

## **Ongoing and Recent Work Relevant to Sound Financial Systems**

### **Note by the FSF Secretariat (with inputs from various bodies) for the FSF Meeting on 29-30 March 2004**

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## I. Work Completed Since the Previous FSF Meeting

### (i) Accounting, Auditing and Public Disclosure

#### 1. Auditor Oversight and Independence

Agency: IOSCO

Completion Date: October 2003

Brief Description: IOSCO endorsed in October 2003 two Statements of Principles relating to (1) Auditor Oversight, and (2) Auditor Independence, which now represent international standards relating to these issues. It is fundamental to public confidence in the reliability of financial statements that external auditors operate, and are seen to operate, in an environment that supports objective decision-making on key issues having a material effect on financial statements. Standards of independence for auditors of listed entities should be designed to promote an environment in which the auditor is free of any influence, interest or relationship that might impair professional judgment or objectivity or, in the view of a reasonable investor, might impair professional judgment or objectivity. Effective oversight of the accounting profession and of independent audits also is critical to the reliability and integrity of the financial reporting process. Within a jurisdiction, auditors should be subject to oversight by a body that acts and is seen to act in the public interest.

#### 2. Disclosure of Listed Entities

Agency: IOSCO

Completion Date: October 2003

Brief Description: IOSCO endorsed the Statement of Principles on Ongoing Disclosure and Material Development Reporting by Listed Entities. In addition to the role relating to disclosure played by external auditors, listed entities themselves should have an ongoing obligation to disclose all information that would be material to an investor's investment decision.

### (ii) Market Functioning, Conduct and Transparency

#### 1. Credit Rating Agencies

Agency: IOSCO

Completion Date: September 2003

Brief Description: To address issues relating to the role of credit rating agencies in financial markets, the Technical Committee issued a Statement of Principles Regarding the Activities of Credit Rating Agencies. Given the influence the opinions of CRAs can have on securities markets, the activities of CRAs are of interest to investors, lenders, issuers and securities regulators alike. In offering informed, independent analyses and opinions, CRAs contribute to achieving the objectives of securities regulation. Conversely, if CRAs cannot issue informed, independent

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analyses, the achievement of these objectives can be hindered. The Technical Committee believes this Statement will prove to be a valuable tool for securities regulators, ratings agencies and others wishing to improve how CRAs operate and how the opinions CRAs issue are used by market participants. Alongside the Statement of Principles, the Technical Committee also published an accompanying Report on the activities of credit rating agencies.

### 2. Securities Analysts

Agency: IOSCO  
Completion Date: September 2003  
Brief Description: The Technical Committee issued a Statement of Principles to guide securities regulators and others in addressing the conflicts of interest securities analysts may face. The Statement sets out high-level objectives that the Technical Committee believes form the basis for a robust, comprehensive regulatory structure for identifying problematic practices regarding securities analysts, and either eliminating these practices or mitigating the effects these practices may have on market integrity. Alongside the Statement of Principles, the Technical Committee also published an accompanying Report on Analyst Conflicts of Interest.

### 3. Collective Investment Schemes(CIS)

#### a) Responsibilities as Shareholders

Agency: IOSCO  
Completion Date: September 2003  
Brief Description: To address issues relating to the responsibilities of CIS as shareholders, IOSCO issued a report on Collective Investment Schemes as Shareholders: Responsibilities and Disclosure. CIS operators are subject to general responsibilities and obligations at law governing their actions in managing CIS. A CIS operator should consider these responsibilities in deciding whether it will exercise voting and other shareholder rights attached to CIS portfolio securities. In making these decisions, CIS operators should be aware that the shareholder rights associated with securities held by a CIS, including voting rights, are important rights that belong to the CIS and should be considered and exercised in its best interests alone. CIS investors should receive summary information about the voting and other corporate governance-related policies of CIS operators.

#### b) Fees and Commissions

Agency: IOSCO  
Completion Date: September 2003  
Brief Description: IOSCO has published a report on Fees and commissions within the CIS and asset management sector: Summary of Answers to questionnaire,

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summarizing the results of a survey of its members concerning management fees and other costs of asset management services, including collective investment schemes. The summary of the survey results outlines the regulatory approaches taken in member jurisdictions to the disclosure and regulatory controls on fees and commissions charged to CIS investors. It describes in detail the means of disclosure; the use of total expense ratios; any regulation controlling the types of fees that may be charged; the use of performance fees; the transparency of fees charged by funds of funds; disclosure of transaction costs; and regulatory approaches to soft commissions.

### c) Investment Risk Management Assessments

Agency: IOSCO

Completion Date: September 2003

Brief Description: In September 2003 the Technical Committee has published a Report on Investment Management Risk Assessment: Marketing and Selling Practices. The Report is designed to describe the details of the relevant risk factors associated with the marketing and selling practices of a CIS operator; what information should be taken into account by the regulator in assessing those particular risks in the CIS operator; and lastly the responses to those risks by both the regulator and their expectations of the CIS operator in controlling those risks.

### 4. Stock Repurchase Programs

Agency: IOSCO

Completion Date: February 2004

Brief Description: The Technical Committee approved on February 2004 a Report on Stock Repurchase Programs. The objective of the project is to focus on the market impact of stock repurchase programs (SRPs). IOSCO has developed a descriptive analysis of the existing main SRPs mechanisms and has surveyed the related regulatory provisions in the jurisdictions of members.

## **(iii) Prudential Regulation and Supervision**

### 1. Compliance Function in Banks

Agency: BCBS

Completion date: October 2003

Brief Description: The purpose of this consultative document is to assist a bank in managing its compliance risk, ie the risk of legal or regulatory sanctions, financial loss or reputation damage that a bank may suffer as a result of its failure to comply with applicable laws, rules and standards. Compliance risk management has become more formalised within the past few years and has emerged as a distinct risk management discipline. The document

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provides basic guidance for banks and sets out banking supervisors' views on compliance in banking organisations.

### 2. Insurance Principles, Standards and Guidelines

Agency: IAIS

Target Date: October 2003

Brief Description: a) Revised Insurance Core Principles:

The International Association of Insurance Supervisors (IAIS) has revised and expanded its *Insurance Core Principles and Methodology*, offering new guidance for the effective operation of supervisory systems around the world. The 28 principles cover all aspects of a supervisory framework - from licensing a company to winding it up. Principles addressing such issues as transparency of the supervisory process, assessment and management of risk, consumer protection, and anti-money laundering have been added.

The *Insurance Core Principles and Methodology* were revised to take into account comments of members (particularly arising as a result of their experience with the self-assessment exercise), the IMF and World Bank experience in conducting assessments, the Joint Forum work on comparing the Core Principles of the IAIS, IOSCO and the BCBS, and comments from relevant IAIS subcommittees.

b) Insurance Supervisory Standards:

At the annual meeting in October 2003 the IAIS approved the following supervisory standards, guidelines, or issues papers on (1) insurance liabilities, (2) the use of actuaries, (3) control solvency levels, (4) stress testing, and (5) insurance securitisation (life and non-life), (6) supervision of reinsurers.

### 3. Insurance Core Principles on Corporate Governance

Agency: IAIS

Completion Date: January 2004

Brief Description: The IAIS has issued a compilation of existing documents detailing corporate governance requirements for insurers. It also lays out methods used by supervisors to ensure compliance with applicable corporate governance standards. Included are: the Insurance Core Principle specifically addressing corporate governance; other Insurance Core Principles also directly impacting on corporate governance; and a list of all IAIS standards and guidance related to various corporate governance aspects.

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### 4. Enhancement of Securities Regulation

Agency: IOSCO

Completion date: October 2003

Brief description: IOSCO adopted in October 2003 an instrument to assist its members in the development of more effective securities regulations. The IOSCO Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation will assist jurisdictions in identifying areas where their securities regulations do not meet the international standards set out in the IOSCO Principles, in categorizing any failures in implementation by degree of severity, in identifying areas for priority action, and in developing action plans to seek any necessary reforms.

Also, the organization updated and published in September 2003 a new version of the document IOSCO Objectives and Principles of Securities Regulation, which includes references to work done by IOSCO from September 1998 to May 2003.

### 5. Market Intermediaries in a Cross-Border Environment

Agency: IOSCO

Completion Date: September 2003

Brief Description: The Technical Committee issued a report on Regulation of Intermediaries in a Cross-Border Environment. This report addresses regulatory issues relating to the increased provision of cross-border services by market intermediaries which do not have a physical presence in the jurisdiction in which the service is provided.

### 6. Use of the Internet in Securities Related Activity

Agency: IOSCO

Completion Date: October 2003

Brief Description: IOSCO has hosted a series of roundtable discussions to consider the implications of the use of the Internet in securities related activities. Financial service regulators, consumer groups, financial service firms and relevant information services firms, such as Internet service providers, have been invited. The purpose of the Roundtables was to provide regulators and the industry with an opportunity to discuss existing and emerging practices and risks to consumers and firms and concerns of regulators that arise from the use of Internet-enabled technologies in the securities industry.

IOSCO adopted in October 2003 a Report on Securities Activity on the Internet III, summarizing the discussions at the Roundtables.

## II. Ongoing Work

### (i) Macroeconomic Management, Surveillance and Transparency

#### 1. External Vulnerability Assessments

Agency: IMF

Target Date: Ongoing

Brief Description: In September 2003, the IMFC identified as a key immediate issue the need to reduce balance sheet vulnerabilities, including currency mismatches, and to improve debt sustainability. The balance sheet approach and related initiatives are increasingly integrated into the Fund's operations with a particular focus on the role of public debt (both its level and structure), and more broadly balance sheet mismatches, as sources of macroeconomic risks. In the period ahead, the Board will discuss in particular (i) a review of the policy of *Data Provision to the Fund for Surveillance Purposes*, which will highlight the data requirements for balance sheet analysis, and (ii) a paper on *Liquidity Management*, which will propose policy principles and operational tools to better assess reserve adequacy and debt management. In parallel, other recent initiatives aimed at strengthening the IMF's vulnerability assessments continue to be implemented, like in particular the recently-refined framework for assessing external and fiscal sustainability.

#### 2. Transparency of IMF Policies and Assessments

Agency: IMF

Target Date: Summer 2005

Brief Description: In September 2003 the IMF Board concluded its review of the experience with policies to further enhance the transparency of its operations and the policies of its members. The Board (i) adopted a policy of presumed publication for most Use of Fund Resources documents as well as most country policy intention documents, and (ii) agreed to change the publication policy for documents resulting from Article IV consultation and regional surveillance discussions from its current voluntary status to one of presumed publication beginning July 1, 2004. Publication remains voluntary for Board documents related to Staff Monitored Programs and materials generated in the context of initiatives where participation is also voluntary, such as Financial Sector Stability Assessment reports and Reports on Observance of Standards and Codes. The presumed publication for Fund policy papers, except those pertaining to administrative matters of the Fund, has been in place since November 2002. Similarly, since March 1999 the public can have access to Board minutes after a lag of 10 years. The next review of the fund's transparency policy is expected to take place by June 2005.

**(ii) Identifying Financial System Strengths and Weaknesses**

1. Financial Sector Assessment Program

Agency: IMF and World Bank

Target Date: Ongoing

Brief Description: The Financial Sector Assessment Program (FSAP) provides a coherent and comprehensive framework for identifying financial system strengths, risks and vulnerabilities, assessing development needs and priorities, and helping to develop appropriate policy responses. The FSAP work provides the basis for the IMF's Financial Sector Stability Assessments (FSSAs) which are discussed by the IMF Executive Board within the context of a country's Article IV consultation. It also provides the basis for the World Bank staff's Financial Sector Assessments (FSAs), which are distributed to the World Bank Executive Board for information.

A significant part of the IMF/World Bank work on assessing OFCs and on anti-money laundering and combating terrorist financing is also undertaken under the FSAP. Under the program, 17-19 initial assessments are undertaken each year, and a number of past assessments are updated. A total of about 100 countries and economies, including almost three quarters of G-20 member countries, have undergone, are undergoing, or will soon participate in the FSAP. Those FSSAs which countries have decided to publish can be accessed at: <http://www.imf.org/external/np/fsap/fsap.asp>. The FSAs that have been published can be accessed at:

[http://www.worldbank.org/finance/html/cntry\\_rpts\\_fsap.html](http://www.worldbank.org/finance/html/cntry_rpts_fsap.html).

2. External Assessments of Implementation through Reports on the Observance of Standards and Codes (ROSCs)

Agency: IMF and World Bank

Target Date: Ongoing

Brief Description: Reports on the Observance of Standards and Codes (ROSCs) summarise the extent to which countries observe certain internationally recognized standards and codes. In November 2002, the Financial Action Task Force (FATF) 40 Recommendations on Anti-Money Laundering and 8 Special Recommendations on Terrorism Financing were added to the areas of standards and codes for which ROSCs are prepared, bringing the number of areas to twelve. The 12-month pilot program of anti-money laundering/combating the financing of terrorism (AML/CFT) assessments ended in October 2003 and a review of this pilot program will be discussed by the Executive Boards of the Fund and the Bank in March 2004.

ROSCs are prepared and published at the request of the member country. The ROSCs and FSAPs can be accessed at <http://www.imf.org/external/standards/index.htm> and <http://www.worldbank.org/ifa>.



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As of end-December 2003, 491 ROSCs modules (for 101 economies) have been completed, of which 364 have been published (for 89 economies).

### 3. Financial Soundness Indicators

Agency: IMF

Target Date: 1st half 2004

Brief Description: This initiative is aimed at developing further the use of Financial Soundness Indicators (FSIs) to enhance monitoring of financial vulnerabilities. It includes the preparation of a *Compilation Guide on Financial Soundness Indicators (Guide)* to encourage the widespread use and production of FSIs in member countries. A draft *Guide* was posted on the IMF's external website for public comment in March 2003, and a comprehensive progress report was provided to the IMF Executive Board in June 2003. The *Guide* has been twice reviewed by a group of country and international agency experts, and is expected to be finalized in the first half of 2004. Thereafter, the IMF intends to conduct a coordinated exercise for around 60 countries to support efforts to compile and disseminate FSIs.

In parallel to this statistical development work, there has been substantial analytic work on FSIs aimed at enhancing their usefulness as a surveillance tool. It includes guidance on how to interpret FSIs and apply them to different country situations and work to clarify how to integrate the analysis of FSIs with other financial data, stress testing and standards assessments. This analysis is summarized in June 2003 Board Paper and reported in more detail in the associated Financial Soundness Indicators--Background Paper, both of which were posted on the IMF external website in July 2003. Efforts are also underway to further integrate FSIs into financial sector surveillance by IMF staff.

Related work is ongoing in both the IMF and the World Bank to further develop and refine macro-prudential analysis and stress testing methodologies. Also, to promote more data availability, the IMF and BIS conducted a conference of real estate prices in October 2003. Outreach seminars have also been conducted by the IMF to promote awareness of the *Guide* among member countries.

### 4. Global Financial Stability Report

Agency: IMF

Target Date: Ongoing

Brief Description: The Global Financial Stability Report (GFSR), which is published semi-annually, assesses conditions and risks in global financial markets, including emerging market financing, from a financial market stability perspective.

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The forthcoming GFSR, to be published on April 7, 2004, will contain, in addition to the regular assessment of the implications of current financial conditions for financial stability, chapters focusing on: the transfer of risk, mainly credit risk, in the mature markets to the insurance industry; and the increasing role of institutional investors, both international and domestic, in emerging markets. The September 2004 GFSR will continue the theme of examining the transfer of risk to non-bank sectors by looking at the pension funds in mature markets, and will also consider the role of emerging market countries as net exporters of capital.

The previous GFSR, published in September 2003, noted that further progress had been made in addressing the lingering effects of the equity price bubble. Household, corporate and financial sector balance sheets had continued to improve and corporate default levels had declined. The GFSR commented that, following a period in which investors had sought low-risk, liquid instruments, the pendulum had been swinging back toward increased risk appetite. Investors had moved into corporate and emerging markets, compressing credit spreads, and into equities.

The GFSR highlighted that, as investors reached for higher returns, there was a risk that credit spreads in mature and emerging markets might become overly compressed, making them vulnerable to a rebound in government yields. Ultimately, however, a further steepening of government bond yield curves in the major financial centers, driven by prospects for stronger growth, would be positive. The risk lay in the transition to a higher level of bond yields, as market participants must manage losses on bonds and increased market volatility. A related risk lay in rising bond yields driven by a disorderly weakening of the dollar. However, this scenario seemed less likely. The GFSR also warned that a more serious risk would emerge if corporate earnings failed to validate the strong rebound in equity markets.

### 5. Foreign Direct Investment in the Financial Sector

Agency:	CGFS
Target date:	March 2004
Brief description:	The Working Group explores issues related to foreign direct investment (FDI) primarily in the financial sectors of emerging market countries. The project seeks to identify the financial characteristics of foreign direct investment today, to compare them to those of other forms of financing, and to develop policy implications for the effective functioning of financial markets and for financial stability.

### (iii) Market Infrastructure

#### 1. Principles of Corporate Governance

Agency:	OECD and World Bank
Target date:	Ongoing

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**Brief Description:** In response to the May 2002 mandate by OECD Ministers, the OECD Steering Group on Corporate Governance has undertaken its assessment of the OECD Principles of Corporate Governance with a view to completing it by April/May 2004. As a complement to this activity, the Steering Group has completed a survey of corporate governance developments in OECD countries that was published in late 2003. A comprehensive overview of corporate governance developments in non-OECD countries was also completed, drawing from the Regional Corporate Governance Roundtables.

Under the ROSCs initiative the World Bank takes the lead in assessing the compliance of the corporate governance of emerging market countries to the OECD Principles of Corporate Governance. As of February 2004, a total of 32 corporate governance ROSCs assessments have been completed covering 28 countries, in which 24 assessments have been published.

The OECD and World Bank Group are regularly organising Regional Roundtable meetings in key emerging and developing markets, and a multi-donor Global Corporate Governance Forum has been established for dialogue and support in capacity building. Following the first White Paper on Corporate Governance in Russia in 2002, White Papers for Asia, Latin America and South East Europe were completed in 2003. On the basis of these White Papers, the Regional Corporate Governance Roundtables in 2004 are focusing their work on policy design, implementation and enforcement.

The OECD is also advancing on the development of new “Guidelines for the Corporate Governance of State-Owned Assets,” due for completion by early 2005.

Concerning financial governance, the OECD completed work on governance of pension funds in 2002 and should complete new guidelines on governance of insurers in 2004.

### 2. Principles and Guidelines for Effective Insolvency and Creditor Rights Systems

**Agency:** World Bank

**Target Date:** Q3 2004

**Brief Description:** In April 2001, the World Bank Board reviewed a set of draft Principles and Guidelines for Effective Insolvency and Creditor Rights Systems, for use in preparing ROSC assessments. The Principles are expected to be released this year in a final form, taking into account lessons from the insolvency and creditor rights assessments to date conducted under the ROSC initiative, and following an extensive and broad-based consultation and coordination process.

Building upon the work done by other international institutions (including the World Bank, IMF and the Asian Development Bank), UNCITRAL is currently preparing a legislative guide for commercial insolvency law. An alignment exercise has recently been completed to ensure consistency between the World Bank’s Principles and

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UNCITRAL's legislative guidelines. Options are being explored for achieving consensus on unified standards in the area of commercial insolvency and creditor rights.

The Bank updated the assessment methodology for the insolvency and creditor rights area, and is finalizing a paper discussing comparative practices and developmental experience in areas covered by the Principles. The Bank is also continuing the work in collaboration with other organizations to develop a survey of practices to strengthen institutional capacity and regulatory frameworks. The Global Insolvency Law Database (GILD), launched as a companion piece to the initiative ([www.worldbank.org/gild](http://www.worldbank.org/gild)), has been developed further.

### 3. Bank Insolvency Initiative

Agency: World Bank and IMF

Target Date: Ongoing

Brief Description: The project, closely related to the work on effective insolvency described above, seeks to identify an appropriate legal, institutional and regulatory framework to deal with bank insolvency (the Framework), including in the context of systemic crisis and to develop the international consensus regarding that framework. Significant attention is devoted to participation of the highest possible number of countries. The initiative is being coordinated with other international efforts in related areas .

A number of global and regional seminars, as well as a series of consultation meetings with supervisory/legal authorities in different areas of the world, have been conducted or will take place in the next 12 months. A Core Consultative Group with participation of 17 important countries and the international agencies participating in the Initiative has been actively cooperating in the preparation of the Main Document under the Initiative. A preliminary version of the Main Document was presented for a technical briefing to the WB Board of Directors on January 8, 2004. A final joint WB/IMF agreed version is to be circulated to the Executive Boards of the World Bank and the IMF in the first semester of 2004. The Document and its supporting and complementary papers will serve as benchmarks for voluntary policy dialogue with countries of their Framework for bank insolvency. A small number of pilot policy dialogues with countries will start shortly after a final version of the Main Document is issued.

### 4. Forum for Asian Insolvency Reform

Agency: OECD

Target Date: Ongoing

Brief Description: Organised by the OECD, and sponsored by the ADB, in partnership with the World Bank Group and Government of Japan, the third Forum for Asian Insolvency Reform took place in Seoul, Korea in November 2003. More than 100 participants from 18 countries met to discuss maximising

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value of non-performing assets. The meeting attempted to distil the experience with new initiatives that have emerged since the beginning of the Asian financial crisis in the area of non-performing asset resolution. Despite signs that insolvency systems have improved as a result of dramatic overhaul in recent years, insolvency reforms continue to be relevant for most countries in the region. Equally important are indications that the resumption of growth and/or political changes have weakened the political resolve for change. Therefore, improved liquidation proceedings, sound creditor rights systems, forward looking corporate restructuring and governance continue to be among the priorities of insolvency reforms in Asia. The fourth meeting of the Forum is scheduled for November 2004. The meeting will inter alia focus on the balance of recovery, liquidation and rehabilitation proceedings.

### 5. Legal and Institutional Underpinnings of Global Financial Markets

Agency: G-10

Target Date: Ongoing

Brief Description: This project collected and analysed comparative information on the bank resolution procedures, contract enforceability and insolvency arrangements in the principal international financial jurisdictions. A report, *Insolvency Arrangements and Contract Enforceability*, was released as a consultative document in December 2002 (available at [www.bis.org/publ/gten06.htm](http://www.bis.org/publ/gten06.htm)). A follow-up symposium on these issues took place at the ECB on 30 September and 01 October 2003 (Insolvency Symposium 2003). The focus is on current legal, economic and supervisory issues in cross-border insolvencies of larger financial institutions. There is no further immediate work envisaged. Deputies agreed to revisit the broader issue in 2-3 years. (Contact: [G10@bis.org](mailto:G10@bis.org))

### 6. Model Contractual Clauses (CACs)

Agency: G-10

Target Date: Ongoing

Brief Description: Monitoring of draft model contractual clauses in sovereign bonds that will facilitate communication and promote orderly and predictable debt restructuring. The G10 had earlier released work by legal experts to ensure collective action clauses' compatibility in major jurisdictions (Report of the *G10 Working Group on Contractual Clauses*, the Quarles Report). Follow-up work is ongoing. All relevant information is stored under eBIS (International Financial Architecture).

### 7. Code of Good Conduct (COGC) in Sovereign Debt Resolution

Agency: G-10

Target Date: Ongoing

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**Brief Description:** The G-10 is currently collecting information that might facilitate the process of establishing a COGC. The aim of the COGC might be to strengthen policy principles and to develop operational principles and to help (sovereign) debtors and creditors in a more timely, orderly and predictable resolution of a financial debt crisis. The contours of such a COGC are being debated by the private and official sector (in particular the G20).

### 8. Crisis Resolution

**Agency:** IMF

**Target Date:** Ongoing

**Brief Description:** The Spring 2003 IMFC meeting, while recognizing that it is not feasible now to move forward to establish the Sovereign Debt Restructuring Mechanism, urged the Fund to continue work on issues that are of general relevance to the orderly resolution of financial crises, a position the IMFC reiterated in September 2003. In response, the Fund's current efforts on crisis resolution are focused on improving the process of restructuring sovereign debt within the existing legal framework. This includes (i) promoting the inclusion of collective action clauses (CACs) in international sovereign bonds in jurisdictions where they are not yet the market standard, (ii) contributing to initiatives aimed at formulating a voluntary code of conduct for sovereign debtors and their creditors, and (iii) continuing efforts to enhance the Fund's capacity to assist members in resolving crises. The Board considered a paper on crisis resolution in the context of sovereign debt restructurings (February 2003) and a paper on the benefits, risks, and feasibility of aggregating creditor claims (September 2003). The Fund has clarified the conditions under which it is willing to extend support in the context of a crisis for a member's adjustment program and the scale of such support (February 2003), along with adopting a more comprehensive framework for making judgments on debt sustainability. The Board has also reviewed the application of the criterion concerning good-faith negotiations between sovereign debtor and its creditors in the context of the Fund's lending into arrears policy (September 2002). Finally, staff have examined the usefulness of a balance sheet approach to crisis resolution.

### 9. Pension Systems and Financial Markets

**Agency:** G-10

**Target Date:** 2005

**Brief Description:** The objective of this project is to discuss how the evolution of pension systems, given ageing populations, will influence G10 financial markets and thereby impact on economic and financial policies. It is currently at the exploratory stage surveying past work carried out especially by the OECD and IMF. The precise focus of this project is to be decided at the next Deputies meeting.

10. Oversight of Payment and Settlement Systems

Agency: CPSS  
Target date: Summer 2005  
Brief description: The CPSS will map and compare the objectives central banks have for their oversight work and the methodologies they use to achieve these objectives. The analysis will be carried out from both a national and an international perspective.

11. Developments in Large-value Payment Systems

Agency: CPSS  
Target date: Summer 2005  
Brief description: The CPSS will analyse recent developments in large-value payment systems including the introduction of new settlement algorithms designed to save liquidity in systems that provide intraday finality and the emergence of offshore payment systems. In addition to liquidity and other benefits, the risks and costs that arise from these new systems will be considered.

12. Foreign Exchange Settlement Risk Management

Agency: CPSS  
Target date: Spring 2005  
Brief description: The sub-group on foreign exchange settlement risk is monitoring and assessing the implementation of the G10 Governors 1996 strategy for reducing foreign exchange settlement risk and will make recommendations to the CPSS on this matter where appropriate.

13. General Principles for Payments Infrastructure

Agency: CPSS  
Target date: Summer 2005  
Brief description: The objective of the working group on general principles for payments infrastructure is to formulate practical guidance on the development and evolution of payment infrastructure in an economy, with an emphasis on dynamics of payment arrangements and on priorities within the context of an economy's overall economic and financial development plan.

14. Risk Management Standards for Central Counterparties

Agency: CPSS-IOSCO Task Force  
Target Date: end-2004

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**Brief Description:** At their meetings in February 2004 the CPSS and IOSCO's Technical Committee approved a draft Consultative Report on Recommendations for Central Counterparties which aims to set out comprehensive standards for CCP (Central Counterparty) risk management. This initiative reflects the growing interest in developing CCPs and expanding the scope of their services as well as the lack of clear international standards in this area. The consultative report was published for public comments on 8 March 2004 after the approval of the G-10 Governors.

### 15. Enhancing Information Exchange among Securities Regulators

**Agency:** IOSCO

**Target Date:** Ongoing

**Brief description:** Following the event of Sept. 11th, a special Project Team on Cooperation worked on the development of a draft multilateral MOU (Memorandum of Understanding) that would enhance information exchange among the signatory securities regulators and facilitate financial crime investigation. The President's Committee of the Organization endorsed the IOSCO MOU during its May 2002 annual meeting. The MOU builds on the many previously existing IOSCO Resolutions and Principles to establish an international benchmark for cooperation and information sharing. Prior to signing the IOSCO MOU, member regulators must establish through a fair and transparent process that they have the legal capacity to fulfil its terms and conditions. The process adopted for the implementation of the MOU provides incentives for members that do not have the legal capacity to sign the MOU to raise their respective national standards. IOSCO is committed to assisting them in this process and a framework for assistance is being developed. As a follow up to the endorsement of the MOU, a screening group was set up. This group prepared an operational procedure to review the applications sent by members. The MOU signatory process was officially opened in August 2002.

### **(iv) Accounting, Auditing and Public Disclosure**

#### 1. Accounting

##### a) International Financial Reporting Standards

**Agency:** International Accounting Standards Board (IASB)

**Target date:** Ongoing

**Brief Description:** The IASB is now completing a platform of standards to be ready for the adoption of IFRSs by companies throughout the world in 2005. The IASB's initial efforts have focused on improvements of existing International Accounting Standards (IASs), providing guidance to those companies adopting IFRSs for the first time, and issuing standards in the areas where current IASB literature is deficient (for example, business combinations and share-based payment). The IASB plans to finalise all of the standards to be mandatory for 2005 by 31 March 2004.



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Discussions regarding improvements to existing IASs 32 (Financial Instruments: Disclosure and Presentation) and 39 (Financial Instruments: Recognition and Measurement) are continuing with banking and insurance supervisors, as well as the banking and insurance industries.

The BCBS, IAIS and IOSCO evaluate International Accounting Standards (IASs) developed by the International Accounting Standards Board (IASB) in order to provide supervisory input in the development of existing and new standards in areas of supervisory interest. The IASB has also recently established a European Consultative Group to engage the regulatory community in Europe, including the European Central Bank (ECB), BCBS, European insurance supervisors, and the Committee of European Securities Regulators (CESR). This consultative group will focus on longer-term issues concerning fair value accounting and its application to regulated financial institutions. Other regional or international groups may be considered as well.

The Financial Accounting Standards Board (FASB) of the United States and the IASB continue to make progress on their convergence project. In January 2004, the FASB proposed four changes in existing US GAAP to bring US practice in line with international standards. The FASB and IASB will hold two joint meetings in 2004. Additionally, the IASB will consult with its partner standard-setters, as well as the European Financial Reporting Advisory Group (EFRAG), on the IASB's agenda and priorities throughout the year.

### b) Banking

Agency: BCBS

Target Date: Ongoing

Brief Description: The BCBS Accounting Task Force has started to revise the BCBS paper "*Sound Practices for Loan Accounting and Disclosure*" in light of IASs 39 and is planning to publish the document for consultation.

### c) Insurance

Agency: IAIS

Target Date: Ongoing

Brief Description: Last October the IAIS sent a letter of comments on the IASB exposure draft regarding insurance contracts with the comments including the need for establishing comparable and consistent accounting policies, avoiding accounting mismatch of assets and liabilities. The IAIS is continuing a discussion with IASB on the IASB proposal.

### d) Securities

Agency: IOSCO

Target Date: Ongoing

Brief Description: The Technical Committee is continuing its close cooperation with the IASB. The Technical Committee and the IASB have developed ongoing

arrangements for the Technical Committee to provide input on IASB projects as they are developed and initiated and to monitor IASB work on an ongoing basis. Also, the Technical Committee completed a survey on the accounting review and enforcement mechanisms currently in place in IOSCO member jurisdictions.

## 2. Auditing Standards

Agency: IFAC

Target date: Ongoing

Brief Description: The International Auditing and Assurance Standards Board (IAASB) of IFAC has published its action plan for 2003 and 2004 (available at [www.ifac.org](http://www.ifac.org)). In 2003 it completed its standards related to audit risk assessment. In 2004 it is scheduled to complete updated standards on fraud and the form and content of the auditor's report, quality control standards for both audit firms and audit engagements and new standards on group audits and reviews of interim financial information. Additional projects in process (with completion deadlines in 2005) include updating current standards on audit materiality, auditing accounting estimates and the audit of related party transactions.

To achieve convergence of auditing standards on a worldwide basis, the IAASB is working closely with IFAC member bodies on joint projects and seeking the input of experienced standard setters, international and national regulators, and regional accountancy organizations. Effective January 1, 2004, as part of the IFAC reform proposals, IAASB has added observers with speaking rights from the US PCAOB and the Japanese FSA to its Board's deliberations. The IAASB will also be subject to the IFAC Public Interest Oversight Board, when established.

The BCBS, IAIS and IOSCO also evaluate International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Board (IAASB) in order to provide supervisory input.

## 3. Accountancy Profession

Agency: IFAC

Target date: Ongoing

Brief Description: IFAC is working on achieving lasting reforms that increase confidence in accountants and the credibility of financial information. IFAC reform proposals were approved by the IFAC membership in November 2003. The BCBS, IAIS, IOSCO and the World Bank were closely involved in all stages of the development of these proposals, as was the European Commission. During 2004 a Public Interest Oversight Board will be created by the IFAC Monitoring Group to oversee IFAC's public interest activities.

IFAC standard setting committees – auditing, ethics, education and public sector accounting – will enhance the operations of their respective Consultative Advisory Groups to solicit both strategic and technical

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guidance from interested external parties. Increased confidence is possible only if the profession can demonstrate its accountability. IFAC encourages accountability in several ways: through its Code of Ethics, Compliance Program and the Transnational Auditors Committee. During 2004, IFAC anticipates approving 7 Statements of Membership Obligations (SMOs) which will set standards of compliance for its member bodies to follow – which include following the IFAC Code of Ethics and using their best endeavours to support the adoption of IFRS and ISAs in their jurisdictions etc.

### 4. Disclosure and Transparency of the Reinsurance Industry

Agency: IAIS

Target Date: March 2004

Brief Description: In response to concerns within the FSF over potential vulnerabilities in the global reinsurance markets and the industry's linkages to other sectors, the IAIS established a Task Force in late 2002, whose mandate is to develop a framework to enhance the transparency of the global reinsurance market and to propose measures to improve risk-oriented disclosure by individual reinsurance firms. The Task Force will present its final report to the FSF at the next meeting in March 2004.

### 5. Disclosure: Follow-up of the MWGED Recommendations

Agency: Joint Forum

Target Date: April 2004

Brief Description: In 2002 the Joint Forum created a working group to follow up the recommendations contained in the April 2001 report of the Multidisciplinary Working Group on Enhanced Disclosure (MWGED). The working group began its work by surveying firm compliance with the specific recommendations by the MWGED. The group has met with relevant end users of financial reports to gain knowledge about their disclosure needs and with a number of firms including hedge funds to hear their views on the MWGED recommendations. The group intends to finalise its report by April 2004.

## **(v) Market Functioning, Conduct and Transparency**

### 1. Credit Risk Transfer

#### a) Supervisory perspective

Agency: Joint Forum

Target Date: September 2004

Brief Description: Under the aegis of the FSF, the Joint Forum is in the process of reviewing the latest developments observed in the credit risk transfer (CRT) market. It particularly focuses on the most recent CRT techniques (credit default swaps – CDS and collateralised debt obligations – CDO),

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giving emphasis to the issues that are important from a financial stability perspective: (1) whether the instruments/transactions accomplish a clean risk transfer, (2) the degree to which CRT market participants understand the risks involved, and (3) whether CRT activities are leading to undue concentrations of credit risk inside or outside the regulated financial sector. The Joint Forum will produce an interim report to the FSF in March 2004, while pursuing its investigations during the year. A final report, potentially encompassing some recommendations, will be released in September 2004.

### b) Reporting on credit default swaps in the semi-annual central bank statistics on OTC derivatives

Agency: CGFS

Target date: End 2004

Brief description: Following up on the report on *Credit Risk Transfer*, the CGFS Working Group on credit risk transfer began a process with the objective to incorporate reporting on credit default swaps in the semi-annual central bank statistics of OTC derivatives published by the BIS. The remaining work of finalising the report forms and guidelines for the additional data is currently being carried out by statistical experts in reporting central banks and the BIS.

## 2. Credit Rating Agencies

### a) Regulatory perspective

Agency: IOSCO

Target date: Ongoing

Brief Description: IOSCO Technical Committee has re-launched the work of the special Task Force to develop a code of conduct for credit rating agencies.

### b) Ratings in structured finance

Agency: CGFS

Target date: End 2004

Brief description: A working group has been established with to explore the role of rating agencies in the rapidly evolving markets for structured finance instruments and the implied new requirements for the ratings process, the rating agencies and for participants in structured finance markets. The group will seek to develop an understanding of various methodological and organisational challenges involved in rating structured finance products.

## 3. Performance Presentation Standards for Collective Investment Schemes

Agency: IOSCO

Target date: May 2004

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**Brief Description:** In February 2003, the Technical Committee issued a consultation document on Performance Presentation Standards for Collective Investment Schemes(CIS): Best Practice Standards to suggest best practice standards for the presentation of CIS performance in advertisements. This report follows up on the Technical Committee's earlier report on Performance Presentation Standards for Collective Investment Schemes (May 2002). The Technical Committee anticipates issuing a final best practices paper on this topic in May 2004.

### 4. Mutual Funds

**Agency:** IOSCO

**Target date:** 2004

**Brief Description:** IOSCO will be developing standards relating to late trading, market timing and governance in the mutual funds industry.

### 5. Coordinated Portfolio Investment Survey (CPIS)

**Agency:** IMF

**Target Date:** Ongoing

**Brief Description:** The purpose of the CPIS is to significantly improve the coverage and accuracy of global statistics on cross-border portfolio investment assets and liabilities. It collects comprehensive information, with geographical detail on the country of residence of the issuer, on the stock of cross-border equities, long-term bonds and notes, and short-term debt instruments for use in the compilation or improvement of international investment position (IIP) statistics on portfolio investment capital. The survey was conducted for year-end 1997, 2001 and 2002, and is now conducted on an annual basis. Results are published on <http://www.imf.org>.

## (vi) Prudential Regulation and Supervision

### 1. Revision of the Basel Capital Accord

**Agency:** BCBS

**Target Date:** mid-2004

**Brief Description:** The BCBS has made considerable progress over the past six months in moving towards finalisation of its major project to revise the Basel Capital Accord. Meetings in October 2003 and January 2004 were followed by press communiqués that reported on the principal decisions reached.

The meeting on October 2003 took stock of the 200 plus comments received on the third consultative paper issued at the end of April for comment by end-July 2003. The comments indicated continued broad support for the structure of the New Accord and agreement on the need to

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adopt a more risk-sensitive capital framework. However, there were a number of suggestions for improvement and the BCBS decided that further refinement was justified in four main areas.

Firstly, it was agreed that with respect to the internal ratings based (IRB) treatment of credit losses, banks should be expected to hold enough capital to absorb unexpected losses, and not expected plus unexpected losses as envisaged hitherto. An adjustment to the definition of capital for banks adopting IRB approaches will be made to reflect this amended treatment. Banks were given until the end of December 2003 to react to a technical note on this topic attached to the October press release. The responses were uniformly positive but a number of questions were raised regarding the consequence of this decision. A supplementary note on this issue was issued at the end of January.

Secondly, the BCBS decided to simplify the treatment of asset securitisation and in particular to replace the so-called “Supervisory Formula” with a less complex approach. Revised proposals for securitisation were issued at the end of January.

The BCBS also decided to revisit the treatment of two other aspects of the Accord, namely credit card commitments and related issues, on the one hand, and the treatment of certain credit risk mitigation techniques, on the other. It was recognised that the treatment of credit risk mitigation must continue to evolve in order to reflect industry practices, particularly as they relate to double default effects. The Committee has undertaken to continue work on this topic with the intention of finding a prudentially sound solution prior to the implementation of the New Accord.

So far as the schedule for completing the New Accord is concerned, the BCBS will meet again in May to review the recommendations from a number of working groups and to address important issues relating to calibration. This should allow the BCBS to achieve the objective of producing a text by mid-2004 that will provide a solid basis for national implementation processes and the industry’s preparations to proceed.

### 2. Cross-border Implementation of the New Basel Capital Accord

Agency:	BCBS
Completion Date:	Ongoing
Brief Description:	Building on the high-level principles for cross-border implementation of the New Accord issued in August 2003, the BCBS is currently evaluating several actual case studies of internationally active banks. This exercise is contributing significantly to members’ understanding of the practical aspects of cross-border implementation.

The BCBS released for consultation at the end of January a set of high-level principles governing cooperation and effective information exchanges between home and host supervisors in the practical implementation of the advanced measurement approaches for operational

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risk capital requirements. The document, designed to reduce duplication of supervisory rules but at the same time to preserve the legal powers of host country supervisors, sets out four basic Principles for practical supervisory cooperation and proposed language for the relevant section of the New Accord.

### 3. Consolidated KYC (“know-your-customer”) Risk Management

Agency: BCBS

Target date: 2nd half 2004

Brief Description: Last October 2003 the BCBS issued a consultative document on Consolidated KYC Risk Management. The paper describes the critical elements for implementing a bank's KYC risk management policy consistently across its domestic and overseas operations and suggests ways in which the four essential elements of a sound KYC programme (namely, customer acceptance policy, customer identification, ongoing monitoring of higher risk accounts and risk management) can be fully applied by a bank on a global basis to all of its branches and subsidiaries around the world. A number of respondents cited legal impediments and these and other comments are currently being investigated.

### 4. Insurance Principles, Standards and Guidelines

Agency: IAIS

Target Date: Autumn 2004-2005

Brief Description: The IAIS is developing supervisory standards, guidelines, or issues paper on (1) disclosure of technical performance and risks of non-life insurers and reinsurers, (2) investment risk management, (3) forms of capital, (4) revised principles on the supervision of insurance activities on the internet, (5) supervisory framework, (6) forms of capital adequacy requirements, (7) fit and proper testing, (8) disclosure of investment performance of insurers and reinsurers, (9) AML/CFT. The papers from (1) to (4) are planned to be finalised in October 2004. The papers (5) to (9) are intended to be adopted in autumn 2005.

### 5. Insurance Regional Seminars and Training

Agency: IAIS and FSI

Target date: Ongoing

Brief Description: IAIS and FSI organise in collaboration with national insurance supervisory authorities and other bodies around 15 regional seminars annually to assist insurance supervisors implement IAIS principles and standards.

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### 6. Core Curriculum for Insurance Supervisors

- Agency: World Bank, IAIS, and FSI
- Target date: Ongoing
- Brief description: World Bank, IAIS, and FSI, in collaboration with insurance supervisory authorities, are developing the core training curriculum for insurance supervisors. The programme will cover development of implementation material for the revised insurance core principles.

### 7. Securities Regional Seminars and Training & Assistance Programs

- Agency: IOSCO
- Target date: Ongoing
- Brief Description: IOSCO and its members conduct a wide variety of seminars and training programs throughout the year. These programs take place in all regions of the world and benefit from the participation of IOSCO members and the expertise of their staff. The 2003 IOSCO Seminar Training Program, organized by the IOSCO General Secretariat, took place in Madrid, Spain on 17-21 November 2003. The program provided training and assistance to members relating to investor education programs and the uses of the new IOSCO Assessment Methodology. Following up on its adoption of the IOSCO Multilateral Memorandum of Understanding and the IOSCO Assessment Methodology, IOSCO has launched assistance programs to provide expert support to requesting members relating to the adoption of the IOSCO MOU and to members' self-assessment of their compliance with the international standards set out in the IOSCO Principles.

### 8. Principles for Regulation and Supervision of Private Pensions

- Agency: OECD and International Network of Pensions Regulators and Supervisors (INPRS)
- Target Date: Ongoing
- Brief Description: Principles for regulation of occupational private pensions were endorsed by the OECD in December 2000 and the INPRS in April 2001 (see [www.oecd.org](http://www.oecd.org) and [www.inprs.org](http://www.inprs.org)). In May 2001, the OECD Ministers mandated the OECD to develop further principles. In October 2002, the OECD Working Party on Private Pensions endorsed a set of new guidelines for the governance of pension funds. In 2003, new guidelines on rights of beneficiaries were finalised. An expanded set of core principles on pension regulation will also be considered by the OECD Council early 2004. The OECD and INPRS are also finalizing a template for assessing the implementation of the OECD/INPRS Principles for the regulation of private pensions, to be used by the IMF and the World Bank in parallel with the FSAP exercise.



**(vii) Combating Terrorist Financing and Other Market Abuses**

1. Implementation of the Plan of Action to Combat Terrorist Financing

Agency: FATF

Target Date: Ongoing

Brief Description: (1) Since June 2002, an FATF Working Group has been established for, among other things, developing further guidance on the individual Special Recommendations. In October 2002, the FATF published a Best Practices Paper on preventing the misuse of non-profit organisations by terrorists (Special Recommendation VIII). The FATF has continued to take steps to counter the financing of terrorism in developing further guidance to implement the 8 Special Recommendations. At its February 2003 Plenary, the FATF issued an Interpretative Note to Special Recommendation VI to prevent informal transfer systems and funds from being misused by terrorists. It also issued an interpretative note on Special Recommendation VII which focuses on the abuse of wire transfers by terrorist and their financiers. At the June 2003 Plenary, FATF released a Best Practices Paper on alternative remittance systems (Special Recommendation VI). Finally, at the October 2003 Plenary the FATF issued an Interpretative note on Freezing and Confiscating Terrorist Assets (Special Recommendation III) as well as a Best Practices Paper on Freezing of Terrorist Assets.

(2) The FATF has also developed a process to identify weaknesses in the world-wide efforts to combat terrorist financing. During 2002 – 2003, FATF members have continued their efforts to implement the Eight Special Recommendations, and these changes have been reflected in the updated information contained in the 2002/2003 annual report (available at <http://www.fatf-gafi.org>). In addition, there has been a collaborative effort between the FATF, the United Nations and other international organisations, to encourage all countries to implement the Special Recommendations. The Recommendations have now been endorsed by many non-FATF members and international organisations and bodies, and 130 jurisdictions have participated in the FATF self-assessment exercise. The FATF is also taking concrete steps to assess the needs of countries for technical assistance to comply with the Eight Special Recommendations. These efforts are being undertaken with the Counter-Terrorism Action Group (CTAG) as well as with other international bodies, to ensure that the donor community is aware of specific technical needs to combat terrorist financing.

2. Intensification of the IMF/World Bank's Contribution to Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

Agency: IMF and World Bank

Target Date: Ongoing

Brief Description: In November 2002 the Executive Boards of the IMF and World Bank endorsed the FATF Recommendations as the anti-money laundering and

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combating the financing of terrorism (AML/CFT) standard for the operational work of the Fund and the Bank. The boards agreed that AML/CFT ROSCs should be prepared and they approved a 12-month pilot program of AML/CFT assessments. The pilot incorporates two approaches to assessments, which are assessments led by the Fund and Bank staffs and those conducted by the Financial Action Task Force (FATF), and FATF-style Regional Bodies (FSRBs). All assessments follow a common methodology and involve close collaboration between the Fund/Bank and FATF and the FSRBs. A comprehensive review of the pilot is underway and will be considered by the Boards in March 2004.

There have been 33 Fund/Bank-led assessments during the pilot, approximately half of which have been finalized, including the preparation of ROSCs. All Fund/Bank-led pilot program assessments are being undertaken in the context of the Bank/Fund Financial Sector Assessment Program (FSAP), the Fund's offshore financial center (OFC) assessment program or as stand-alone assessments requested by the country. In addition, the FATF and FSRBs have conducted several assessments of their own members as a part of the pilot program.

A voluntary questionnaire on the AML/CFT policies and institutions is being circulated to IMF members in the context of Article IV discussions, with full converge of the membership expected by end-2004. The Fund and the Bank have also conducted a study of informal funds transfer systems, initially focusing on the Hawala system.

The Fund and the Bank have significantly expanded the delivery of AML/CFT technical assistance. Projects have included training of evaluators from FSRBs, legislative drafting and review, and the strengthening of supervisory capacity. Since January 2002, there have been 83 new bilateral assistance projects benefiting 66 countries, and 30 regional projects reaching more than 130 countries.

### 3. Terrorism Insurance

Agency: OECD

Target Date: 2004

Brief Description: In May 2002, the OECD Ministers mandated the OECD to develop policy analysis and recommendations on how to define and cover terrorism risks and to assess the respective roles of the insurance industry, financial markets and governments, including for the coverage of "mega-terrorism" risks. To carry out the work, the OECD Insurance Committee has set up a special Task Force on Terrorism Insurance. The Task Force is expected to complete its work in 2004.

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### 4. Supervision of AML/CFT by Insurers

- Agency: IAIS
- Target Date: October 2005
- Brief Description: The IAIS is developing a guidance paper on anti-money laundering and terrorist financing that will address topics such as: features within the insurance industry, customer due diligence, role of the supervisor, case studies and typology.

### 5. Strengthening International Cooperation to Fight Illegal Securities and Derivatives Activities

- Agency: IOSCO
- Target Date: Ongoing
- Brief Description: IOSCO's Task Force on Client Identification and Beneficial Ownership intends to issue Principles on Client Identification and Beneficial Ownership for the Securities Industry for approval by the IOSCO Technical Committee at the May 2004 IOSCO Annual Conference in Amman, Jordan.

### 6. Securities Fraud and Market Abuses

- Agency: IOSCO
- Target Date: Ongoing
- Brief Description: IOSCO is taking action in response to recent high profile incidents in securities fraud and market abuse. On 5 February 2004 the Technical Committee set up a special Chairmen's Task force, composed of Chairmen of a number of members to organize and coordinate IOSCO's response. The priorities of the Task Force are as follows: (i) identify potential new issues arising from recent cases, including concerns about transparency in the bond markets, the role of unregulated entities, the role of complex group structures and appropriate levels of sanctions; (ii) review implementation of existing standards, including current mechanisms for international cooperation; and (iii) suggest responses aimed at producing appropriate regulatory incentives, such as improving risk identification and assessment by regulators and giving attention to uncooperative and under-regulated jurisdictions.

## **(viii) Offshore Financial Centres (OFCs)**

### 1. Offshore Financial Centre Assessments (OFCA)

- Agency: IMF
- Target Date: Ongoing
- Brief Description: The IMF began assessing financial regulation and supervision in OFCs in 2000. Typically, the assessments reviewed compliance with supervisory standards in banking relative to the Basel Core Principles and the anti-

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money laundering and combating the financing of terrorism regime relative to the FATF 40+8 recommendations. In addition, where warranted the reviews included insurance and securities supervision as well. Member countries could also request to be assessed under the FSAP, which included in addition a review of domestic financial vulnerabilities.

The first phase of the assessment program is near completion with 40 of the 44 jurisdictions contacted having been assessed. Of the four remaining jurisdictions, two are scheduled to receive technical assistance in lieu of assessments in 2004, one is scheduled to be assessed in early 2004, and an assessment is in the planning stage for the remaining jurisdiction.

The Executive Board of the IMF reviewed the OFC assessment program in November 2003 and concluded that the regular monitoring of OFCs should become a standard component of the work of the Fund. Key elements of the future program include regular monitoring of OFCs supervisory and regulatory systems and activities, improving transparency of OFCs supervisory and regulatory systems, enhancing technical assistance, and collaboration with standard setters and supervisors to strengthen standards and exchanges of information.

Progress reports on the OFC program prepared for the IMF Board were transmitted to the FSF prior to its meetings in September 2002, March 2003 and September 2003.

### 2. Statistics on OFCs

Agency:	IMF
Target Date:	Ongoing
Brief Description:	The IMF is helping OFCs to improve their statistics, primarily by encouraging them to participate fully in international statistical collections such as the Co-ordinated Portfolio Investment Survey (CPIS), but also by helping them to improve their national macroeconomic statistics.

### (ix) E-Finance

#### 1. Implications for Developing Countries of Electronic Finance

Agency:	World Bank
Target Date:	Ongoing
Brief Description:	In-depth work is being undertaken on specific applications of technology to delivery of financial services and on e-security.

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### 2. E-Finance and Debt Management

Agency: OECD

Target Date: Ongoing

Brief Description: The OECD Working Party on Public Debt Management discusses on a regular basis the implications of information and communications technology on debt management practices. An interim report on this work is now available as chapters 4 and 5 in the OECD publication *Public Debt Management and Government Securities Markets in the 21st Century*.

### 3. E-Finance and Taxation

Agency: OECD

Target Date: Ongoing

Brief Description: In the summer of 2003 the OECD published a series of papers on tax administration and consumption tax issues, which focused on issues, such as electronic payment accountability, on-line business/customer identification and data elements for transaction information. Work is continuing on the creation of an environment in which cross-border tax collection would be better facilitated and also on how tax standards might be applied in the creation of accounting software. Also, through the project on harmful tax practices, the OECD seeks to provide a cooperative framework within which countries can work together to eliminate such tax practices.

### 4. Management of Outsourced IT Activities and Electronic Banking Security Issues

Agency: BCBS

Target date: Spring 2004

Brief description: The Electronic banking group of the BCBS carried out, in year-end 2003, a stock-taking exercise to collect input from members on electronic security and IT outsourcing developments in their respective countries. This exercise is aimed at getting a better sense of the current landscape of IT outsourcing and electronic security. A report will be released, stressing the main points coming out of the stock-taking, summarising the relevant supervisory rules, policies and guidance that are currently in place and tentatively addressing the main supervisory concerns associated with these topics.

### 5. Insurance Activities on the Internet

Agency: IAIS

Target Date: October 2004

Brief Description: The IAIS is revising its paper *Principles on the Supervision of Insurance Activities on the Internet*. The primary area of revision is the addition of

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comments regarding risk management of identified risks arising from insurance activities on the internet (such as the use of the internet for product sales).

### 6. Electronic Payments and Central Banks

Agency: CPSS

Target Date: March 2004

Brief Description: In March 2004 the CPSS will publish the results of a survey on developments in electronic money, internet payments and mobile payments (the first such survey on electronic money developments was published by the BIS in May 2000, followed by an updated report in November 2001). As payments made using the internet and mobile phones have advanced quite rapidly during recent times as compared to e-money, these innovative methods of payment would be included in the 2004 public survey. The report provides information on innovative products that are in use or being planned in these countries, as well as information on the policy stance adopted by the various authorities concerned, including central banks.

### III. Glossary of Agencies

BCBS	Basel Committee on Banking Supervision ( <a href="http://www.bis.org/bcbs">www.bis.org/bcbs</a> )
BIS	Bank for International Settlements ( <a href="http://www.bis.org">www.bis.org</a> )
CGFS	Committee on the Global Financial System ( <a href="http://www.bis.org/cgfs">www.bis.org/cgfs</a> )
CPSS	Committee on Payment and Settlement Systems ( <a href="http://www.bis.org/cpss">www.bis.org/cpss</a> )
FATF	Financial Action Task Force on Money Laundering ( <a href="http://www.fatf-gafi.org">www.fatf-gafi.org</a> )
FSF	Financial Stability Forum ( <a href="http://www.fsforum.org">www.fsforum.org</a> )
FSI	Financial Stability Institute ( <a href="http://www.bis.org/fsi">www.bis.org/fsi</a> )
G-10	Group of 10 (A group of industrial countries)
IAIS	International Association of Insurance Supervisors ( <a href="http://www.iaisweb.org">www.iaisweb.org</a> )
IASB	International Accounting Standards Board ( <a href="http://www.iasc.org.uk">www.iasc.org.uk</a> )
IAASB	International Auditing and Assurance Board ( <a href="http://www.ifac.org/iaasb">www.ifac.org/iaasb</a> )
IFAC	International Federation of Accountants ( <a href="http://www.ifac.org">www.ifac.org</a> )
IMF	International Monetary Fund ( <a href="http://www.imf.org">www.imf.org</a> )
IMFC	International Monetary and Financial Committee
INPRS	International Network of Pensions Regulators and Supervisors ( <a href="http://www.inprs.org">www.inprs.org</a> )
IOSCO	International Organization of Securities Commissions ( <a href="http://www.iosco.org">www.iosco.org</a> )
MWGED	Multidisciplinary Working Group on Enhanced Disclosure
OECD	Organisation for Economic Co-operation and Development ( <a href="http://www.oecd.org">www.oecd.org</a> )
UNCITRAL	United Nations Commission on International Trade Law ( <a href="http://www.uncitral.org">www.uncitral.org</a> )
World Bank	International Bank for Reconstruction and Development ( <a href="http://www.worldbank.org">www.worldbank.org</a> )