

**Statement by the Managing Director on Integrating Stability Assessments Under the
Financial Sector Assessment Program into Article IV Surveillance
Executive Board Meeting
September 21, 2010**

1. Staff has had the opportunity to discuss with Executive Directors the proposal contained in the Board paper on *Integrating Stability Assessments under the FSAP into Article IV Surveillance* and to solicit their views. While the principal features of the proposal command broad support from the Executive Board, I understand that a number of Executive Directors have raised concerns about the proposed periodicity of three years for mandatory financial stability assessments under Article IV. While the staff paper argues, I believe quite convincingly, why a periodicity of three years is appropriate, I understand from Directors that several would prefer to see greater flexibility. On this basis, I would propose the following approach. A proposed decision revised along these lines is being circulated separately.
2. Under my revised proposal, the frequency of financial stability assessments with members under Article IV would be extended to no more than five years. More specifically, the deadline for the Executive Board discussion of the resulting Financial System Stability Assessment (FSSA) report would, as with the original proposal, be expressed as an “expectation” and be tied to the first Article IV consultation with the member (or, where relevant, the Article IV consultation discussion with respect to the territory of the member) to be completed after the fifth anniversary of the determination of systemic importance of the member’s financial sector or the date of the last mandatory FSSA.
3. At the same time, recognizing the important role that these stability assessments will play in the Fund’s surveillance, it may be appropriate for management, in some cases and depending on the circumstances, to encourage members with systemically important financial sectors to undergo financial stability assessments sooner, in particular within a three to five year time frame. Proceeding ahead of the deadline in this manner would be voluntary for members. Before calling upon members to do so, management would take into account (i) the date of the last financial stability assessment or FSAP for the member; (ii) legislative or other developments in the member country that may affect the financial sector, and (iii) the need to ensure an efficient use of staff resources and a smooth workflow in the Executive Board.