

**FOR
AGENDA**

SM/03/86
Supplement 5

March 6, 2003

To: Members of the Executive Board

From: The Secretary

Subject: **International Standards—Draft Background Section to Public
Information Notice**

The attached draft background section to the Public Information Notice is a supplement to the paper on international standards—strengthening surveillance, domestic institutions, and international markets (SM/03/86, 3/6/03) and is tentatively scheduled for discussion on **Wednesday, March 19, 2003.**

The staff proposes the publication of this paper after the Executive Board completes its discussion.

Questions may be referred to Ms. Metzgen (ext. 37863) and Mr. Al-Atrash (ext. 38432) in PDR.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

International Standards: Draft Background Section to Public Information Notice

Prepared by the Policy Development and Review Department

Approved by Timothy Geithner

March 5, 2003

**IMF Executive Board Reviews International Standards:
Strengthening Surveillance, Domestic Institutions, and
International Markets**

On February 12, 2003 the Executive Board of the International Monetary Fund (IMF) considered a joint Fund/World Bank staff paper on the standards and codes initiative that was launched in the wake of the financial crises in the late 1990s.

Background

The standards and codes initiative is part of the international community's wider strategy for strengthening the stability of the international financial system. The initiative is designed to strengthen institutions and promote good governance and transparency thereby enhancing the accountability and credibility of policy and reducing vulnerability to crises. The concept of internationally agreed standards is not new but the work has accelerated in the past few years in developing international standards and codes to provide policy makers with benchmarks of good practice in key areas of policy.

In early 2001, the Fund and Bank Boards reviewed the experience of assessing and implementing standards. They endorsed a list of 11 areas and associated standards useful to their operational work and for which assessments will be undertaken as appropriate and agreed that Reports on Standards and Codes (ROSCs) would be the principal tool for undertaking assessments. At that time, Fund Directors also agreed on modalities by which ROSCs would inform the surveillance process. In November 2002, the Executive Boards of both organizations agreed to add anti-money laundering and combating the financing of terrorism (AML/CFT) to this list.

The standards can be grouped into three main categories: *transparency standards* (focused on data, fiscal, and monetary and financial policy transparency); *financial sector standards* (banking supervision, securities, insurance, payment systems, and

AML/CFT); and *market-integrity standards* for the corporate sector (corporate governance, accounting, auditing, and insolvency and creditor rights).

The number of ROSCs has increased sharply since the 2001 review. As of November 30, 2002, 330 ROSCs have been produced for 87 economies or 46 percent of Fund membership. About 72 percent of ROSCs were published.

Executive Board Assessment

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Public Information Notices (PINs) are issued, (i) at the request of a member country, following the conclusion of the Article IV consultation for countries seeking to make known the views of the IMF to the public. This action is intended to strengthen IMF surveillance over the economic policies of member countries by increasing the transparency of the IMF's assessment of these policies; and (ii) following policy discussions in the Executive Board at the decision of the Board.