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To: Members of the Executive Board

From: The Secretary

Subject: **Review of the Experience with the Assessments of Implementation of the IMF Code of Good Practices on Transparency in Monetary and Financial Policies**

Attached for the information of Executive Directors is a paper on the review of the experience with the assessments of implementation of the *IMF Code of Good Practices on Transparency in Monetary and Financial Policies*.

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INTERNATIONAL MONETARY FUND

**Review of the Experience with the Assessments of Implementation of the IMF Code
of Good Practices on Transparency in Monetary and Financial Policies**

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(In consultation with other departments)

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November 28, 2000

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EXECUTIVE SUMMARY

- 1. The assessments of the Code of Good Practices on Transparency in Monetary and Financial Policies (*MFP Transparency Code*) evaluate implementation of transparency practices for central banks and financial agencies.** Twenty-four assessments have been completed so far. Overall, the assessment findings have helped define areas where transparency practices need improvement to enhance the effectiveness of monetary and financial policymaking, and strengthen the efficacy of the regulatory framework of the financial system. This has especially been the case for assessments carried out in the broader context of the FSAP process.
- 2. In general, results from the assessments indicate a significant degree of transparency in many areas.** Monetary policy is most transparent in practices relating to *clarity of roles, responsibilities and objectives of central banks for monetary policy*. Across all financial sectors, transparency was strongest in *public availability of information on financial policies*. **Nevertheless, there remains room for significant improvement in the overall content and form of transparency.** For both monetary and financial policies, transparency was weakest in *accountability and assurances of integrity by central banks and financial agencies*. Areas requiring strengthening include: transparency of the central bank relations with the government, disclosure practices relating to inflation targeting framework, communicating the formal information sharing arrangements among financial agencies, and public disclosure of internal governance procedures for insuring integrity of operations.
- 3. Assessment recommendations have focused on the form, content, and quality of disclosure.** In monetary policy, they stressed the need for improved disclosure and explanation of the monetary policy framework and procedures. Financial policy recommendations emphasized greater public disclosure of relationships between financial agencies and increased frequency of data reporting. **National authorities have reported that the assessments have helped identify factors limiting openness and prompted steps to improve transparency.**
- 4. The experience with the assessments, though still at an early stage, has highlighted limitations in the assessment process and suggested areas of future work.** The *Supporting Document to the Code* will need periodic updating to keep it useful as an implementation guide. A *guidance note* is also needed to clarify the assessment methodology to strengthen the quality and consistency of assessments.

I. INTRODUCTION

5. **The assessments of implementation of the IMF *Code of Good Practices on Transparency in Monetary and Financial Policies: Declaration of Principles* started in Spring 1999 as an initiative toward producing “transparency reports.”¹ They now form an integral part of the FSAP process, and are also being used in technical assistance work.**

6. **Twenty four assessments, differing in scope and coverage, have been completed so far (Appendix I, Table 1).** Of these, twelve assessments were carried out under the FSAP/FSSA linked with the Article IV surveillance process. Eight of the twenty four assessments were conducted in countries volunteering for the initial transparency reports to assist the Fund in determining the modalities for the production of ROSCs. In the remaining four cases, assessments were undertaken as part of technical assistance (two of these assessments were issued as ROSC modules linked to the Article IV consultation process).

7. **The paper analyzes the experience so far with the assessments, drawing on feedback from assessors, national authorities, and analysis of assessment findings.**² In reviewing the experience of assessments, the paper identifies areas where transparency is strong, as well as where observance was assessed to be weak. It also presents some implementation issues, and considers future steps to improve the quality and consistency of assessments.

II. *MFP TRANSPARENCY CODE* ASSESSMENTS

A. *The MFP Transparency Code and the Supporting Document*

8. **The *MFP Transparency Code* covers both monetary and financial policies.** It contains 37 main practices supplemented by 45 subsidiary practices focusing on: (1) clarity of roles, responsibilities and objectives of monetary authorities and financial agencies; (2) the processes for formulating and reporting of monetary policy decisions and of financial policies; (3) public availability of information on monetary and financial policies; and (4) accountability and assurances of integrity by the central bank and financial agencies.

9. **Observance of the *Code* is voluntary with the primary responsibility for implementation vested with the central banks and relevant financial agencies.** The

¹ The title of the “transparency reports” was later changed to *Reports on Observance of Standards and Codes (ROSCs)* that summarize the extent to which countries observe internationally recognized standards and codes; henceforth, the Code will be referred to as the *MFP Transparency Code*.

² The detailed analysis of the implementation of the *Code*, on which this paper is based will be issued as a separate paper available upon request.

*Supporting Document*³ to the *Code* provides guidance for implementing the *MFP Transparency Code*. It sets out in detail the practical aspects of implementation and provides examples of how central banks and financial agencies apply the practices of the *Code*. The *Supporting Document* has, however, not been prepared as a guide for conducting assessments.

B. Assessment Process

10. **The objectives of the assessments have evolved from an initial focus on evaluating the form of disclosure to a more comprehensive approach, covering the scope, timeliness and quality of transparency.** The assessments are providing inputs for the FSSA in terms of the linkages with policy effectiveness and good governance.

11. **In conducting the assessments, the assessors have relied on five sets of tools:** (1) questionnaire responses completed by the national authorities for the purposes of preparing the *Supporting Document*; (2) supplementary questionnaires seeking clarifications and further information; (3) laws, regulations and guidelines relating to central bank and financial agency operations; (4) public information on websites, country reports, and journal articles; and (5) IMF and World Bank country and sector specific reports. Assessments have also included detailed discussions with the relevant authority, and meetings with representatives of the financial sector, including commercial banks, securities and insurance firms.

12. **Fund staff have conducted most assessments.** In a few cases, they were made by World Bank staff and increasingly, in the case of assessments carried out under the FSAP, by experts from cooperating institutions particularly in the areas of insurance and securities regulation.

13. **Agencies assessed under the *MFP Transparency Code* have typically included central banks and financial agencies** in charge of banking supervision, securities, insurance and pension funds regulation, payment system oversight and deposit insurance. In some cases, multiple assessments of the same agency were carried out, e.g., composite supervisory agencies and central banks with jurisdictional responsibilities for various financial sectors. The transparency assessments have taken into account the type of each country's monetary policy framework, including the exchange rate regime. The assessment of monetary policy

³ See www.imf.org/external/np/mae/mft/sup/index.htm. Both the *MFP Transparency Code* and the *Supporting Document* are public documents and available on the IMF website. Since April 1999, the web page of the *MFP Transparency Code* has received over 25,000 hits. The *Supporting Document* was posted on the IMF's website in August 2000 and since then has been accessed over 9,600 times. Overall, Internet users from 130 countries have accessed the texts of the *MFP Transparency Code* and the *Supporting Document*.

and financial policy transparency has occasionally been carried out separately, such as in the case of Eurosystem countries.⁴

14. **In the absence of a uniform assessment methodology, the assessment categories and scope of the assessments have varied at assessors' discretion.** The usage that is now gaining acceptance consists of four categories: (1) *Observed*, implying full observance or with insignificant shortcomings; (2) *Broadly Observed*, where weaknesses exist and could be of a significant nature so as to possibly affect the operational process and effectiveness of monetary and financial policies; (3) *Not Observed*, where the practice is not observed at all, or no substantive progress has been recorded toward achieving the objectives of the practice; and (4) *Not Applicable*, where, due to the country circumstances and the institutional and legal framework, the transparency practice is not applicable.

15. Of the twenty-four countries assessed under the *MFP Transparency Code*, detailed assessments⁵ were undertaken in thirteen cases.⁶ While the analysis in this paper is largely drawn from these thirteen assessments, examination of the remaining summary assessments (ROSCs) has also been used to substantiate the findings of the detailed assessments.⁷

C. Findings of Assessments

Monetary policy⁸

16. **Monetary policy was most transparent in practices relating to the clarity of roles, responsibilities and objectives of central banks for monetary policy** (Appendix I, Table 2). Observance of transparency practices in the area of *open process for formulating and reporting monetary policy decisions* ranked second. Nevertheless, there remains room for significant improvement in the coverage, periodicity, timeliness, and quality of disclosed

⁴ Up to now, two assessments have been undertaken of countries that are members of the Eurosystem. These assessments have not covered transparency practices in monetary policy, which is in the field of competence of the European Central Bank.

⁵ The detailed assessment consists of practice-by-practice assessment comprising *description* of the practice (mainly by citing the relevant laws, regulations and citing the relevant sections and describing the form of disclosure), *staff assessment*, and qualifying *comments* in support of the assessment.

⁶ Albania, Brazil, Cameroon, Canada, El Salvador, Estonia, France, Hungary, India, Iran, Ireland, Kazakhstan, and Russia.

⁷ Some of the early summary assessments were limited in scope and coverage, making it difficult to evaluate the substance and quality of observance with each practice.

⁸ Detailed transparency assessments of monetary policy were conducted in 11 countries.

information. **The area of weakest transparency was with respect to *accountability and assurances of integrity of the central bank*.** The rest of this section identifies aspects of transparency in monetary policy with above-average observance, broad observance, and nonobservance among the assessed countries, grouped by policy issues.

17. **Legislative framework.** In almost all countries,⁹ the ultimate objectives of monetary policy, the central bank's authority to utilize monetary policy instruments, its responsibilities and broad modalities of accountability were specified and disclosed through legislation. In some countries, however, the institutional framework of monetary policy was not clearly defined in relevant legislation. Furthermore, in some countries one or more of the following—procedures for appointment, terms of office, and criteria for removal of members of the governing body of the central bank—were not specified in legislation. In a few countries, government authority to override central bank policy decisions and the conditions under which this authority may be invoked were not specified in legislation.

18. **Public release of information.** All central banks issue annual reports. Almost all periodically present to the public: (1) their monetary policy objectives, progress made toward achieving them and prospects thereof, and the implications of the evolving macroeconomic situation; (2) their quantitative targets, instruments and key underlying assumptions. Some central banks, however, fell short of the requirements for timely disclosure of the main considerations underlying their monetary policy decisions,¹⁰ and of information on their monetary operations including aggregate amounts and terms of refinance.¹¹ Furthermore, the majority of countries in which the policymaking body of the central bank has regularly scheduled meetings do not publish the advance meeting schedule.

19. **Inflation targeting.** Transparency assessments in developing and transitional countries, which have adopted inflation targeting, show that certain transparency practices require significant further improvement in order to effectively support inflation targeting. These include, clarity of the ultimate objectives and institutional framework of monetary policy in legislation, public disclosure of the amounts and terms of central bank lending to the government, and timely release of data on money markets and secondary public debt markets.

⁹ References to relative number of countries, central banks, and financial agencies in this section are to be understood as being out of the ones assessed.

¹⁰ In some cases, insufficient explanation was provided, or not provided on a regular basis; there was no discipline of a preannounced maximum delay in disclosing such information.

¹¹ Assessors observed that lags in the publication of certain central bank documents renders the information obsolete; regular statistical reports did not contain details of the amounts, terms and conditions of such operations.

20. **Relations with the government.** In some countries, the government has authority to override central bank policy decisions, and in a large number of cases the conditions under which this authority may be invoked are not publicly disclosed. In some countries the conditions, terms, amounts, and limits on central bank lending to the government are not publicly disclosed. In a few countries, the procedures for central bank participation in the primary markets for government securities are not published. In the majority of countries, central banks' involvement in the rest of the economy (such as in state-owned institutions) was not conducted in an open manner.

21. **Financial statements and internal audit.** All central banks publicly disclose audited financial statements. In the majority of cases, however, central banks' balance sheets do not provide information on aggregate market transactions. In some countries, an independent auditor does not audit the financial statements. In the majority of countries internal governance procedures for insuring integrity of operations including internal audit arrangements are not publicly disclosed.

22. **Quality of published data.** Seven of the thirteen assessed countries subscribe to IMF's Special Data Dissemination Standards (SDDS),¹² one is a potential SDDS subscriber, and two participate in the IMF's General Data Dissemination System.

Financial policies¹³

23. **Across all financial policies, transparency was strongest in practices relating to public availability of information on financial policies** (Appendix I, Table 2). Observance of transparency practices in the area of *open process for formulating and reporting of financial policies* ranked second. **For financial agencies with jurisdictional responsibilities for deposit insurance, insurance, and securities markets, weakest transparency was observed with respect to practices in the area of accountability and assurances of integrity of financial agencies.** In banking supervision and payment systems oversight, transparency deficiencies were most pronounced in practices related to *clarity of roles, responsibilities and objectives of financial agencies responsible for financial policies*. The rest of this section identifies aspects of transparency in financial

¹² The integrity dimension of the SDDS calls for transparency in the practices followed by the data compiling agencies (e.g., central bank). The metadata posted for SDDS subscribers on the Dissemination Standards Bulletin Board contains information on the institutional and legal framework that could help countries and assessors in their work.

¹³ The number of detailed transparency assessments of different financial policies varies (banking supervision–11, deposit insurance oversight–8, insurance regulation–9, payment systems oversight–11, and securities regulation–10), reflecting assessors' judgment of the stage of development and relative systemic relevance of each financial sector in different countries.

policies with above-average observance, broad observance, and nonobservance among the assessed countries, grouped by policy issues.

24. **Policy objectives and institutional framework.** In most countries the broad objectives and the institutional framework of financial agencies are specified in legislation or regulations. In some countries, however, this was not the case for one or more of the following: procedures for appointment, terms of office, and criteria for removal of members of the governing body of the central bank.

25. **Public release of information.** Information on the regulatory framework and operating procedures governing the conduct of financial policies, and the texts of regulations issued by financial agencies are readily available to the public. Furthermore, in most countries financial agencies publish periodic reports containing information on their principal activities, the major developments of the respective sector of the financial system, and aggregate data related to their jurisdictional responsibilities in a timely manner.

26. **Cooperation between financial agencies.** The public disclosure of the relationship between financial agencies and the formal procedures for information sharing and consultation between them was inadequate in a significant number of countries.¹⁴

27. **Financial statements and internal audit.** Almost all independent financial agencies publish financial statements audited by independent auditors. Significant shortcomings in the public disclosure of internal governance procedures for insuring integrity of operations including internal audit arrangements were found in all areas of financial policies. These were most pronounced for insurance and securities regulatory agencies.

D. Assessment Recommendations

28. **The assessments provided a basis for technical advice and guidance on corrective actions for strengthening disclosure and transparency.** Recommendations have focused on improving the form, timeliness, coverage, and quality of the disclosed information on monetary and financial policies. Emphasis has been on those areas where deficiencies in transparency practices have weakened the effectiveness of monetary and financial policies.

29. **On *monetary policy*, the recommendations have focused on transparency practices in the areas of *open process for formulating and reporting monetary policy decisions and accountability and assurances of integrity of the central bank.***

Recommendations included publishing a compendium of internal regulations and the chart of

¹⁴ Assessments have noted that while procedures for information sharing and cooperation agreements exist, they are not publicly disclosed; only the partial text of the memoranda of understanding between agencies is published; the relationship between financial agencies remains informal and confidential.

accounts (including accounting standards), more detailed explanation of the analytical framework, procedures and practices of monetary policy, clarifying the role and functions of the central bank governing body and publishing advance schedules of meetings, disclosing information on foreign exchange commitments, and lending to the government, and disclosing standards for the conduct of personal financial affairs of central bank staff.

30. **Recommendations on *banking supervision*** have supplemented some of the findings of the Basel Core Principles assessments relating to disclosure issues, and **mainly concerned transparency practices in the areas of *open process for formulating and reporting of financial policies and public availability of information on financial policies***.

Recommendations have emphasized increased and timely disclosure of statistical data for the banking sector and emergency financial support, publication of formal information sharing agreements between financial agencies, disclosure of the results of banking sector operations on an annual basis, and public dissemination of regulatory texts on the Internet.

31. **On *deposit insurance***, the recommendations mainly relate to the ***public availability of information on financial policies***, including increasing the transparency of policy formulation through public dissemination of the annual report, making public the circulars to insured entities, and more extensive use of the Internet for disclosure of information.

32. **On *insurance regulation***, recommendations focus on ***transparency practices in the area of open process for formulating and reporting of financial policies***. In particular, improvements in transparency of the relationships between the insurance, banking and securities regulatory agencies and of the formal information sharing arrangements with other insurance regulators has been sought.

33. **Recommendations on *payment systems oversight*** complemented the assessments of observance of the Core Principles on Systemically Important Payment Systems issued by Committee on Payment and Settlement Systems and **focused on *public availability of information on financial policies and clarity of roles, responsibilities and objectives of the financial agency***. They emphasized the need for better communication of general principles of payment systems policy to the public (including risk management policies), clarity in the law separating the roles and responsibilities of the central bank and other agencies as they relate to payment systems, and clarifying the role of the clearinghouse, the central bank and clearinghouse member banks.

34. **The main recommendations in the area of *securities regulation* relate to transparency practices in the area of *open process for formulating and reporting of financial policies and accountability and assurances of integrity by financial agencies***.

They focused on improving the transparency of the relationship between supervisory authorities and among national and lower-level securities agencies, as well as of the formal information sharing arrangements. Improvements were also suggested in making transparent rules for the terms of office of the chief executive of the securities regulatory agency and the general criteria for removal of the governing body members.

E. Feedback from National Authorities

35. **National authorities have reported that assessments helped to identify factors limiting openness, and to initiate steps to improve transparency.** The discussions with and probing by the assessors have enhanced the authorities' understanding of the meaning and significance of transparency in the context of the effectiveness and credibility of monetary and financial policymaking. The assessments were found particularly useful where a financial regulatory body had been newly appointed. Some countries have begun adopting a systematic approach toward improving transparency; greater dialogue has been initiated in determining ways of improving the form and content of transparency. Appendix II provides a listing of actions taken by national authorities in response to the transparency assessments.

36. **As regards problems encountered in improving transparency practices, national authorities have pointed out several factors,** such as lack of understanding of the role and relevance of transparency in the country, institutional and legal factors, and the stage of development of the financial system. In some cases, the ability to adopt transparency practices is hindered by legislation on bank secrecy. The need for changes in relevant laws was also cited by some as a factor slowing adoption of some of the practices. Some countries indicated that budgetary factors restricted the use of multiple disclosure channels and of modern technology for information dissemination.

37. **No specific technical assistance has been requested thus far by the authorities, or identified by the assessors as being critical for strengthening the transparency and disclosure framework.** Staff, however, has had to provide clarification and information on some follow-up issues, such as the financial disclosure by central bank staff, disclosure issues regarding the relationship among the financial agencies, and the provision of timely public explanation of policies and disclosure of relations between the central bank and its counterparties.

F. Factors Limiting Assessments

38. The assessment of observance of the *MFP Transparency Code* is, however, still in the early stages of development, and not surprisingly, limitations in the assessment process have surfaced. The diversity of institutions to which an assessment of the *MFP Transparency Code* applies makes the assessments challenging and complex. The variety of approaches used to assess observance of the *Code* has also complicated the comparability across assessments. Moreover, transparency is a relatively new concept for central banks and financial agencies. Assessment of the *Code* requires probing and documentation to avoid having the assessments become a pure legalistic exercise or one in which form takes precedence over the content and quality of transparency.

39. **Since for some of the practices of the *Code* the assessors relied considerably on legislation and regulations, the lack of ready availability of relevant documents has limited the depth of the assessments.** In several cases, documents that were cited by national authorities in evidence of practicing good transparency were internal and

unpublished documents thus not meeting the objectives of the *Code*. This often led to the assessor depending upon publicly available or anecdotal information.

40. **The assessments have proved to be resource intensive** (the approximate staff resource cost, based on the questionnaire responses on staff experience with *MFP Transparency Code* assessments, is on average 4–5 staff weeks for a detailed assessment). This in part reflects the need for the assessors to thoroughly understand the underlying policy framework and to be able to probe the practice of transparency, rather than its mere form, in order to make a comprehensive evaluation and establish cross linkages with regulatory standards in the banking, insurance, securities sectors.

41. **The generality of many *MFP Transparency Code* practices has forced assessors to use subjective criteria to gauge the quality and content of transparency.** In several assessments, the assessors were unable to make a clear determination of the quality issues. Furthermore, different assessors have assigned different weights to the various aspects of transparency (form, coverage, timeliness, and quality).

III. FURTHER WORK

42. **The experience with the assessments, though still at an early stage, has highlighted areas of future work.** First, the *Supporting Document* has been helpful to the assessors and the assessed institution and needs to be kept up-to-date. New and better examples of transparency practices may arise over time, and it would seem best to collect these and incorporate them in the current *Supporting Document*. Second, a *guidance note* clarifying the assessment methodology is needed to strengthen the quality and consistency of assessments. The guidance note should provide information on aspects of the content and quality of disclosure that should be examined in different policy circumstances, types of categorization of observance of transparency practices, and the level of detail of assessments. Assessments based on such a framework would also facilitate monitoring implementation. In the interim, to ensure consistency and improve the quality of assessments, the staff has developed questionnaires and held in-house seminars for staff. Third, the understanding of the *Code* acquired from the assessments and feedback from authorities will progressively provide indications where revisions in the *Code* might merit consideration.

43. **The development of a database of staff assessments of the *MFP Transparency Code* will facilitate monitoring and analysis of cross-country transparency practices across monetary and financial sectors.** Fund staff has already begun work in this area. Availability of such practice-by-practice information will also facilitate research and analysis on issues relating to the role of transparency in the conduct of monetary and financial policies, and on transparency, accountability and governance issues in general.

44. The *MFP Transparency Code* is closely linked to all aspects of monetary and financial policymaking, including the institutional and legal framework. It, therefore, has a close relationship with the other key standards relating to macroeconomic policy, data and fiscal policy transparency, and financial regulation and supervision. **Strengthening cross-**

linkages between the *Code* and the transparency and public disclosure work undertaken by the financial sector standard-setting bodies is also a task for the future. Since the adoption of the *MFP Transparency Code*, the International Association of Insurance Supervisors and the Committee on Payment and Settlement Systems have formally recognized the transparency framework recommended under the *Code* as being relevant to the effective implementation of the core principles relating to insurance supervision and systemically important payment systems. Within the Fund, development of guidelines relating to *Foreign Exchange Reserves Management*, *Public Debt Management*, and *Strengthening Safeguards on the Use of Fund Resources* have used the *MFP Transparency Code*, recognizing the value of transparency as part of their guidelines.

45. **Finally, efforts by the Fund staff to build awareness would need to continue, including periodic feedback obtained on the progress with implementation and the assessment process.** So far the private sector has also demonstrated uneven awareness of the *Code* and the published assessments. Staff would need to carry out analytical work in establishing linkages between transparency practices and issues such as central bank independence, monetary and financial policy objectives and accountability. Keeping track of transparency related trends and developments on a continuing basis would thus be an important task.

COUNTRIES ASSESSED UNDER THE *MFP TRANSPARENCY CODE* AND SUMMARY OF FINDINGS

Table 1. Countries Assessed under the *MFP Transparency Code*

Assessed Under	Country	Date	Areas Assessed under <i>MFP Transparency Code</i>						Other ¹
			Monetary policy	Banking supervision	Payment system	Deposit insurance	Securities regulation	Insurance regulation	
FSAP/ROSC	Cameroon	Mar-00	X	X	X				
	Canada	Oct-99	X	X	X	X	X	X	
	Colombia	Jun-99	X	X					
	El Salvador	Apr-00	X	X		X	X		
	Estonia	Jun-00	X	X	X	X	X	X	
	Hungary	Feb-00	X	X	X	X	X	X	
	India	Apr-00	X	X	X	X	X		
	Iran	Feb-00	X	X	X		X	X	
	Ireland	Feb-00		X	X	X	X	X	
	Kazakhstan	Feb-00	X	X	X	X	X	X	
	Lebanon	May-99	X	X	X	X			
	South Africa	Oct-99	X	X			X		
	<i>Total:</i>	<i>12</i>		<i>11</i>	<i>12</i>	<i>9</i>	<i>8</i>	<i>9</i>	<i>6</i>
Experimental ROSC	Argentina ²	Mar-99	X	X	X	X	X	X	
	Australia ²	Apr-99	X	X	X		X	X	
	Bulgaria	Mar-00	X	X	X	X	X		
	Czech Republic	Aug-99	X	X	X	X	X	X	
	Hong Kong	Aug-99	X	X	X		X	X	
	Tunisia	Aug-99	X				X		
	Uganda	Aug-99	X						
	United Kingdom ²	Mar-99	X	X	X	X	X	X	
<i>Total:</i>	<i>8</i>		<i>8</i>	<i>6</i>	<i>6</i>	<i>4</i>	<i>7</i>	<i>5</i>	
TA/Article IV	Albania ³	Nov-99	X						
	Brazil ³	Jan-00	X	X	X	X	X	X	X
	France ⁴	Jun-00		X	X	X	X	X	
	Russia ⁵	Dec-99	X	X	X		X	X	
<i>Total:</i>	<i>4</i>		<i>3</i>	<i>3</i>	<i>3</i>	<i>2</i>	<i>3</i>	<i>3</i>	<i>1</i>
Total:	24		22	21	18	14	19	14	1

¹Supervision of nonbank financial institutions, asset management, debt restructuring, commodity futures and options oversight and pension funds oversight. In the case of Brazil, pension funds oversight.

²Self-assessment by national authorities reviewed by IMF staff.

³Detailed assessments under TA.

⁴Issued as a ROSC module for 2000 Article IV consultation based on detailed assessments linked to the consultation mission.

⁵Detailed assessments done initially as TA, and later issued as a ROSC module in the context of 2000 Article IV consultation.

Table 2. Summary of MFP Transparency Code Assessments Findings

Area assessed under the <i>Code</i> /Area of transparency	All monetary/financial policy transparency practices of the <i>Code</i>	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					
- observed	73	78	71	70	69
- broadly observed	19	17	19	27	16
- not observed	8	5	10	3	15
Banking Supervision					
- observed	77	71	78	83	75
- broadly observed	16	21	15	13	16
- not observed	7	8	7	4	9
Deposit Insurance					
- observed	84	83	85	90	74
- broadly observed	5	11	4	2	7
- not observed	11	6	11	8	19
Insurance Regulation					
- observed	75	75	81	91	60
- broadly observed	16	15	16	6	18
- not observed	9	10	3	3	22
Payment Systems					
- observed	75	67	77	83	77
- broadly observed	19	25	17	12	19
- not observed	6	8	6	5	4
Securities Regulation					
- observed	78	70	86	87	64
- broadly observed	15	22	9	12	17
- not observed	7	8	5	1	19

Note: 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 *MFP Transparency Code* categorized as being observed, broadly observed, and not observed.

STEPS TAKEN BY SOME NATIONAL AUTHORITIES TO IMPROVE TRANSPARENCY IN MONETARY AND FINANCIAL POLICIES FOLLOWING THE ASSESSMENTS¹⁵

Albania

Monetary policy: As a result of the assessment, the central bank took immediate action to appoint an external reputable accounting firm to audit its annual balance sheet and financial statements. The central bank also established a website.

Brazil

Monetary policy: Introduced monthly disclosure of internal debt data and open market operations, through press release, web page, and media interviews; weekly public disclosure of secondary market operations on web page; monthly public disclosure of the open market primary dealers list and their market positions.

Banking supervision: To promote coordination and facilitate information-sharing with other domestic regulatory bodies, the central bank is strengthening cooperation with the Securities and Exchange Commission to improve the Brazilian prudential regulatory framework and develop a new quarterly financial information report, which includes new financial information requirements for both agencies.

Payment system: In the change to Real Time Gross Settlement, the central bank has successfully established ongoing talks with market representatives and payment system related institutions. The Central Bank has also made payment system information available through its web page.

Insurance regulation of private closed pension funds: Implementation of new investment guidelines that aim to improve the security and confidence in the private closed pension funds system by limiting its risk exposure and imposing full disclosure of information concerning asset administration. Monthly posting on the Internet of a new publication that provides technical articles and analysis of important indicators, such as quantity of closed pension funds, sponsors, participants and financial assets, and publishes resolutions issued by the pension secretariat. Disclosure on the Internet of the annual report of the Complementary Pension Secretariat and of a monthly publication that provides statistics on the private closed pension system and newly introduced analysis of the main indicators.

Bulgaria

Deposit insurance: An MOU entered into with the central bank on information sharing. A mission statement has been adopted and made public. A web page is under development while the senior management has improved its public access through the media. A review has been initiated to examine the mechanics for public disclosure of the internal governance procedures.

Securities regulation: Draft regulations begun to be sent via e-mail to organizations, including NGOs, private companies, and other non-governmental entities involved in the capital market regulation, for their preliminary comments and proposals. Besides the monthly bulletin, containing the resolutions of the Commission, the ordinances prepared by the Commission and adopted by the Council of Ministers for the implementation of the Law on Public Offering of Securities, and information about the inspections carried out, the Commission has also begun to publish a bimonthly information publication that contain comments of experts on current issues related to the securities market. The content of the web page has been expanded.

Estonia

Monetary policy: As part of the review of all monetary regulations to ensure conformity with EU legislative requirements, *MFP Transparency Code* (Monetary Policy) is being taken into account when introducing changes.

Hong Kong SAR

Financial supervision: Assessment recommendations on transparency and accountability aspects have been taken into account in the drafting of the new Securities and Futures Bill that seeks to consolidate and modernize all existing legislation governing the securities and futures market. That bill was published as a White Bill for a three-month public consultation.

¹⁵ Based on responses by national authorities to a questionnaire on their experience with the *MFP Transparency Code* assessments.

Insurance regulation: Launched a quarterly newsletter, which will include coverage of policies and industry developments. Consideration being given to release publications on insurance intermediaries, which will include a leaflet with answers to frequently asked questions and an informative booklet to delineate how insurance intermediaries are regulated in Hong Kong.

Banking supervision: For locally incorporated authorized institutions, annual disclosure requirements were updated in relation with the analysis of investments in securities. Interim disclosure requirements were also updated to include balance sheet information and further analysis in respect of off balance sheet exposures. For overseas incorporated authorized institutions, disclosure requirements were updated to include disclosure on overdue and rescheduled loans as well as derivative contracts exposure. A full list of statutory returns and completions instructions has been posted on web page.

Iran

Monetary policy: The targets of monetary policy are now being discussed more widely with market participants. Moreover, periodic assessment and revision are made if need arises.

Banking supervision: Closer contacts are now made between supervisors and these relationships are discussed publicly.

Payment system: The role and the responsibility of central bank's clearing house has been enhanced and reports are being prepared on this issue and released to the public.

Insurance supervision: Additional information being provided in the Annual Report and the web page.

Russia

Monetary policy: Publication of the annual financial statement for 1999 containing a more detailed information on the relationship between the Bank of Russia and the Ministry of Finance, central bank income and expenditure, as well as new information on its capital, funds and profit distribution. The most important measure being currently undertaken is preparation of the annual financial statement in compliance with international standards, which is supposed to be published.