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**Statement by Ms. Lundsager and Mr. Lin on Seventh Review of the Fund's Data  
Standards Initiatives  
(Preliminary)  
Executive Board Meeting 08/108  
December 10, 2008**

We appreciate the opportunity to review the progress made on data standards initiatives. Timely collection, use, and publication of core statistical data is at the center of sound policy development and implementation. Aspiring to high standards is in the interest of each of our members, and the returns are substantial, as evidenced by the significantly lower borrowing spreads enjoyed by SDDS subscribers.

**Financial Soundness Indicators**

We strongly support the staff's proposal to present the Board with a paper recommending financial indicators for inclusion in SDDS, an objective we have long supported. The inclusion of a core set of financial soundness indicators would significantly facilitate the monitoring of macro-financial conditions and the evaluation of economic and financial sector policies.

That said, given the many years of work undertaken by the Fund in this area and the effort invested in the Coordinated Compilation Exercise (CCE), we agree with Mr. Itam that a more ambitious timeline should be feasible and would suggest seeing a proposal in half that time. While ensuring that financial soundness indicators are reliable in each country, we urge the staff to continue enhancing the comparability of FSI data across countries. We would appreciate further comment by the staff, both in Wednesday's Board meeting and the forthcoming staff report.

We encourage the staff to take advantage of the CCE experience to identify appropriate core and encouraged financial soundness indicators used in that exercise for inclusion in SDDS. Additionally, we would welcome the staff's views on the merits of upgrading or downgrading any of these indicators' status in SDDS (i.e., from encouraged to core, or vice versa), given recent financial market developments and the experience with CCE.

In light of recent financial market turbulence, we recommend that the Fund explore the possibility of a study in conjunction with the Bank for International Settlements and the Financial Stability Forum to review and identify gaps in data disclosure. This initiative could build on work already undertaken by the private sector and could recommend how international data reporting could be improved (e.g., expand the scope of BIS cross-border claims; increase disclosure on structured finance products; increase disclosure of off-balance sheet vehicles and the extent of banks' contractual and non-contractual obligations and exposure).

### **Reserves Template**

Since transparency of countries' external positions is essential for the evaluation of prospects for disruptive exchange rate movements, we would have preferred to see more ambitious proposals in this vital area. We fully support the two proposals in paragraph 36 of the staff report, and the proposal to clearly specify the expected frequency of reporting on the currency composition of reserves. However, the proposals fall far short of the commendable enhancements proposed in chapter two of The IMF's Data Dissemination Initiative After 10 Years. We urge the staff to fully consider these proposals for the Eighth Review. For example, we are not aware of any compelling reasons why the frequency of reporting the currency composition of reserves could not be increased from a current annual, to monthly, requirement. An even more important step, however, would be an evolution from the current SDR- non-SDR basket breakdown to an individual currency breakdown.

### **Advancing Transparency of Data Quality**

We support in principle the explicit documentation of countries' statistical practices, as well as explicit comparison of these practices with internationally accepted statistical principles in SDDS metadata. However, we strongly suggest these proposals be adopted, at least initially on an encouraged basis, to allow adequate time for consultation in countries with multiple data reporting agencies. Similarly, we would prefer that formal assessments of data quality be encouraged rather than required, and they should be prioritized appropriately as part of the overall standards assessment agenda in each country. We fully support the proposal to move to annual certification of SDDS metadata.

### **Enhancing the GDDS**

We strongly support moving GDDS closer to SDDS, with emphasis on dissemination to facilitate graduation. We encourage GDDS countries to move toward SDDS, and we would stress that countries that issue international debt should pursue SDDS rather than GDDS.

### **Eighth Review of Data Dissemination Standards**

Since the Fifth Review, the interval between reviews has grown -- from 2 to 3 and now, to the staff's proposed 5-year interval until the Eighth Review. We are sensitive to the Fund's budget constraints, and the move to put many such policy reviews on a longer cycle. In our view, however, three factors could make an earlier timeframe for the Eighth Review quite useful. First, recent financial market developments have underscored the importance of high-quality information on financial soundness. Major enhancements to the Fund's data standards are proposed. Finally, with the completion of BPM6, there will be few opportunities to discuss important issues like transparency of official foreign assets and related liabilities -- both reserves and SWFs. We invite the staff to comment on advancing the Eighth Review before 2013.