



Communiqué

Meeting of Finance Ministers and Central Bank Governors, Paris, 18-19 February 2011

1. We, the G20 Finance Ministers and Central Bank Governors, met today to address ongoing economic and financial challenges and to agree on a way forward to fulfill the mandates given to us by our Leaders.
2. The global recovery is strengthening but is still uneven and downside risks remain. While most advanced economies are seeing modest growth and persisting high unemployment, emerging economies are experiencing more robust growth, some with signs of overheating. We reaffirm our willingness to ensure a consistent and coordinated response to the challenges we face, address the root causes of the crisis and restore global economic growth on a sounder basis.
3. We reaffirm our commitment to coordinated policy action by all G20 members to achieve strong, sustainable and balanced growth. Our main priority actions include implementing medium term fiscal consolidation plans differentiated according to national circumstances in line with our Toronto commitment, pursuing appropriate monetary policy, enhancing exchange rate flexibility to better reflect underlying economic fundamentals and structural reforms, to sustain global demand, increase potential growth, foster job creation and contribute to global rebalancing. We discussed progress made since the Seoul Summit and stressed the need to reduce excessive imbalances and maintain current account imbalances at sustainable levels by strengthening multilateral cooperation. We agreed on a set of indicators that will allow us to focus, through an integrated two-step process, on those persistently large imbalances which require policy actions. To complete the work required for the first step, our aim is to agree, by our next meeting in April, on indicative guidelines against which each of these indicators will be assessed, recognizing the need to take into account national or regional circumstances, including large commodity producers. While not targets, these indicative guidelines will be used to assess the following indicators: (i) public debt and fiscal deficits; and private savings rate and private debt (ii) and the external imbalance composed of the trade balance and net investment income flows and transfers, taking due consideration of exchange rate, fiscal, monetary and other policies. We also adopted a timetable for developing the 2011 action plan that will implement our Framework for Strong, Sustainable and Balanced Growth and monitor the commitments already made. As agreed in Seoul, we

call on the IMF to provide an assessment as part of the Mutual Assessment Process on progress towards external sustainability and consistency of policies at our October meeting. At that time, we will also review a report on the MAP including an action plan informed by the analysis on the root causes of persistently large imbalances based on the agreed guidelines. We will also review an assessment of progress made in meeting commitments made in Seoul.

4. The international monetary system (IMS) has proven resilient, but vulnerabilities remain, which raise the need to improve it in order to ensure systemic stability, promote orderly adjustment, and avoid disruptive fluctuations in capital flows, disorderly movements in exchange rates – including advanced economies with reserve currencies being vigilant against excess volatility – and persistent misalignment of exchange rates. Today we agreed on a work program aimed at strengthening the functioning of the IMS, including through coherent approaches and measures to deal with potentially destabilizing capital flows, among which macro-prudential measures, mindful of possible drawbacks; and management of global liquidity to strengthen our capacity to prevent and deal with shocks, including issues such as Financial Safety Nets and the role of the SDR. This will also require discussions on exchange rates issues and on the strengthening of IMF surveillance. We look forward to discussing at our next meeting in April a report from the IMF on the strengthening of the IMS and reports by the World Bank and the RDBs building on experiences, on actions to strengthen local capital markets and domestic currency borrowing in emerging and developing economies. In addition, we will benefit from the work of OECD on capital flows, and from the contributions of other relevant international organizations, such as UNCTAD.
5. We discussed concerns about consequences of potential excessive commodity price volatility and asked our deputies to work with international organizations and to report back to us on the underlying drivers and the challenges posed by these trends for both consumers and producers and consider possible actions. Keeping in mind the impact of this volatility on food security, we reiterated the need for long-term investment in the agricultural sector in developing countries. We welcomed the interim report by the IEF, IEA and OPEC to improve the quality, timeliness and reliability of the Joint Organization Data Initiative Oil (JODI oil) and call for further work on strategies to implement these recommendations to be detailed in their final report. Building on the Riyadh symposium held on January 24th, we encourage the IEF to provide concrete strategies to improve the producer-consumer dialogue at its next meeting on February 22nd 2011. Following our Leaders' request, we call on the IMF and IEF, as well as IEA, GECF and OPEC, to develop by October 2011 concrete recommendations to extend the G20's work on oil price volatility to gas and coal. We look forward to discussing at our next meeting the report of IEF,

IEA, OPEC and IOSCO on price reporting agencies as well as the interim report on food security currently being undertaken by the relevant international organizations, and IOSCO's recommendations, and the FSB's consideration of next steps, on regulation and supervision of commodity derivatives markets notably to strengthen transparency and address market abuses.

6. We commit to pursuing the reform of the financial sector. Despite good progress, significant work remains. We will implement fully the Basel III new standards for banks within the agreed timelines while taking due account of the agreed observation periods and review clauses in respect of the liquidity standards. Likewise, we will implement in an internationally consistent and non-discriminatory way the FSB's recommendations on OTC derivatives and on reducing reliance on credit rating agencies' ratings. We look forward to the completion by the next Leaders' Summit of the following ongoing work on systemically important financial institutions as scheduled in the FSB work program for 2011: determination of Global-systemically important financial institutions by FSB and national authorities based on indicative criteria, a comprehensive multi-pronged framework with more intensive supervisory oversight; effective resolution capacity including in a cross-border context; higher loss absorbency measures through a menu of viable alternatives that may include, depending on national circumstances, capital surcharges, contingent capital and bail-in instruments ; and other supplementary requirements as determined by the national authorities including systemic levies. Once the framework initially applicable to G-SIFIs is agreed, we will move expeditiously to cover all SIFIs. We look forward to the 2 reports to be finalized by the BIS, IMF and FSB on macro-prudential frameworks and by the FSB, IMF and World Bank with input of national authorities on financial stability issues in emerging market and developing economies by our October meeting. We look forward to the recommendations that the FSB will prepare by mid-2011 on regulation and oversight of the shadow banking system to efficiently address the risks, notably of arbitrage, associated with shadow banking and its interactions with the regulated banking system. We call on IOSCO to develop by mid-2011 recommendations to promote markets' integrity and efficiency notably to mitigate the risks created by the latest technological developments. We also call on the FSB to bring forward for our next meeting comprehensive proposals to strengthen its governance, resources and outreach. We urge all jurisdictions to fully implement the FSB principles and standards on sounder compensation practices agreed by the G20 Leaders in Pittsburgh and call on the FSB to undertake ongoing monitoring in this area and look forward to receiving the results of a second thorough FSB peer review midyear to identify remaining gaps. We call on the OECD, the FSB and other relevant international organizations to develop common principles on consumer protection in the field of financial services by our October meeting. We reaffirm our

commitment to more effective oversight and supervision, including regular stress testing of banks building on the Basel committee's principles.

7. We reiterated our call to improve compliance with international standards and strengthen the process of identifying non-cooperative jurisdictions. We look forward to the forthcoming update by FATF of the public list of jurisdictions with strategic deficiencies and to a public list of all jurisdictions evaluated by the FSB ahead of the next G20 Leaders Summit. We welcome the 18 peer reviews issued by the Global Forum on Transparency and Exchange of Information and urge all jurisdictions so far identified as not having the elements in place to achieve an effective exchange of information to promptly address the weaknesses. We look forward to the progress report by November 2011, based on the expected completion of around 60 phase 1 reviews, to address in particular the jurisdictions' quality of cooperation with the Forum, level of compliance and unsolved deficiencies. We call upon more jurisdictions to join the Global Forum and to commit to implementing the standards. We urge all jurisdictions to extend further their networks of Tax Information Exchange Agreements and encourage jurisdictions to consider signing the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.
8. We discussed the way forward on implementing the Seoul Development Consensus on Shared Growth and its Multi-Year Action Plan. In particular we welcome the launch of the Global Partnership for Financial Inclusion last December. We also welcome the appointment of the members of the High Level Panel for Infrastructure Investment, and look forward to their recommendations by September. We discussed the report made by the UN High-Level Advisory Group on Climate Change Financing. We welcome the positive outcomes of the Cancun Climate Conference, and in particular the decision to establish a Green Climate Fund, and will pursue discussions on mobilizing sources of financing, including public and private, bilateral and multilateral, as well as innovative sources, consistent with the objective, provisions and principles of the UN Framework Convention on Climate Change (UNFCCC).
9. We reaffirm our commitment to free trade and investment recognizing its central importance for the global recovery. We will refrain from introducing, and oppose protectionist trade actions in all forms and recognize the importance of a prompt conclusion of the Doha negotiations.
10. We stand ready to support Egypt and Tunisia, with responses at the appropriate time well coordinated with the international institutions and the regional development banks to accompany reforms designed to the benefit of the whole population and the stabilization of their economies.