

Communiqué of Meeting of G20 Finance Ministers and Central Bank Governors

Mexico City, November 5, 2012

1. We, the G20 Finance Ministers and Central Bank Governors, met to assess progress on the fulfillment of the mandates given to us by our Leaders, to promote robust growth and job creation and to address ongoing economic and financial challenges.

2. We will do everything necessary to strengthen the overall health and growth of the global economy. Our main focus in the period ahead will be to rebuild confidence and to reduce risks and volatility in international financial markets; contribute to a faster pace of economic recovery and job creation, and promote the foundations for strong, sustainable, and balanced growth. We are firmly committed to open trade and investment, expanding markets and resisting protectionism in all its forms.

3. We have made significant progress in implementing the commitments established in the Los Cabos Growth and Jobs Action Plan. Substantive measures have been adopted in Europe, including the launch of the European Stability Mechanism, the decision of the ECB on Outright Monetary Transactions, the agreement by European leaders to establish a single supervisory mechanism for banks, the adoption and ongoing implementation of the Compact for Growth and Jobs, and the reforms and fiscal consolidation carried out by a number of European countries. Other countries with policy space have implemented actions to support aggregate demand. Major central banks have taken further unconventional measures in line with their respective mandates which are welcomed.

4. Global growth remains modest and downside risks are still elevated, including due to possible delays in the complex implementation of recent policy announcements in Europe, a potential sharp fiscal tightening in the United States, securing funding for this year's budget in Japan, weaker growth in some emerging markets and additional supply shocks in some commodity markets. The reduction of global imbalances has not been sufficient, and in many countries the process of necessary deleveraging by the private and public sectors is ongoing and unemployment remains high. Complete and timely implementation of all of our policy commitments is critical in order to continue to reduce risks and secure a durable and strong recovery.

5. We are committed to build on the policy measures taken in recent months. Current reform momentum in the EU on structural, fiscal and

financial fields needs to be continued with the view to improving competitiveness and promoting financial stability. In this respect, we welcome the recent decision by European leaders to agree on a legislative framework by January 1st 2013 on a single supervisory mechanism. We look forward to the operational implementation of the single supervisory mechanism in the course of 2013 and to the completion of the technical discussions on the future of the ESM direct bank recapitalization instrument, within a broader strategy of completing the architecture of the EMU.

6. We will ensure our public finances are on sustainable paths, in line with the medium-term Toronto commitments in the case of advanced economies. In light of the weak pace of global growth, they will ensure that the pace of fiscal consolidation is appropriate to support the recovery. Countries which have fiscal space will let the automatic fiscal stabilizers operate as appropriate. Those with sufficient space stand ready to support demand as needed in the shortrun should economic conditions deteriorate. The United States will carefully calibrate the pace of fiscal tightening to ensure that public finances are placed on a sustainable long-run path while avoiding a sharp fiscal contraction in 2013. In Japan further progress in medium-term fiscal consolidation is needed. By the next Summit, advanced economies agree to identify credible and ambitious country-specific targets for the debt-to-GDP ratio beyond 2016, where these do not currently exist, accompanied by clear strategies and timetables to achieve them.

7. The weak pace of global growth also reflects limited progress towards sustaining and rebalancing global demand. We commit to achieving external and internal adjustment in a way that supports and sustains growth and leads to global rebalancing. In this regard, we reiterate our commitments to move more rapidly toward more market-determined exchange rate systems and exchange rate flexibility to reflect underlying fundamentals, avoid persistent exchange rate misalignments and refrain from competitive devaluation of currencies; to boost domestic sources of growth in surplus economies, and boost national savings in deficit economies. We reiterate that excess volatility of financial flows and disorderly movements in exchange rates have adverse implications for economic and financial stability. We commit to the implementation of ambitious structural reforms aimed at promoting output and employment. We have also made progress in strengthening our Accountability Assessment framework by agreeing on a set of measures to inform our analysis of our fiscal, monetary and exchange rate policies. We will consider a range of indicators and approaches to assess spillover effects, progress towards commitments on structural reforms, and our collective achievement of strong, sustainable and balanced growth.

8. We welcome the continuation of the process to strengthen IMF resources to safeguard global financial stability and enhance the IMF's role in crisis prevention and resolution. Since the Los Cabos Summit, additional pledges have been received from more members, and total commitments add up to US\$461 billion. Furthermore, we welcome the formalization of the first set of bilateral borrowing agreements under the agreed modalities comprising US\$286bn, which represent more than half of the Los Cabos' 2012 pledge. We call for the finalization of the remaining bilateral agreements.

9. We welcome IMF's Executive Board decision on the use of US\$ 2.7bn of additional resources from the windfall gold sales profits for the Fund's Poverty Reduction and Growth Trust and call on the membership to provide the assurances needed for this to take place. This effort reinforces the international community's will to reduce poverty by boosting financial assistance to low income country members.

10. We remain committed to the full implementation of the 2010 Quota and Governance Reform. Although significant progress has been achieved, as of October 2012 the conditions for the entry into force of the 2010 Quota and Governance Reform have not been fully met. We reaffirm the urgency of making these important reforms effective and call on members who have yet to complete the process to do so as soon as possible. The process of IMF reform will enhance its legitimacy, relevance and effectiveness.

11. We are committed to completing the comprehensive review of the quota formula, to address deficiencies and weaknesses in the current quota formula, by January 2013 and to complete the next general review of quotas by January 2014. We agree that the formula should be simple and transparent, consistent with the multiple roles of quotas, result in calculated shares that are broadly acceptable to the membership, and be feasible to implement based on a timely, high quality and widely available data. We reaffirm that the distribution of quotas based on the formula should better reflect the relative weights of IMF members in the world economy, which have changed substantially in the view of a strong GDP growth in dynamic emerging markets and developing countries. We reaffirm the importance of continuing to protect the voice and representation of the poorest members of the IMF. We call on the IMF membership to develop the consensus needed to complete the review by January 2013.

12. We welcome the strengthening of the IMF's surveillance framework through the adoption of the new Integrated Surveillance Decision, and we welcome the introduction of the Pilot External Sector Report to strengthen multilateral analysis and enhance the transparency of surveillance. A transparent and evenhanded framework of surveillance is key to achieve

ownership and traction of policy recommendations by the IMF, thus making surveillance more effective.

13. We note the World Bank and other International Organizations' (IOs) progress report on implementation of the G20 action plan to support the development of local currency bond markets. We look forward to full implementation of the action plan in 2013 to ensure a broad ownership of the diagnostic tool among potential users, and further reporting on progress by the World Bank. We welcome ongoing regional initiatives to promote local currency bond markets. We will deepen work on these issues under Russia's Presidency.

14. We acknowledge the importance of long term financing, particularly for infrastructure investment, recognizing that work on this subject will foster an environment more conducive to long-term investment, effectively helping to boost jobs and growth. We ask that the World Bank, IMF, OECD, FSB, UN and relevant IOs undertake further diagnostic work to assess factors affecting long-term investment financing including its availability. We look forward to receiving this work in early 2013 to provide a sound basis for any future G20 work.

15. We remain committed to the full, timely and consistent implementation of the financial regulation agenda, and discussed the latest FSB reports on the progress in implementation of agreed reforms. We endorse the conclusions and recommendations of the fourth progress report on the implementation of the G20 commitments to OTC derivatives reforms and the BCBS report on implementation of Basel III. We agree to put in place the legislation and regulation for OTC derivatives reforms promptly and act by end-2012 to identify and address conflicts, inconsistencies and gaps in our respective national frameworks, including in the cross-border application of rules. We agree to take the measures needed to ensure full, timely and effective implementation of Basel II, 2.5 and III and its consistency with the internationally agreed standards. We look forward to receiving for our April meeting the BCBS report on the consistency of measurement of risk-weighted assets. We endorse the Charter for the Regulatory Oversight Committee which will act as the governance body for the global Legal Entity Identifier system to be launched in March 2013.

16. We acknowledge progress made in the design and implementation of policy measures to strengthen the resilience of the financial system and reduce systemic risks. In particular, we welcome the publication by the FSB of an updated list of global systemically important banks, the BCBS framework for dealing with domestic systemically important banks, and the International Association of Insurance Supervisors (IAIS) consultation paper on policy measures for global systemically important insurance

companies. We commit to make the necessary changes to resolution regimes to enable authorities to resolve SIFIs. We welcome the initial integrated set of policy recommendations to strengthen the oversight and regulation of shadow banking together with expanded data monitoring. We call for finalized policy measures by the St. Petersburg Summit for oversight and regulation for shadow banking that can be peerreviewed.

17. We also welcome the recommendations to increase the intensity and effectiveness of SIFI supervision, and the FSB's roadmap to accelerate implementation of the FSB Principles for Reducing Reliance on Credit Rating Agency Ratings. We encourage further work to enhance transparency of and competition among credit rating agencies and ask IOSCO to provide a report on ongoing work at our meeting in April. We support measures to strengthen the transparency of financial institutions and recognize the contribution of the Enhanced Disclosure Task Force. Recognizing the need for adequate statistical resources, we endorse the progress report of the FSB and the IMF on closing information gaps, and in particular look forward to the implementation of the data reporting templates for global systemically important financial institutions. We are concerned about the slow progress achieved toward a single set of high quality accounting standards. We encourage the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) to complete work promptly, and report to our next meeting. In relation to LIBOR, EURIBOR and other financial benchmarks, we welcome actions taken and ongoing reviews to identify measures to address weaknesses and restore confidence in benchmark and index setting practices and welcome the coordinator role of the FSB as agreed. We ask IOSCO to provide by our April meeting a report on the next steps on the functioning of credit default swaps markets. We expect the FSB to continue monitoring, analyzing and reporting on the unintended consequences of regulatory reforms on EMDEs.

18. We welcome the FSB's progress in implementing the measures endorsed at Los Cabos to strengthen its capacity, resources and governance. We look forward to its establishment as a legal entity by our next meeting and its full implementation by September 2013. We call on the FSB to report back on how it intends to keep under review the structure of its representation.

19. We welcome the observed increase in jurisdictions' adherence to international regulatory and supervisory cooperation and information exchange standards, as stated in the FSB status report, and call for further progress.

20. We remain committed and encourage the FATF to continue to pursue all its objectives, and notably to continue to identify and monitor high-risk jurisdictions with strategic Anti-Money Laundering/Counter-Terrorist Financing (AML/CFT) deficiencies. We look forward to the completion in 2013 of the revision of the FATF assessment process. We encourage all countries to adapt their legal framework with a view to complying with the revised FATF's Recommendations, in particular the necessity to identify the beneficial owner of corporate vehicles, and we look forward to the assessment of the effectiveness of the measures countries take and their compliance with the global standards in the next round of Mutual Evaluations.

21. We commend the signings of the Multilateral Convention in Cape Town and further progress made towards transparency as reported by the Global Forum whose membership has increased. We look forward to a progress report by the Global Forum on the effectiveness of information exchange practices by April 2013. We welcome and endorse the improved OECD standard with respect to information requests on a group of taxpayers and encourage all countries to adopt it when appropriate. We will continue to implement practices of automatic exchange of information and call on the OECD to analyze the safeguards, mechanisms and milestones necessary to increase its use and efficient implementation in a multilateral context. We also welcome the work that the OECD is undertaking into the problem of base erosion and profit shifting and look forward to a report about progress of the work at our next meeting.

22. We welcome the work stated in the final 2012 Global Partnership for Financial Inclusion (GPI) progress report on implementing the five recommendations set out in 2011 and the progress on implementing the G20 Principles for Innovative Financial Inclusion, including through concrete actions by developing and emerging countries to meet their commitments to the Maya Declaration. We commend the additional commitments to the Maya Declaration made in Cape Town in 2012, and encourage countries to measure progress through national data collection efforts. We welcome the decision to establish the Alliance for Financial Inclusion (AFI) as a permanent network for knowledge creation, exchange and policy dialogue.

23. We welcome the first GPI Conference on Standard-Setting Bodies and Financial Inclusion as a substantial demonstration of growing commitment among Standard Setting Bodies (SSBs) to provide guidance and to engage with the GPI to explore the linkages among financial inclusion, financial stability, financial integrity and financial consumer protection. We also commend the work done to continue improving SMEs financing and their environment.

24. Together with the implementing partners, we look forward to updates on the G20 Financial Inclusion Peer Learning Program and encourage the commitment to other initiatives that promote Financial Inclusion.

25. For advancing the financial consumer protection agenda, we acknowledge the work done by the International Financial Consumer Protection Network (FinCoNet) to support the exchange of best practices and look forward for a progress report by the G20 Summit in St. Petersburg in 2013. We also welcome the implementation of the action plan by the G20 OECD Task Force on Financial Consumer Protection and progress achieved in Cartagena, including in the field of national strategies and financial education for women, by the OECD International Network on Financial Education (INFE).

26. We welcome the number of proposals received in response to the 2012 Mexico Financial Inclusion Challenge: Innovative Solutions for Unlocking Access. We congratulate the finalists and the winner.

27. In Los Cabos, Leaders recognized that excessive commodity price volatility has significant implications for countries, increasing uncertainty in the economy, and endorsed the conclusions of a report on the macroeconomic impacts of excessive commodity price volatility on growth. Ahead of the 2013 Summit, we will report progress on the G20's contribution to facilitate better functioning of commodity markets, considering possible areas for further work outlined in the report.

28. We reaffirm our commitment to improve transparency and functioning of commodity markets. We welcome the progress made in the implementation of the Agricultural Market Information System (AMIS) which will provide more transparency on physical markets for agricultural commodities. We welcome the IEF's recommendations to improve the reliability of the JODI-Oil database. We welcome the report prepared by the IEA, the IEF and the OPEC on increasing transparency in international gas and coal markets and ask these organizations to propose practical steps by mid-2013 that G20 countries could take to implement them. We welcome progress on the JODI-Gas database and look forward to working with it in 2013. We welcome the report on recommendations to improve the functioning and oversight of oil Price Reporting Agencies, and ask IOSCO to liaise with the IEA, IEF and OPEC to assess the impact of the principles on physical markets and report back. We also ask IOSCO to report progress on the implementation of the principles in 2013. We reaffirm our commitment to enhance transparency and appropriate regulation in financial commodity markets, and thus we welcome IOSCO's report on the implementation of its Principles for the Regulation and Supervision of Commodities Derivatives Markets.

29. In Los Cabos, Leaders highlighted that green growth and sustainable development policies have strong potential to stimulate long term prosperity. We will voluntarily self-report again in 2013 on our efforts to incorporate green growth and sustainable development policies into structural reform agendas, taking into account the outcome of the UN Conference on Sustainable Development (Rio+20). We will report back to our leaders on the progress made to rationalize and phase-out over the medium-term inefficient fossil fuel subsidies that encourage wasteful consumption, while providing targeted support for the poorest. We will develop a voluntary peer review process on such fossil fuel subsidies and present a report on the outcomes to our Leaders in 2013. We welcome the OECD report on pension funds financing green initiatives.

30. Recognizing that the UNFCCC is the forum for climate change negotiations and decisionmaking at the international level, we acknowledge that climate finance is a relevant issue to be discussed amongst G20 Finance Ministers and Central Bank Governors. We welcome the progress report by the G20 Climate Finance Study Group on ways to effectively mobilize resources for climate finance. We will continue working towards building a better understanding of the underlying issues among G20 members taking into account the objectives, provisions and principles of the UNFCCC, and report back to our Leaders in 2013.

31. We recognize that disaster risk financing policies are necessary for an overall Disaster Risk Management (DRM) strategy. We appreciate and welcome the combined efforts made by the World Bank and the OECD, with the support of the United Nations, to broaden the participation in the discussion on DRM by highlighting the central role that financial policymakers play to support other areas of Government and civil society in dealing with disasters. We welcome the G20/OECD voluntary framework for disaster risk assessment and risk financing which provides a detailed guideline that aims to facilitate the implementation of more effective DRM strategies. We encourage further efforts by the World Bank and OECD in cooperation with other relevant international organizations to leverage the voluntary framework in order to address remaining challenges.

32. We commend Mexico for chairing the G20 in 2012 and look forward to Russia's presidency in 2013.