicit linkages to the MFP Transparency Code are covered in other Fund initiatives, notably in safeguards assessments and the Special Data Dissemination Standard (SDDS).**[13] These initiatives are particularly helpful in improving transparency practices for accountability and assurances of integrity of monetary and financial policies. As reflected in the assessments of many countries, the level of compliance with the best practices on accountability and assurances of integrity of policies is relatively low.

26. **The safeguards assessment policy is an *ex ante* mechanism to strengthen the Fund's framework of measures to safeguard the use of Fund resources and minimize the possibility for misreporting.** With the exception of voluntary assessments, the policy is limited to countries that are using or have requested the use of Fund resources. Safeguards assessments are conducted independent of Fund surveillance, program negotiations, and technical assistance activities. The general purpose of the policy is to provide reasonable assurance that the control, accounting, reporting, and auditing systems of a central bank are adequate to manage resources and ensure the integrity of its operations. A key element of the safeguards policy is the requirement that a central bank publish annual financial statements prepared in accordance with internationally accepted accounting standards and independently audited in accordance with internationally accepted standards.

27. **Safeguards assessments have revealed that a substantial number of central banks are not subject to independent and external audits that conform to internationally accepted standards**.[14] Several central banks have poor internal controls for foreign reserves management and data reporting to the IMF. A number of central banks have insufficiently clear financial reporting frameworks and inadequate accounting standards. As of August 2003, 79 Safeguards assessments comprising 52 full assessments and 27

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[13] More broadly, transparency issues are also covered in the regular surveillance process, including through occasional factual updates of earlier assessments.

[14] Review of Safeguards Assessments (EBS/02/27).

transitional assessments had been made. The rate of implementation of safeguards recommendations is reported to be high and improving (71 percent).

28. **The SDDS was established in 1996 to guide countries that have access, or might seek access, to the international capital markets**. It is voluntary and focuses on commitments to data dissemination standards in countries that already meet high data quality standards. Thus far, 55 countries have subscribed to the SDDS. Weaknesses remain; for example, some countries exclude items such as international reserves from their templates. Established in 1997, the General Data Dissemination System (GDDS) is open to all IMF members and focuses on improving statistical systems; it is also voluntary.

29. **Some commentators have observed that there are further challenges to addressing successfully the transparency dimensions of these initiatives**. To outsiders, the differences between SDDS conventions and reported central bank balance sheets on one hand and definitions of monetary variables in Fund programs on the other might be confusing. Another challenge is differences in accounting standards and disclosure practices among member central banks. The risks posed by multiple data sets will be discussed in the forthcoming Board paper on data provision to the Fund for surveillance purposes.

## VII. The Way Forward—Continuing the Transparency Initiative

### A. Factors Determining the Selection of Countries for MFP Code Assessments

30. **A review[15] of the FSAP program concluded that the scope of the FSAP assessments would continue to be comprehensive, while adjustments would be made in the depth of coverage and in the number of detailed assessments of individual standards and codes**. In this context, it was recognized that assessment of standards and codes was useful and formed an important part of the overall assessment of the financial sector.

31. **In line with the review of the FSAP, the coverage and depth of future assessments under the *MFP Transparency Code* would be based on the specific circumstances of an individual country, in order to more tightly focus the assessments.**[16] The countries for which the MFP Transparency Code will be conducted and the sectors to be assessed would be prioritized, taking into consideration their importance for monetary and financial sector stability. A detailed assessment under the MFP Transparency Code will be beneficial in countries contemplating the introduction of new legislation, the modification of existing laws, or changes in the regulatory environment, including consolidating and merging supervisory responsibilities. In these situations, the assessment will provide a framework for assessing the transparency environment, identify the key issues that need to be addressed in

[15] See *Financial Sector Assessment Program—Review, Lessons, and Issues Going Forward* (SM/03/77) and *The Acting Chair's Summing Up* on the same issue (BUFF/03/42).

[16] The cost of conducting an assessment of the MFP Transparency Code varies with the number of sectors to be covered. Staff resources have generally involved one mission member conducting the assessment, generally with input from sector experts assessing the relevant international standard.

the law, provide a forum for independent and objective analysis and dialogue with respect to the proposals, and examine the relevant issues in the context of contemporary international practices.

32. **In systemically important countries with well-developed financial sectors, it will be useful to conduct MFP Transparency Code assessments for monetary policy and financial agencies that oversee significant parts of the financial sector**. The Fund's experience with conducting transparency assessments indicates that the dialogue initiated under the assessment process has helped these countries to take a fresh look at transparency practices and to make improvements wherever warranted.

33. **Countries in the early stages of financial sector development may benefit from an overall assessment of transparency, in place of a practice-by-practice assessment**.[17] The assessment would establish a benchmark in the development of a country's financial infrastructure and serve as the basis for the provision of technical assistance in the country, as the need arises.

34. **A detailed reassessment of the *MFP Transparency Code* as part of follow-up FSAPs will normally be required only in countries that have had significant changes in the transparency environment or the monetary or supervisory framework**. A factual update could be conducted in countries where the initial assessment had a number of significant recommendations that the authorities have tried to address in the intervening period. Staff have already prepared factual updates of some MFP assessments, which examine progress made in addressing selected monetary and financial vulnerabilities.

## B. Coordination with International Standard-Setting Agencies

35. **Individual standard-setting bodies have increasingly included transparency-related criteria in their individual standards and codes**.[18] (Box 4) In its recent major revision version of the Insurance Core Principles (ICP) in October 2003, the IAIS has taken steps to integrate the MFP Transparency Code into the main core principles of the ICP. The first five principles of the ICP cover supervisory governance issues in great detail and include several key transparency criteria. Moreover, the ICP requires that, while assessing these principles, the assessors also cross-reference the MFP Transparency Code for guidance.

[17] For an example of an overview-type assessment of a low-income economy, see *Tanzania: Financial System Stability Assessment, including Reports on the Observance of Standards and Codes on Banking Supervision*, http://www.imf.org/external/country/TZA/index.htm.

[18] In the GATTS framework of the WTO, the U.S. has made a proposal to expand the scope and coverage of regulatory transparency and has made a submission to the WTO similar to the financial policies practices of the MFP Transparency Code.

## Box 4. Transparency in International Standards and Codes

**Basel Core Principles**

CP1 An effective system of banking supervision will have clear responsibilities and objectives for each agency involved in the supervision of banking organizations. Each such agency should possess operational independence and adequate resources. A suitable legal framework for banking supervision is also necessary, including provisions relating to authorization of banking organizations and their ongoing supervision; powers to address compliance with laws as well as safety and soundness concerns; and legal protection for supervisors. Arrangements for sharing information between supervisors and protecting the confidentiality of such information should be in place.

CP2 The permissible activities of institutions that are licensed and subject to supervision as banks must be clearly defined, and the use of the word "bank" in names should be controlled insofar as possible.

CP 21 Banking supervisors must be satisfied that each bank maintains adequate records drawn up in accordance with consistent accounting policies and practices that enable the supervisor to obtain a true and fair view of the financial condition of the bank and the profitability of its business, and that the bank publishes on a regular basis financial statements that fairly reflect its condition.

CP24 A key component of consolidated supervision is establishing contact and information exchange with the various other supervisors involved, primarily host country supervisory authorities.

**Core Principles for Systemically Important Payment Systems**

II. The system's rules and procedures should enable participants to have a clear understanding of the system's impact on financial risks they incur through participation in it.
IX. The system should have objective and publicly disclosed criteria for participation, which permit fair and open access.
X. The system's governance arrangements should be effective, accountable and transparent.

*Responsibilities of the central bank in applying the Core Principles*

A. The central bank should define clearly its payment system objectives and should disclose publicly its role and major policies with respect to systemically important payment systems.

*Recommendations for Securities Settlement Systems*

Recommendation 13: Governance. Governance arrangements for central securities depositories (CSDs) and central counterparties (CCPs) should be designed to fulfill public interest requirements and to promote the objectives of owners and users.

Recommendation 14: Access. CSDs and CCPs should have objective and publicly disclosed criteria for participation that permit fair and open access.

Recommendation 17: Transparency. CSDs and CCPs should provide market participants with sufficient information for them to identify and evaluate accurately the risks and costs associated with using the CSD or CCP services.

Recommendation 18: Regulation and oversight. Securities settlement systems should be subject to transparent and effective regulation and oversight. Central banks and securities regulators should cooperate with each other and with other relevant authorities.

**IAIS Insurance Core Principles**

**Principle 1**
**Organization of an Insurance Supervisor**
The insurance supervisor of a jurisdiction must be organized so that it is able to accomplish its primary task, i.e., to maintain efficient, fair, safe, and stable insurance markets for the benefit and protection of policyholders. It should, at any time, be able to carry out this task efficiently in accordance with the Insurance Core Principles. In particular, the insurance supervisor should:
- be operationally independent and accountable in the exercise of its functions and powers;
- have adequate powers, legal protection, and financial resources to perform its functions and exercise its powers;
- adopt a clear, transparent, and consistent regulatory and supervisory process;
- clearly define the responsibility for decision-making; and
- hire, train, and maintain sufficient staff with high professional standards that follow the appropriate standards of confidentiality.

**Principle 16**
**Coordination and Cooperation**
Increasingly, insurance supervisors liaise with each other to ensure that each is aware of the other's concerns with respect to an insurance company that operates in more than one jurisdiction, either directly or through a separate corporate entity.
In order to share relevant information with other insurance supervisors, adequate and effective communication should be developed and maintained.
In developing or implementing a regulatory framework, consideration should be given to whether the insurance supervisor:
- is able to enter into an agreement or understanding with any other supervisor both in other jurisdictions and in other sectors of the industry (i.e., insurance, banking, or securities) to share information or otherwise work together;
- is permitted to share information, or otherwise work together, with an insurance supervisor in another jurisdiction. This may be limited to insurance supervisors who have agreed, and are legally able, to treat the information as confidential;
- should be informed of findings of investigations where power to investigate fraud, money laundering, and other such activities rests with a body other than the insurance supervisor; and
- is permitted to set out the types of information and the basis on which information obtained by the insurance supervisor may be shared.

**IOSCO Principles**

**Principles relating to the regulator**
1. The responsibilities of the regulator should be clear and objectively stated.
2. The regulator should be operationally independent and accountable in the exercise of its functions and powers
4. The regulator should adopt clear and consistent regulatory processes.
7. SROs should be subject to the oversight of the regulator and should observe standards of fairness and confidentiality when exercising powers and delegated responsibilities.

**Principles for cooperation in regulation**
11. The regulator should have authority to share both public and nonpublic information with domestic and foreign counterparts.
12. Regulators should institute information-sharing mechanisms that establish when and how they will share both public and nonpublic information with their domestic and foreign counterparts.
13. The regulatory system should allow for assistance to be provided to foreign regulators who need to make enquiries in the discharge of their functions and exercise of their powers.

**Principles for market intermediaries**
22. There should be initial and ongoing capital and other prudential requirements for market intermediaries.
23. Market intermediaries should be required to comply with standards for internal organization and operation conduct that aim to protect the interests of clients, ensure proper management of risk, and under which management of the intermediary accepts primary responsibility for these matters.

36. **As other international standards and codes are reviewed in the future, staff will encourage the standard-setting bodies to include practices relating to transparency that are broadly similar to those included in the MFP Transparency Code.** As international standards and codes increasingly introduce transparency, consideration will be given to progressively eliminate MFP Transparency Code assessments for those financial sectors where standard-setting bodies have reflected the concerns of the MFP Transparency Code in their own codes.[19] This will streamline procedures and eliminate duplication of work.

37. **The decision to dispense with stand-alone MFP assessments in specific financial sectors will be based on a review by in-house sector experts in consultation with the World Bank to ascertain how much of the MFP Transparency Code each of the sector standards incorporates.** If the bulk of the MFP transparency principles are integrated into the relevant sector standards, the staff sees no need to prepare a separate transparency assessment of the sector. The work done in the revisions of the IAIS Insurance Core Principle

[19] The MFP Transparency Code itself will not be modified.

could serve as a useful example for other standard-setters to follow. The revised IAIS Insurance Code now incorporates key aspects of the MFP Transparency Code*,* and consideration will be given to dropping the stand-alone transparency assessment for the insurance sector from the MFP assessments.

## C. Improvements to the MFP Transparency Code

38. **Based on input received from country authorities, area departments, and internal review, the staff does not propose any changes to the Code at this time**. Overall, responses to the survey questionnaire sent to authorities and area departments indicated that the MFP Transparency Code outlines desirable transparency practices. Since the introduction of the MFP Transparency Code and the original *Supporting Document* in 1999, additional reference material, such as the Guidance Notes, the Briefing Note for Country Authorities, and the Terms of Reference for Experts, has been introduced that have facilitated the interpretation of and assessment process for the MFP Transparency Code.

39. **In the quest for further efficiencies, staff will continue to review the Code with a view to identifying possible areas of overlap or redundancy.** It is already clear that a few practices related to specific individual financial agencies are in practice redundant. In particular, deletions of the references to payment systems in the MFP Transparency Code to eliminate repetition would be appropriate. The Secretariat of the CPSS concurs with this approach. These and any other modifications could be submitted for the Board's approval when the next review of the experience with the MFP Transparency Code is undertaken.

40. **The Code is currently not very explicit regarding the quality of accounting standards and disclosures**. It notes (section III, article 3.2.3) that "[d]etailed central bank balance sheets prepared according to appropriate and publicly documented accounting standards should be publicly disclosed at least annually by the central bank." As noted by some observers and also commented on in several safeguards assessments, many central banks do not follow appropriate accounting standards. This raises the question whether the Code should prescribe, at this juncture, an explicit degree of accounting transparency. Staff believes that several existing accounting standards provide sufficient transparency. For example, accounting frameworks that are materially compliant with International Financial Reporting Standards (IFRS—formerly IAS) or U.S. Generally Accepted Accounting Principles (GAAP) would in the staff's view be deemed sufficiently transparent. The growing international adoption of IFRS and the process of convergence between IFRS and U.S. GAAP to provide a single set of high-quality international standards may ultimately provide an opportunity for explicitly specifying the resulting converged standards as the desirable framework for transparency purposes. Detailed country examples will be provided in a revision of the supporting document to the code. Staff will continue to closely monitor the emerging trend of central bank accounting transparency.

## D. Update of the Supporting Document to the MFP Transparency Code

41. **After the completion of the review, additional examples of good transparency practices will be used to strengthen the *Supporting Document* to the MFP Transparency Code**. This document will be useful for the authorities in formulating their own transparency

practices in line with new developments in transparency. One of the important benefits is the independent and objective appraisal of the country's practices in comparison with international best practices. It is hoped that the Supporting Document will encourage countries to conduct self-assessments periodically.

## VIII. Concluding Observations

42. **Assessments under the MFP Transparency Code—an important part of the FSAP program—are linked to the Fund's broader initiative in the promotion of observance of standards and codes**. Transparency in monetary and financial policies is an important part of a country's financial infrastructure.

43. **Almost all countries found the assessments to be useful.** Many countries have indicated that even when many of the practices were observed, discussions during the assessment process led to a better understanding of the issues. In general, assessments under the MFP Transparency Code have helped increase awareness of the significance of transparency in the implementation of monetary policy and in financial agencies and have led to improvements in transparency in a broad group of countries.

44. **Staff will continue to review and refine the assessment methodology and the assessment process to make them more efficient and useful**. The recent assessments will provide the basis for a review and update of the S*upporting Document*. Detailed practice-by-practice assessments will be conducted on a more selective basis. Based on MFP Transparency Code assessments, MFD will provide technical assistance, when found necessary.

45. **Coordination with other standard-setting agencies will continue in order to further the inclusion of transparency elements in their respective standards and codes**. When those standards and codes are sufficiently modified, it should be possible to consider elimination of the assessments under the MFP Transparency Code for the respective financial agencies.

46. **Some commentators have observed that there are further challenges to addressing successfully the transparency dimensions in accounting standards and disclosure practices among member central banks**. Staff will monitor ongoing discussions toward enhancing accounting standards. Should a consensus emerge on desirable accounting practices for central banks, consideration will be given to making these explicit in the transparency code.

47. **The MFP Transparency Code assessments have generally found a relatively high level of transparency, but with areas in need of improvement**. It is encouraging that country feed-back has indicated that assessments of the Code have heightened the awareness and interest in improving transparency practices in monetary and financial policies. In sum, the Code continues to provide a benchmark against which to assess the efforts of countries to improve transparency.

# Table 1. MFP Transparency Code Assessment Survey

| | | | | | Areas Assessed | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Country | Area Dept. | Code | TYPE | Date | Mon. Pol. | Dep. Ins. | Ins. Reg. | Pmt. Sys. Oversight | Sec. Reg. | Bnkg Sup. | Other 1/ |
| **Countries included in the First Board Paper of December 2000** | | | | | | | | | | | |
| Albania | EU1 | ALB | TA/Art IV | Nov-99 | 1 | | | | | | |
| Argentina | WHD | ARG | Exp ROSC | Mar-99 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Australia | APD | AUS | Exp ROSC | Apr-99 | 1 | | 1 | 1 | 1 | 1 | |
| Bulgaria | EU1 | BGR | Exp ROSC | Oct-01 | 1 | 1 | | | 1 | 1 | |
| Cameroon | AFR | CMR | FSAP/ROSC | Feb-00 | 1 | | | 1 | | 1 | |
| Canada | WHD | CAN | FSAP/ROSC | Oct-99 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Colombia | WHD | COL | FSAP/ROSC | Apr-99 | 1 | | | | | 1 | |
| Czech Republic | EU1 | CZE | Exp ROSC | Nov-00 | 1 | | 1 | 1 | 1 | 1 | |
| El Salvador | WHD | SLV | FSAP/ROSC | Feb-00 | 1 | | | | | | |
| Estonia | EU2 | EST | FSAP/ROSC | Mar-00 | 1 | 1 | 1 | 1 | 1 | 1 | |
| France | EU1 | FRA | TA/Art IV | Jun-00 | | 1 | 1 | 1 | 1 | 1 | |
| Hungary | EU1 | HUN | FSAP/ROSC | Feb-00 | 1 | 1 | 1 | 1 | 1 | 1 | |
| India | APD | IND | FSAP/ROSC | Mar-00 | 1 | 1 | | 1 | 1 | 1 | |
| Iran | MED | IRN | FSAP/ROSC | Feb-00 | 1 | | 1 | 1 | 1 | 1 | |
| Ireland | EU1 | IRL | FSAP/ROSC | Sep-00 | | 1 | 1 | 1 | 1 | 1 | |
| Kazakhstan | EU2 | KAZ | FSAP/ROSC | Feb-00 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Lebanon | MED | LBN | FSAP/ROSC | May-99 | 1 | 1 | | 1 | | 1 | |
| South Africa | AFR | ZAF | FSAP/ROSC | Oct-99 | 1 | | | | 1 | 1 | |
| Tunisia | MED | TUN | Exp ROSC | Feb-01 | 1 | | 1 | | 1 | 1 | |
| **Countries included in the Second Board Paper** | | | | | | | | | | | |
| Armenia | EU2 | ARM | FSAP | Sep-00 | 1 | | | 1 | 1 | 1 | |
| Bangladesh | APD | BGD | FSAP | Apr-02 | 1 | | | | 1 | 1 | |
| Barbados | WHD | BRB | FSAP | Mar-02 | 1 | | 1 | | 1 | 1 | |
| Costa Rica | WHD | CRI | FSAP | Oct-01 | 1 | | | 1 | | 1 | |
| Côte d'Ivoire | AFR | CIV | FSAP | Apr-02 | | | | | 1 | 1 | |
| Croatia | EU1 | HRV | FSAP | Apr-01 | 1 | | 1 | 1 | 1 | 1 | |
| Dominican Republic | WHD | DOM | FSAP | Jan-01 | 1 | 1 | | 1 | 1 | 1 | |
| Egypt | MED | EGY | FSAP | Apr-02 | 1 | | 1 | | 1 | 1 | |
| Finland | EU1 | FIN | FSAP | Feb-01 | | 1 | 1 | 1 | 1 | 1 | |
| Gabon | AFR | GAB | FSAP | Ma 2001 | 1 | | 1 | | | 1 | |
| Georgia | EU2 | GEO | FSAP | May-01 | 1 | | 1 | | | 1 | |
| Ghana | AFR | GHA | FSAP | Jun-00 | 1 | | 1 | 1 | | 1 | |

| | | | | | Areas Assessed | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Country** | **Area Dept.** | **Code** | **TYPE** | **Date** | **Mon. Pol.** | **Dep. Ins.** | **Ins. Reg.** | **Pmt. Sys. Oversight** | **Sec. Reg.** | **Bnkg Sup.** | **Other 1/** |
| Guatemala | WHD | GTM | FSAP | Jun-00 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Iceland | EU1 | ISL | FSAP | Feb-00 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Israel | EU1 | ISR | FSAP | Sep-00 | 1 | | 1 | 1 | 1 | 1 | 1 |
| Korea | APD | KOR | FSAP | Oct-01 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Kyrgyz Republic | EU2 | KGZ | FSAP | Feb-02 | 1 | | | 1 | | 1 | |
| Latvia | EU2 | LVA | FSAP | Feb-01 | 1 | | 1 | 1 | 1 | 1 | |
| Lithuania | EU2 | LTU | FSAP | Sep-01 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Luxembourg | EU1 | LUX | FSAP | Oct-01 | | | 1 | 1 | 1 | 1 | |
| Mexico | WHD | MEX | FSAP | Mar-01 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Morocco | MED | MAR | FSAP | Feb-02 | 1 | | 1 | 1 | 1 | 1 | |
| Nigeria | AFR | NGA | FSAP | Feb-02 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Peru | WHD | PER | FSAP | Sep-00 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Philippines | APD | PHL | FSAP | Oct-01 | 1 | | | | 1 | 1 | |
| Poland | EU1 | POL | FSAP | Jun-00 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Senegal | AFR | SEN | FSAP | Nov-00 | 1 | | | | | | |
| Slovak Republic | EU1 | SVK | FSAP | Feb-02 | 1 | | 1 | 1 | 1 | 1 | |
| Sri Lanka | APD | LKA | FSAP | Oct-01 | 1 | | | 1 | 1 | 1 | |
| Switzerland | EU1 | CHE | FSAP | Jun-01 | 1 | | 1 | 1 | | 1 | 1 |
| Uganda | AFR | UGA | FSAP | Jan-01 | 1 | | | 1 | | 1 | |
| Ukraine | EU2 | UKR | FSAP | Apr-02 | 1 | 1 | 1 | 1 | 1 | 1 | |
| United Arab Emirates | MED | ARE | FSAP | Feb-01 | 1 | | | 1 | | 1 | |
| Zambia | AFR | ZMB | FSAP | Apr-02 | 1 | | | 1 | | 1 | |
| **Countries included in the First and Second Board Papers** | | | | | | | | | | | |
| Brazil | WHD | BRA | ROSC | Mar-02 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Russia | EUII | RUS | FSAP | Apr-02 | 1 | | 1 | | 1 | 1 | |
| Hong Kong SAR | APD | HKG | FSAP | Dec-02 | 1 | | 1 | 1 | 1 | 1 | |
| United Kingdom | EUI | GBR | FSAP | Feb-02 | 1 | 1 | 1 | 1 | 1 | 1 | |
| **TOTAL** | | | | | 52 | 23 | 37 | 42 | 42 | 54 | 3 |

Source: Country assessments of the MFP Transparency Code

1/ Includes supervision of nonbank financial institutions, pension oversight, etc.

Table 2. Summary Findings for Countries in the Current Review l/

| Area assessed under the Code/Area of transparency | All monetary/financial policy transparency practices of the Code | Clarity of roles, responsibilities and objectives of agencies for monetary/financial policy | Open process for formulating and reporting monetary/financial policy decisions | Public availability of information on monetary/financial policy | Accountability and assurances of integrity by the central bank/financial agency |
|---|---|---|---|---|---|
| Monetary Policy | | | | | |
| - Fully observed | 69 | 69 | 68 | 75 | 63 |
| - Broadly observed | 12 | 12 | 14 | 12 | 9 |
| - Partly observed | 13 | 16 | 13 | 11 | 13 |
| - Not observed | 6 | 3 | 4 | 3 | 14 |
| Banking Supervision | | | | | |
| - Fully observed | 71 | 64 | 76 | 77 | 66 |
| - Broadly observed | 10 | 13 | 9 | 9 | 8 |
| - Partly observed | 13 | 20 | 12 | 8 | 12 |
| - Not observed | 6 | 3 | 3 | 6 | 14 |
| Deposit Insurance | | | | | |
| - Fully observed | 73 | 71 | 80 | 74 | 68 |
| - Broadly observed | 7 | 5 | 6 | 10 | 6 |
| - Partly observed | 14 | 15 | 14 | 14 | 14 |
| - Not observed | 6 | 9 | 0 | 2 | 11 |
| Insurance Regulation | | | | | |
| - Fully observed | 61 | 57 | 70 | 63 | 53 |
| - Broadly observed | 10 | 12 | 9 | 8 | 10 |
| - Partly observed | 16 | 15 | 16 | 16 | 15 |
| - Not observed | 10 | 2 | 4 | 12 | 22 |
| Payment Systems | | | | | |
| - Fully observed | 69 | 63 | 68 | 73 | 74 |
| - Broadly observed | 10 | 7 | 17 | 9 | 6 |
| - Partly observed | 15 | 23 | 12 | 9 | 14 |

| Area assessed under the Code/Area of transparency | All monetary/financial policy transparency practices of the Code | Clarity of roles, responsibilities and objectives of agencies for monetary/financial policy | Open process for formulating and reporting monetary/financial policy decisions | Public availability of information on monetary/financial policy | Accountability and assurances of integrity by the central bank/financial agency |
|---|---|---|---|---|---|
| - Not observed | 6 | 7 | 3 | 8 | 6 |
| | | | | | |
| Securities Regulation | | | | | |
| - Fully observed | 69 | 66 | 75 | 74 | 61 |
| - Broadly observed | 11 | 16 | 9 | 9 | 8 |
| - Partly observed | 13 | 14 | 12 | 12 | 15 |
| - Not observed | 7 | 4 | 4 | 5 | 16 |
| | | | | | |
| Other 2/ | | | | | |
| - Fully observed | 79 | 50 | 100 | 77 | 88 |
| - Broadly observed | 8 | 8 | 0 | 15 | 7 |
| - Partly observed | 12 | 36 | 0 | 8 | 5 |
| - Not observed | 1 | 6 | 0 | 0 | 0 |

Source: Data assessments of the MFP Transparency Code

1/ Numbers in table represent the average percentage shares (across the detailed practice-by-practice assessments) of the applicable and assessed practices from the respective section(s) of the MFP Transparency Code categorized as being observed, broadly observed, partly observed, and not observed.
Countries include Armenia, Bangladesh, Barbados, Brazil, Costa Rica, Côte d'Ivoire, Croatia, Dominican Republic, Egypt, Finland, Gabon, Georgia, Ghana, Guatemala, Iceland, Israel, Korea, Kyrgyz Republic, Latvia, Lithuania, Luxembourg, Malta, Mexico, Morocco, Nigeria, Peru, Philippines, Poland, Russia, Hong Kong SAR, Senegal, Slovak Republic, Sri Lanka, Switzerland, Uganda, Ukraine, United Arab Emirates, United Kingdom, and Zambia.
2/ Includes supervision of nonbank financial institutions, pension oversight, etc.

## QUESTIONNAIRE FOR THE AUTHORITIES

### FEEDBACK ON OBSERVANCE OF THE CODE OF GOOD PRACTICES ON TRANSPARENCE IN MONETARY AND FINANCIAL POLICIES (MFP TRANSPARENCY CODE)

1. On the whole, did you find the assessments on the transparency of monetary and financial policies useful in your operations?

2. Did you agree with the assessors' findings and recommendations on transparencies on monetary and financial policies?

3. Please indicate, by practice, improvements made in the areas of transparency in monetary and financial policies during the course of the FSAP assessment.[20]

4. Please indicate, by practice, the areas of transparency in monetary and financial policies that you changed subsequent to the assessments.

5. As a result of these changes:

   (a) have enhancements in transparency improved the implementation of monetary and financial policies?

   (b) have enhancements in transparency facilitated the independence and accountability of the central bank and financial agencies?

6. Please indicate any future plans you have to address the weaknesses in the identified practices and also indicate any problems that you have encountered or anticipate in addressing these issues.

7. Please indicate whether the practices indicated in the Code were clear to you. If not please indicate the specific elements that were not clear and suggest ways of improving the process.

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[20] For details on practices, please refer to ***Supporting Document*** **to the** ***Code of Good Practices on Transparency in Monetary and Financial Policies*** **Part 1—Introduction** that was approved by the IMF Executive Board on July 24, 2000.
***Supporting Document*** **to the** ***Code of Good Practices on Transparency in Monetary and Financial Policies*** **Part 2—Good Transparency Practices for Monetary Policy by Central Banks a**pproved by the IMF Executive Board on July 24, 2000.
***Supporting Document*** **to the** ***Code of Good Practices on Transparency in Monetary and Financial Policies*** **Part 3—Good Transparency Practices for Financial Policies by Financial Agencies a**pproved by the IMF Executive Board on July 24, 2000.

## QUESTIONNAIRE FOR DESK ECONOMISTS

FEEDBACK ON OBSERVANCE OF THE CODE OF GOOD PRACTICES ON TRANSPARENCY IN MONETARY AND FINANCIAL POLICIES (MFP TRANSPARENCY CODE)

**Background**

MAE is undertaking a review of monetary and financial policies transparency codes assessments and requests your help answering a few questions on the experience of the countries that have participated in assessments of the transparency of Monetary and Financial Policies so far (Table 1). The main objectives of the review exercise are to:

(i) identify the strengths and weaknesses of the MFP assessment process;

(ii) ascertain the extent to which the national authorities have implemented the recommended actions from the assessments;

(iii) streamline the MFP Transparency Code, if deemed necessary; and

(iv) maintain and augment the Transparency Initiative.