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# eStandards Forum: STANDARDS COMPLIANCE INDEX AND BUSINESS INDICATORS INDEX

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eSTANDARDS FORUM:  
STANDARDS COMPLIANCE INDEX AND BUSINESS  
INDICATORS INDEX

<http://www.estandardsforum.com>

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KSC Research Series

ABSTRACT: The eStandards Forum and the two indexes that it developed—namely, the Standards Compliance Index and the Business Indicators Index—are considered in terms of their purpose and methodology in this three-page overview. Relevant issues are discussed, a list of countries that the indexes cover is provided, and guidance on how to access the indexes is offered.

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**Purpose:** The eStandards Forum believes that one of the leading causes of financial instability is the lack of knowledge about the legal and regulatory framework of financial systems. Therefore, the Forum developed the Standards Compliance Index and Business Indicators Index to synthesize and spread publicly available information on a country's macroeconomic policy, market infrastructure, and financial regulation.

**Methodology:** The eStandards Forum bases its indexes on 12 Key Standards for Sound Financial Systems, which were created in 1999 by the Financial Stability Forum in the wake of the Asian Financial Crisis. The Financial Stability Forum is a group of national financial authorities, international financial institutions and regulatory and supervisory groups, and central bank experts.<sup>1</sup>

**Standards Compliance Index (SC Index):** This index looks at the 12 Key Standards and rates them according to their level of compliance. Each standard is given points based on the following methodology:

- **Full Compliance** (10 points): The country has incorporated the principles of the standard into laws/regulations that are followed effectively, consistently, and transparently.
- **Compliance in Progress** (8 points): The country has incorporated the principles of the standard into laws/regulations, and there has been significant progress made toward effective enforcement of the laws/regulations, with minor shortcomings.
- **Enacted** (6 points): The country has incorporated most principles of the standard into laws/regulations.
- **Intent Declared** (3 points): The country has made a declaration that it will incorporate the principles into laws/regulations and adhere to the standard.
- **No Compliance** (1 point): There is publicly available information indicating that the country has not taken steps to comply with the standard.
- **Insufficient Information** (0 points): There is not enough information publicly as to the country's level of compliance with the standard.

12 Key Standards for Sound Financial Systems

Macroeconomic Policy and Data Transparency	Institutional and Market Infrastructure	Financial Regulation and Supervision
1. Data dissemination 2. Monetary policy transparency 3. Fiscal policy transparency	4. Insolvency 5. Accounting 6. Corporate governance 7. Auditing 8. Anti-money laundering 9. Payment systems	10. Banking supervision 11. Securities regulation 12. Insurance supervision

To compute a country's overall score for the Standards Compliance Index, the percentage of points (out of 10) received for each indicator is averaged together for the 12 Key Standards. Scores are labeled from Very High Compliance to Very Low Compliance as seen in the adjacent table.

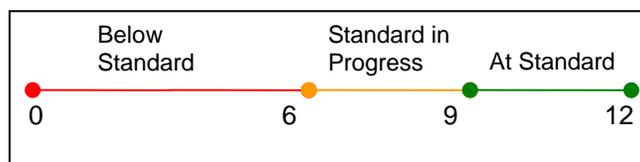
Very High Compliance	80 to 100
High Compliance	60 to 80
Medium Compliance	40 to 60
Low Compliance	20 to 40
Very Low Compliance	0 to 20

<sup>1</sup> <http://www.fsforum.org/compendium/about.html>

**Business Indicators Index (BI Index):** The Business Indicator Index uses 12 indicators of a country’s economic, political, and business environment to derive its scores. The 12 Standards are given “Best Practice Benchmarks,” and for each benchmark there is a binary method of evaluation; the country either complies or does not comply. If it complies, then it receives full points for that benchmark, and if it does not comply then it receives no points. The maximum score for each indicator is 1. To derive the overall BI Index, the total number of points assigned to each indicator is summed up. Thus, the maximum score for the index is 12. Some indicators have more than one associated benchmark. The weights for these benchmarks are evenly distributed (i.e., if there are four benchmarks, then each is assigned ¼ point).

### 12 Key Standards and Benchmarks

Indicator	Best Practice Benchmark	Points
1. Economic model	Market-based economy	1 point
2. FOREX regulations	No capital controls	1/2 point
	No exchange controls	1/2 point
3. Foreign investment law	Yes, adequate foreign investment law	1 point
4. Trade regulation	No import regulation	1/4 point
	No protective tariffs	1/4 point
	Yes, export incentives	1/4 point
	No export disincentives	1/4 point
5. Tax regime	Creates incentives for investment	1 point
6. Tax rates	Low/competitive	1 point
7. Bankruptcy indicators/property rights	Established	1 point
8. International dispute settlement	Credible history/marginal success	1 point
9. Political environment	Positive commitment to growth/globalism by ruling authority	1/3 point
	Positive attitude toward utilization of global resources to promote growth	1/3 point
	Positive commitment to growth/globalism by political opposition	1/3 point
10. Political stability	Yes, for foreseeable future	1 point
11. Corruption	No concern	1 point
12. Adherence to global labor standards	Complies	1 point
	<b>Total</b>	<b>12 points</b>



Issues: Countries are not updated on a regular basis. Each profile lists the month and year that the country was last updated. When downloading the information it is important to note the date each country was last updated. Furthermore, past scores are not posted

for this index; only the most current information is published. Therefore, improvements or deteriorations over time are not documented.

Country Coverage: Both indexes cover 81 countries.

Access: Both the Standards Compliance Index and the Business Indicators Index are available at <http://www.estandardsforum.com/>.

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