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International Monetary Fund
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IMF Invites Public Comment on Latest Draft Compilation Guide on Financial Soundness Indicators

The International Monetary Fund's Statistics Department has opened for public comment through June 20, 2003 the latest draft Compilation Guide on Financial Soundness Indicators, which has been prepared for the purpose of supporting countries in their efforts to develop stronger and more effective financial sectors.

Financial Soundness Indicators have been developed to complement other initiatives underway to strengthen the global financial system, including the joint IMF-World Bank Financial Sector Assessment Program that was launched in 1999.

The Guide provides guidance to the IMF's 184-member countries on the concepts and definitions, data sources, and techniques, for compiling and disseminating a list of "core" and "encouraged" Financial Soundness Indicators (see Annex). The Guide also defines the types of financial institutions; sets out detailed accounting rules, including valuation of instruments, and provides conceptual advice on individual line items in the income and expense and balance sheet accounts that can be used to calculate many of the Indicators.

Experts from international statistical organizations, standards setting bodies, and IMF member countries, commented on an earlier draft of the Guide, which also explains approaches to the aggregation and consolidation of data, gives practical advice on compiling and analyzing peer group data, and provides guidance on measuring real estate prices and certain financial market information.

Comments on the latest draft Guide may be sent to the IMF's Statistics Department via email: staf2fsi@imf.org, or by facsimile: [1] 202-623-5411. Written comments may be addressed to: Director, Statistics Department, International Monetary Fund, 700 19th Street NW, Washington DC 20431.

ANNEX

Financial Soundness Indicators: The Core and Encouraged Sets

Core Set	
Deposit-takers	
<i>Capital adequacy</i>	Regulatory capital to risk-weighted assets Regulatory Tier I capital to risk-weighted assets
<i>Asset quality</i>	Nonperforming loans to total gross loans Nonperforming loans net of provisions to capital Sectoral distribution of loans to total loans
<i>Earnings and profitability</i>	Large exposures to capital Return on assets Return on equity Interest margin to gross income Noninterest expenses to gross income
<i>Liquidity</i>	Liquid assets to total assets (liquid asset ratio) Liquid assets to short-term liabilities
<i>Sensitivity to market risk</i>	Duration of assets Duration of liabilities Net open position in foreign exchange to capital
Encouraged Set	
Deposit-takers	Capital to assets Geographical distribution of loans to total loans Gross asset position in financial derivatives to capital Gross liability position in financial derivatives to capital Trading income to total income Personnel expenses to noninterest expenses Spread between reference lending and deposit rates Spread between highest and lowest interbank rate Customer deposits to total (non-interbank) loans Foreign currency-denominated loans to total loans Foreign currency-denominated liabilities to total liabilities Net open position in equities to capital
Other financial corporations	Assets to total financial system assets Assets to GDP
Nonfinancial corporate sector	Total debt to equity Return on equity Earnings to interest and principal expenses Net foreign exchange exposure to equity Number of applications for protection from creditors
Households	Household debt to GDP Household debt service and principal payments to income
Market liquidity	Average bid-ask spread in the securities market 1/ Average daily turnover ratio in the securities market 1/
Real estate markets	Real estate prices Residential real estate loans to total loans Commercial real estate loans to total loans

1/ Or in other markets that are most relevant to bank liquidity, such as foreign exchange markets.