



Communiqué of Finance Ministers and Central Bank Governors of the G-20

Paris, France, 14-15 October 2011

1. We, the G-20 Finance Ministers and Central Bank Governors, met at a time of heightened tensions and significant downside risks for the global economy that need to be addressed decisively to restore confidence, financial stability and growth.
2. We have progressed in delivering the commitments we made three weeks ago in Washington DC. In particular, we welcome the adoption of the ambitious reform of the European economic governance. We also welcome the completion by Euro area countries of the actions necessary to implement the decisions taken by Euro area Leaders on 21 July 2011 to increase the capacity and the flexibility of the EFSF. We look forward to further work to maximize the impact of the EFSF in order to avoid contagion, and to the outcome of the European Council on October 23 to decisively address the current challenges through a comprehensive plan. We made progress on our action plan of coordinated policies for consideration by our Leaders at the Cannes Summit. This action plan will encompass a set of measures to address immediate vulnerabilities and strengthen the foundations for a strong, sustainable and balanced growth whereby:
 - Advanced economies, taking into account different national circumstances, will adopt policies to build confidence and support growth, and implement clear, credible and specific measures to achieve fiscal consolidation. Those with large current account surpluses will also implement policies to shift to growth based more on domestic demand. Those with large current account deficits will implement policies to increase national savings;
 - Emerging market economies will adjust macroeconomic policies, where needed, to maintain growth momentum in the face of downside risks, contain inflationary pressures and endeavor to enhance resilience in the face of volatile capital flows; Surplus emerging market economies will accelerate the implementation of structural reforms to rebalance demand toward more domestic consumption, supported by continued efforts to move toward more market-determined exchange rate systems and achieve greater exchange rate flexibility to reflect economic fundamentals;

- All countries will undertake further structural reforms to raise potential growth;
- In all of our actions we will strive to foster growth, job creation and promote social inclusion.

We remain committed to take all necessary actions to preserve the stability of banking systems and financial markets. We will ensure that banks are adequately capitalized and have sufficient access to funding to deal with current risks. Central banks have recently taken decisive actions to this end and will continue to stand ready to provide liquidity to banks as required. Monetary policies will maintain price stability and continue to support economic recovery.

3. We are taking concrete steps to build a more stable and resilient IMS to help both deal with the current stress and promote longer-term stability. We agreed on coherent conclusions to guide us in the management of capital flows in order to deal with the risks and reap the benefits from cross-border capital flows. To further reach these objectives, we agreed on an action plan to support the development and deepening of local currency bond markets. We welcomed the recent improvements to IMF surveillance and will review further progress by the Cannes Summit notably on enhancements towards a more integrated, even-handed and effective surveillance framework, particularly on financial sector coverage, fiscal, monetary and exchange rate policies. We adopted common principles for cooperation between the IMF and Regional Financial Arrangements. As a contribution to a more structured approach, we called on the IMF to further consider new ways to provide on a case by case basis short-term liquidity to countries facing exogenous, including systemic, shocks building on existing instruments and facilities and called on the IMF to develop concrete proposals by the Cannes Summit. In addition, we recognize that central banks play a major role in addressing global liquidity shocks. We committed that the IMF must have adequate resources to fulfill its systemic responsibilities and look forward to a discussion of this in Cannes. We call for the full implementation of the 2010 quota and governance reform of the IMF, as agreed. We look forward to making progress by the Cannes Summit on a criteria-based path to broaden the SDR basket, as a contribution to the evolution of the IMS, based on the existing criteria. We will continue our work on assessing developments on global liquidity, country specific analysis of drivers of reserve accumulation, avoiding persistent exchange rates misalignments, and the role of the SDR.

We reaffirmed our shared interest in a strong and stable international financial system, and our support for market-determined exchange rates. We reiterate that excess volatility and disorderly movements in exchange rates have adverse implications for economic and financial stability.

4. We are more determined than ever to reform the financial sector to better serve the needs of our economies. We reaffirm our commitment to implement fully, consistently and in a non-discriminatory way agreed reforms on OTC derivatives, all Basel agreements on banking regulation within agreed timelines and reducing overreliance on external credit ratings. We endorsed a comprehensive framework to reduce the risks posed by SIFIs, including strengthened supervision, key attributes of effective resolution regimes, a framework for cross-border cooperation and recovery and resolution planning as well as additional loss absorbency requirements for those

banks determined as G-SIFIs; now that the framework applicable to GSIFIs is agreed we urge the FSB to define the modalities to extend expeditiously the framework to all SIFIs. We agreed on initial recommendations and a work plan to strengthen regulation and oversight of shadow banking; we welcomed the joint IMF-WB-FSB report on financial stability issues in emerging markets and developing economies; endorsed the FSB report and the common principles on financial consumer protection prepared by OECD with FSB and call for further work on implementation issues; endorsed the progress report of the FSB OTC derivatives working group to ensure proper coordination and sequencing, and agreed on the importance of the work to set margining standards on non-centrally cleared OTC derivatives; endorsed the IOSCO report on commodity derivatives markets and called IOSCO to report on implementation of its recommendations by end 2012. We endorsed first recommendations by IOSCO on market integrity and call for further work by mid-2012. We welcomed initial work by FSB-IMF-BIS on macro-prudential policy and look forward to further work in 2012. We underscored our support for a global legal entity identifier system which uniquely identifies parties to financial transactions with an appropriate governance structure representing public interest. We reaffirmed our objective to achieve a single set of high quality global accounting standards. We look forward to discussion of progress made in tackling non-cooperative jurisdictions and tax havens in Cannes. We underlined in particular the importance of comprehensive tax information exchange and encourage competent authorities to continue their work in the Global Forum to assess and better define the means to improve it. We agreed on a coordinated framework for monitoring implementation of our financial regulation agenda, including enhanced monitoring of Basel II, II-5 and III implementation, setting up a peer review council for GSIFI policies, a coordination group on OTC derivatives complementing the OTC derivatives working group, and an ongoing monitoring and public reporting on compensation practices focused on remaining gaps and impediments to full implementation of FSB standards and principles on compensation, and also reviewed a scoreboard to track progress for our Leaders. To ensure that the FSB keeps pace with our ambitious financial regulation agenda, we commit to strengthen its capacity, resources and governance building on its Chair's preliminary proposals and call for first steps to be implemented by the end of this year.

5. The proper functioning of commodity markets is key for sustained global economic growth. We reaffirm our commitment to improve the timeliness, completeness and reliability of the JODI-Oil database and call on IEF, IEA and OPEC to regularly assess our progress. We commit to work on contributing to the JODI-Gas database, on the basis of the same principles, call for further work on gas and coal market transparency and will review progress in 2012. Building on the January 2011 Riyadh meeting, we call for annual symposiums on short, medium and long term outlook and forecasts for oil, gas and coal. We ask IOSCO, in collaboration with IEA, IEF and OPEC, to prepare recommendations to improve the functioning and oversight of Price Reporting Agencies for mid-2012. We reaffirm our commitment to rationalize and phase-out inefficient fossil fuel subsidies in the medium term, while providing targeted support for the poorest.

6. We welcome the MDBs Infrastructure Action Plan and the HLP recommendations to be presented to our Leaders in Cannes for promoting enabling environment, diversifying sources of funding and identifying exemplary infrastructure investment projects. We call on the MDBs, working with countries involved to pursue implementation of transformational regional infrastructure projects following the criteria set by the HLP and to prioritize project preparation financing. We emphasize the importance of this agenda and welcome regular updates from MDBs on the progress achieved. We welcome the GPFI progress report and encourage further efforts to achieve universal access to financial services. We call on MDBs to assist their clients scale up use of risk management tools that help mitigate the impact of food price volatility.
7. We debated options for innovative financing, as well as a range of different financial taxes, and look forward to Bill Gates' report on financing for development. We discussed the World Bank-IMF-OECD-RDBs report on mobilizing climate finance and the recommendations of Trevor Manuel based on this report, taking into account the principles of UNFCCC. We call for further work by MDBs and UN organizations. We look forward to an effective design for the Green Climate Fund, based on the work of the Transitional Committee as an element of a balanced outcome of Durban.
8. We thank France for hosting the Finance Ministers and Central Bank Governors' meetings this year and welcome Mexico as chair in 2012.