LAPSE OF TIME

EBAP/23/57

June 30, 2023

To: Members of the Executive Board

From: The Secretary

Subject: **Proposal for the Publication of Summary Statements of Financial Assets and Interests of the Managing Director**

Board Action:	Executive Directors' **consideration** on a lapse of time basis
Deadline to Request a Board Meeting, after which Proposed Decision Deemed Approved:	**Tuesday, July 11, 2023** **12:00 (noon)**
Proposed Decision:	Page 5
Additional Information:	At the request of Ms. Riach, in her capacity as Chair of the Ethics Committee, the attached paper is being circulated for consideration by the Executive Board. The Ethics Committee recommends to the Executive Board that the proposed decision be approved.

INTERNATIONAL MONETARY FUND

June 30, 2023

PROPOSAL FOR THE PUBLICATION OF SUMMARY STATEMENTS OF FINANCIAL ASSETS AND INTERESTS OF THE MANAGING DIRECTOR

EXECUTIVE SUMMARY

As a deliverable arising out of the Institutional Safeguards Review, the Ethics Committee of the Executive Board ("Ethics Committee") proposes a framework for the publication of summary statements of the financial assets and interests of the Managing Director. The Board is requested to approve the proposal and an amendment to the letter of appointment for the Managing Director to give effect to this obligation, which would become effective for the 2023 Financial Disclosure Program. The publication framework approved by the Board would apply to the current and future Managing Directors, unless amended in the future.

BACKGROUND

1. Further to the June 30, 2022 joint statement on the Institutional Safeguards Review (PR22/238), the Board and Management committed to undertake a review to enable the publication of summary statements of financial assets and interests of the Managing Director and the Deputy Managing Directors, in time for the next annual disclosure program. Under their terms of appointment, Managing Directors are subject to the same financial disclosure requirement as senior staff,[1] who are required to provide detailed information on an annual basis to the External Compliance Advisor about their assets, liabilities and transactions, subject to certain exclusions. These senior staff submissions are made through a secure online portal, classified as "Strictly Confidential" and never published.

2. The Managing Director has now adopted a framework by which the Deputy Managing Directors would be required to publish summary statements of their financial assets and liabilities on an annual basis. In order to inform the Managing Director's consideration of an appropriate framework, staff undertook a review of the practices of thirteen international financial institutions (IFIs) and international organizations.[2]

3. Given its responsibility for addressing issues with respect to the application of standards of ethical conduct to the Managing Director,[3] the Ethics Committee has considered the question of the disclosure standard that should be applicable to the current and future Managing Directors. The Committee took into account the findings of the staff's benchmarking on practices of other international financial institutions and the framework that was then being considered by the Managing Director for the Deputy Managing Directors.

PROPOSED FRAMEWORK FOR PUBLICATION

4. The Ethics Committee proposes that current and future Managing Directors should be subject to the publication requirements that have been adopted for the Deputy Managing Directors. The framework for publication is described below.

[1] *Terms of Appointment of Kristalina Georgieva, dated September 25, 2019, paragraph 2(b).*

[2] Surveyed organizations included the Asian Development Bank (ADB), African Development Bank (AfDB), Asian Infrastructure Investment Bank (AIIB), Bank of International Settlements (BIS), European Bank for Reconstruction and Development (EBRD), the European Commission (EC), the European Central Bank (ECB), the European Investment Bank (EIB), the European Stability Mechanism (ESM), the Inter-American Development Bank (IADB), the Organization for Economic Cooperation and Development (OECD), the United Nations and the World Bank Group. Aside from the European Commission and the European Central Bank which, due to their institutional mandates and structures are distinguishable from IFI comparators, *only the World Bank Group mandates publication of summary statements of financial interests of their senior officials*. The United Nations operates a voluntary publication scheme, and other comparators do not mandate publication at all.

[3] *Application of the Standard of Ethical Conduct vis-à-vis the Managing Director – A Proposed Framework (EBAM/11/17, adopted DEC/A/13423).*

5. Publication of summaries of financial disclosures would be mandatory for Managing Directors. Publication would be *required* rather than simply encouraged. However, if special circumstances exist (such as valid security or legal concerns), the Managing Director in question may request an exception from the publication requirement from the Ethics Committee.

6. Only certain high-level information would be published about the assets and liabilities disclosed to the External Compliance Advisor. The annual confidential Financial Disclosure Program collects very comprehensive information about the assets, liabilities and transactions of the filer, including their spouses or domestic partners and dependent children. Balancing the institution's interests in transparency against the privacy interests and safety and security of the disclosers, it is proposed that only certain information would be published in the summary statements, specifically:

(i) Top-level information, such as type, issuer and country, of the asset or liability (but not of transactions) would be published;

(ii) The reported financial interests (which are those that exceed US$10,000) will be included in the summary statement, while the reported value ranges of such interests would not be revealed;

(iii) The financial interests of the filer's spouse, domestic partner or dependents will be included in the summary statement, however to the extent possible, identifying information about individual ownership will not be published.[4]

7. The summary statements would be published on an annual basis, and placed on the Fund's external website for a defined duration. The External Compliance Advisor would prepare a summary statement based on the detailed disclosures received through the annual confidential program, which would be provided to the Managing Director for confirmation of accuracy. The summary statements would be published on the external website of the Fund for the duration of the tenure of the Managing Director in question, plus a further period which corresponds to the "cooling-off" period under the Managing Director's terms of appointment (i.e. two years). Thereafter the summaries would be removed from the Fund's website, but would be deemed a record of the Fund and would be treated as "other documentary material" under the Fund's Open Archives Policy.

8. In order to give effect to these changes, the Ethics Committee recommends that the Executive Board approve an amendment to the terms of appointment for current and future Managing Directors. Specifically, it is proposed that paragraph 2(b) of the Managing Director's terms of appointment be amended as follows:

[4] With the exception of the source of earned income of the spouse or domestic partner: Under the Financial Disclosure program, information is collected about the sources (i.e. name and location) of earned income of the discloser's spouse or domestic partner, which exceed US$10,000. In this case, since such information only pertains to the spouse or domestic partner, it will be possible to attribute this to that individual. In line with the Fund's annual confidential financial disclosure form, such earned income will be listed as an asset, with the asset type classified as "earned income", and the source of income listed under "asset name".

> You may manage your private investments and those of members of your immediate family to the extent that the management of those investments does not involve the operation of a business or create a conflict of interest, or the appearance of such a conflict, with the performance of your duties. You shall provide the annual financial certification and disclosure required of senior (B level) staff members. <u>You shall also be required to publish summaries of your financial assets and liabilities on an annual basis, as set forth in paragraphs 3 to 6 of EBAP/23/xx</u>.

9. If approved, the publication requirement would be effective starting with the current 2023 Financial Disclosure Program. The 2023 Financial Disclosure Program is currently underway, and pertains to assets, liabilities and transactions from January 1 to December 31, 2022. The summary statement will be prepared and published at the close of this program, in the latter half of this year. The Managing Director has indicated that she welcomes this requirement, and the amendment to her letter of appointment.

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

> Managing Directors of the Fund shall be required to publish summaries of their financial assets and liabilities on an annual basis, as set forth in paragraphs 3 to 6 of EBAP/23/57. The Letter of Appointment of the Managing Director is hereby amended, as set forth in paragraph 8 of EBAP/23/57.