



## Financial Sector Assessment Program Updates A Fact Sheet

**What is an FSAP update?** The Financial Sector Assessment Program (FSAP) is a joint IMF-World Bank initiative launched in 1999 to provide member countries that request participation with a comprehensive assessment of their financial systems. Participation in the program is voluntary. An update provides an opportunity to refresh the initial assessment, albeit with possible differences in scope.

**What are the main benefits of an update for the country?** As with an initial assessment, an update provides an independent review of strengths and weaknesses in a member country's financial sectors, and proposes remedial measures to reduce vulnerabilities and improve financial intermediation. Updates are useful because the analysis contained in an initial assessment becomes outdated after several years, as the financial system evolves and as countries adopt new policies or undertake reforms. They provide an independent review of a country's policy adjustments following the initial assessment, and help identify new challenges faced by the system. As with initial assessments, teams include financial sector experts from around the world, who bring a useful element of peer review to the assessments.

**What are the main differences between updates and initial assessments?** With the initial assessment as a reference point, updates can be more focused and concentrate on the most relevant issues identified in the initial assessment. Updates will typically require a single mission (compared to two missions for initial assessments), and mission size is usually smaller. Updates therefore are expected to be less resource-intensive than initial assessments.

**What are the core elements of an update?** As a minimum, updates comprise a stock-taking exercise, an assessment of financial sector developments and progress in implementing FSAP recommendations. The update will contain financial stability analysis, factual updates of standards and codes included in the initial assessment (factual updates describe developments relevant for compliance with the standard, but do not contain a reassessment of the underlying ratings from the initial assessment), and a reassessment of key development and structural issues raised in the initial assessment.

**Can updates cover more than the core elements?** Country authorities requesting an update are encouraged to suggest additional topics for the exercise; the inclusion of these topics will depend on resource availability. Possible additional elements are as follows:

- *A substantive update of previously assessed standards and codes.* Unlike the factual updates that are included in all FSAP updates (see above), a substantive update includes a reassessment of the underlying grading. The need for a substantive update of a particular standard would take into account the elapsed time, the changes since the previous assessment, and the country's level of development.

- *Issues not covered in the previous assessment.* These could include detailed assessments of standards not previously assessed or any issues considered relevant to financial stability or development that have assumed a recent importance or that it was not possible to cover in the initial assessment, perhaps because of resource constraints. Some examples are bank governance and insolvency; information and legal infrastructures; access to financial services; an in-depth assessment of corporate vulnerabilities and financing needs; housing finance; exposures to derivatives; or capital market development could be appropriate in some countries.

**What is the frequency of the updates?** In any particular country, frequency of updating will depend on financial sector developments, the country's willingness to participate, and resource availability for the program. An average frequency of updates of about five years would seem reasonable. However, the interval between assessments should be shorter for some countries (systemically important countries, countries with serious vulnerabilities, and countries where there have been significant macroeconomic shocks affecting the financial system, or major reforms since the last assessment). An earlier update may also be appropriate in cases where the initial assessment did not cover important financial sector issues that are deemed to warrant an in-depth analysis.

**What are the outputs of an update?** The outputs are similar to an initial FSAP assessment. The update team prepares a confidential aide-mémoire document for the country authorities. Technical notes on selected topics and detailed assessments of compliance with international standards and codes are prepared as appropriate. A Financial Sector Stability Assessment (FSSA) Update is prepared for discussion at the IMF Executive Board. In joint missions, the World Bank prepares a Financial Sector Assessment (FSA) Update for its Executive Board. Publication of [FSSAs](#), [FSAs](#), technical notes, and detailed assessments is voluntary.

**Who carries out an update?** The Financial Sector Assessment Program is a joint undertaking of the World Bank and the IMF. If the initial assessment was done jointly by the two institutions, the update would generally be also joint. If the initial assessment was done only by the IMF (in high-income countries), the update would be done by the IMF. In either case, the update team is likely to include experts seconded from supervisory agencies or central banks around the world.

**How many countries have participated?** In the approximately six years since the Financial Sector Assessment Program began, about two-thirds of IMF and World Bank member countries have completed or requested an initial assessment. As of end-September 2005, about a tenth of those countries have already completed or requested an update.