

Communiqué

Meeting of Finance Ministers and Central Bank Governors Moscow, 15-16 February 2013

1. We, the G20 Finance Ministers and Central Bank Governors, met to discuss the global economic challenges of today and to bring forward the policy agenda agreed by our Leaders.

Global Economy and G20 Framework for Strong, Sustainable and Balanced Growth

2. Thanks to the important policy actions in Europe, the US, Japan, and the resilience of the Chinese economy, tail risks to the global economy have receded and financial market conditions have improved. However, we recognize that important risks remain and global growth is still too weak, with unemployment remaining unacceptably high in many countries. We agree that the weak global performance derives from policy uncertainty, private deleveraging, fiscal drag, and impaired credit intermediation, as well as incomplete rebalancing of global demand. Under these circumstances, a sustained effort is required to continue building a stronger economic and monetary union in the euro area and to resolve uncertainties related to the fiscal situation in the United States and Japan, as well as to boost domestic sources of growth in surplus economies, taking into account special circumstances of large commodity producers.
3. To address the weakness of the global economy, ambitious reforms and coordinated policies are key to achieving strong, sustainable and balanced growth and restoring confidence. We will continue to implement our previous commitments, including on the financial reform agenda to build a more resilient financial system and on ambitious structural reforms to lift growth. We are committed to ensuring sustainable public finances. Advanced economies will develop credible medium-term fiscal strategies in line with the commitments made by our Leaders in Los Cabos by the St Petersburg Summit. Credible medium-term fiscal consolidation plans will be put in place, and implemented taking into account near-term economic conditions and fiscal space where available. We support action to improve the flow of credit to the economy, where necessary. Monetary policy should be directed toward domestic price stability and continuing to support economic recovery according to the respective mandates. We commit to monitor and minimize the negative spillovers on other countries of policies implemented for domestic purposes. We look forward to the results of the ongoing work on spillovers in the Framework Working Group.
4. We have adopted an assessment process on the implementation of our structural reform commitments, which will inform the direction of our future structural policies.
5. We reaffirm our commitment to cooperate for achieving a lasting reduction in global imbalances, and pursue structural reforms affecting domestic savings and improving productivity. We reiterate our commitments to move more rapidly toward more market-determined exchange rate systems and exchange rate flexibility to reflect underlying fundamentals, and avoid persistent exchange rate misalignments and in this regard, work more closely with one another so we can grow together. We

reiterate that excess volatility of financial flows and disorderly movements in exchange rates have adverse implications for economic and financial stability. We will refrain from competitive devaluation. We will not target our exchange rates for competitive purposes, will resist all forms of protectionism and keep our markets open.

Long-term Financing for Investment

6. We recognize that long-term financing for investment, including infrastructure, is a key contributor to economic growth and job creation in all countries. We welcome the diagnostic report provided upon our request by international organizations (IOs), which assesses factors affecting long-term financing, including its availability, and which will provide a sound basis for the future G20 work. The report finds that the availability and composition of long-term investment financing have been affected by a combination of factors, with differing repercussions across borrowers and sectors. It also finds that there is scope for some sources of long-term financing, including local currency bond markets, domestic capital markets, and institutional investors to play a larger role for investment. At the same time, country-specific factors affect access to long-term financing and there is therefore much that countries can do to attract long-term financing.
7. Recognizing the essential role that the long-term financing plays in supporting our goal of strong, sustainable and balanced growth, we agreed to establish a new Study Group on Financing for Investment, which will work closely with the World Bank, OECD, IMF, FSB, UN, UNCTAD and other relevant IOs to further consider issues raised in the diagnostic report and determine a work plan for the G-20, considering the role of the private sector and official sources of long-term financing.
8. In support of this work, we encourage the OECD, together with other relevant IOs, to provide analysis of different government and market-based instruments and incentives used for stimulating the financing of long-term investment, as well as a survey report on pension funds' long-term investments. We look forward to the OECD report on the "High Level Principles of Long-Term Investment Financing by Institutional Investors" by the Leaders' Summit in St Petersburg. The FSB will continue to monitor the possible effects of regulatory reforms on the supply of long-term financing. We have asked the MDBs to consider modalities to optimize their lending capacity and to enhance the catalytic role they play in mobilizing long-term financing from other sources, including through PPPs. We encourage the World Bank and other relevant IOs to intensify their efforts in addressing weaknesses in infrastructure project preparation and design and, drawing on existing G-20 work, where relevant, come up with the recommendations on how to address this challenge. We also ask the MDBs to analyze the existing modalities of interaction with the National Development Banks (NDBs).
9. Deep and stable local capital markets continue to play an essential role as a reliable source of long-term financing. We welcome the ongoing work of the World Bank and other IOs on implementing the G20 Action Plan to support the development of local currency bond markets (LCBMs). We look forward to full implementation of the Action Plan and a progress report by July 2013. We ask IOs to

explore how LCBMs might play a bigger role in financial deepening, taking into account individual country experiences and regional initiatives.

Government Borrowing and Public Debt Sustainability

10. In pursuit of our goal of strengthening the public sector balance sheet, work is needed to better assess risks to public debt sustainability. This includes, inter alia, taking into account country-specific circumstances, looking at transparency and comparability of public sector reporting, and monitoring the impact of financial sector vulnerabilities on public debt. We look forward to an update from the IMF and the World Bank on these issues according to their respective mandates.
11. The existing practices of public debt management also deserve attention. We therefore ask the IMF and the World Bank to take stock of the existing guidelines on effective management of public debt, namely the “Guidelines for Public Debt Management,” with a view to ensuring that they remain relevant and topical. We also note the ongoing work of the OECD to review leading practices for raising, managing and retiring public debt.

International Financial Architecture

12. We welcome progress made since the IMF and World Bank Annual Meetings in Tokyo on the G20 Leaders’ commitments in Los Cabos to provide the IMF with resources via bilateral arrangements, and call on the IMF and lending countries to finalize the remaining agreements.
13. We underscore the importance of enhancing the credibility, legitimacy and effectiveness of the Fund. We reaffirm the urgent need to ratify the 2010 IMF Quota and Governance Reform. We note the IMF Executive Board’s decision to integrate the process of reaching a final agreement on a new quota formula with the 15th General Review of Quotas. We commit to achieve, together with the whole IMF membership, an agreement on the quota formula and complete the General Quota Review by January 2014 as agreed at the Seoul Summit. We attach high importance to securing continued progress in meeting these objectives, including on key elements at the September St Petersburg Summit and subsequently at the October 2013 G20 Ministerial and IMFC meetings. We reaffirm our previous commitment 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 view of strong GDP growth in dynamic emerging market and developing countries. We reaffirm the need to protect the voice and representation of the IMF poorest members as part of this General Review of Quotas.
14. In line with the Leaders’ Declaration at the Cannes Summit, we note the ongoing work at the IMF and BIS on global liquidity indicators and will take stock of this work at our next meetings. We call for dissemination of the BIS research and call on the IMF to explore the possibility of incorporating global liquidity issues into its surveillance.
15. In Seoul, Cannes and Los Cabos our Leaders recognized the importance of effective financial safety nets. Given an important role played by Regional Financial Arrangements (RFAs), we will assess scope for a more effective dialogue between RFAs, as well as enhancing cooperation and increasing

complementarities between the IMF and RFAs, building on the principles for cooperation we agreed on in 2011. We take note of the ongoing work at the IMF on this issue and look forward to an update on it at our next meeting in order to assess possible options for further policy recommendations by the time of the Leaders' Summit in St Petersburg.

Financial Regulation

16. We welcome the establishment of the FSB as a legal entity with greater financial autonomy and enhanced capacity to coordinate the development and implementation of financial regulatory policies, while maintaining strong links with the BIS. The FSB intends to review the structure of its representation, which is envisaged to be completed by the end of 2014.
17. We remain committed to the full, timely and consistent implementation of the internationally agreed financial sector reforms. We urge all jurisdictions to adopt the agreed Basel III reforms as expeditiously as possible. We look forward to progress reports on implementing the Basel III framework, the FSB Key Attributes of Effective Resolution Regimes and the reforms of the over-the-counter (OTC) derivative markets at our April meeting, as well as a comprehensive report on progress in implementing all reforms at the St Petersburg Summit in September. We welcome the Basel Committee's increased focus on comparability of risk-weighted assets and look forward to an update by our July meeting. We reiterate our commitment to take the necessary steps to ensure that all global systemically important financial institutions are resolvable, and to promptly address all impediments to the effective home-host cooperation of the resolution authorities for internationally active banks. Operational resolution plans for all global systemically important banks should be developed by end-June 2013. We ask the FSB to deliver by the time of the St Petersburg Summit an assessment of progress towards ending the problem of "too-big-to-fail".
18. We stress that all jurisdictions should promptly complete the necessary changes to their legislative and regulatory frameworks to put the agreed OTC derivative reforms into practice. We welcome the FSB's plan to report to the Summit on all members' committed actions to complete these reforms. The FSB will continue to coordinate the monitoring of implementation of OTC derivative reforms. We strongly encourage all jurisdictions to continue working together to ensure national regulatory frameworks avoid cross-border conflicts, inconsistencies, gaps and duplicative requirements. We take note of the December 2012 statement by some regulatory authorities on the regulation of the OTC derivatives markets, in particular their agreement on approaches towards cross-border regulatory issues to be considered. We also look forward to the results of the macroeconomic impact assessment of the OTC derivatives regulatory reforms. The Regulatory Oversight Committee of the global Legal Entity Identifier (LEI) system was established last month and we look forward to the establishment of the LEI foundation in order to launch the global system in March 2013.
19. We reiterate our willingness to strengthen the oversight and regulation of the shadow banking sector. We also look forward to policy recommendations for the oversight and regulation of the shadow banking sector by the Leaders' Summit. We note with concern the delays in the convergence of accounting standards to date and ask the IASB and the FASB to finalize by the end of 2013 their work on key outstanding projects for achieving a single set of high-quality standards. We welcome the FSB's

forthcoming peer review to assist authorities in implementing the FSB roadmap to reduce reliance on external credit ratings and we also call on Standard Setting Bodies to do further work in this area. We look forward to IOSCO's report on enhancing transparency and competition issues of the credit rating agencies and to further work on these issues. We also expect more progress on measures to improve the oversight and governance frameworks for financial benchmarks coordinated under the current FSB agenda this year, including the promotion of widespread adoption of principles and good practices and ask for reporting to our Leaders at the St Petersburg Summit. We welcome the FSB's intention to monitor material unintended consequences of financial regulatory reforms for EMDEs as appropriate without prejudice to our commitment to implement the agreed reforms.

20. In the tax area, we welcome the OECD report on addressing base erosion and profit shifting and acknowledge that an important part of fiscal sustainability is securing our revenue bases. We are determined to develop measures to address base erosion and profit shifting, take necessary collective actions and look forward to the comprehensive action plan the OECD will present to us in July. We strongly encourage all jurisdictions to sign the Multilateral Convention on Mutual Administrative Assistance. We encourage the Global Forum on Transparency and Exchange of Information to continue to make rapid progress in assessing and monitoring on a continuous basis the implementation of the international standard on information exchange and look forward to the progress report by April 2013. We reiterate our commitment to extending the practice of automatic exchange of information, as appropriate, and commend the progress made recently in this area. We support the OECD analysis for multilateral implementation in that domain.
21. We reiterate our commitments and encourage the FATF to continue to pursue all its objectives, and notably to continue identifying and monitoring 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 and support ongoing FATF work, including on identification of beneficial owners of corporate vehicles.
22. In the prudential area we call for further progress within the FSB to encourage increased adherence to international regulatory and supervisory cooperation and information exchange standards.

Financial Inclusion

23. We welcome the progress achieved by the Global Partnership for Financial Inclusion (GPFI) in implementing the Financial Inclusion Action Plan and look forward to the progress report at our July meeting. We reaffirm our commitment to support the implementation of the G20 Financial Inclusion Peer Learning Program through the GPFI together with its implementing partners and take note of the initiative of the World Bank and development agencies to establish a comprehensive Financial Inclusion Support Framework (FISF). We expect the GPFI to expand the G20 Basic Set of Financial Inclusion Indicators to cover innovative approaches, quality of products, financial literacy and consumer protection with support from the Alliance for Financial Inclusion, CGAP, IFC, OECD and the World Bank by our meeting in July 2013. We expect the progress report on barriers for women and

youth to gain access to financial services and financial education, including policy recommendations to be delivered by the GPFI, OECD/INFE and the World Bank by the St Petersburg Summit.

24. We welcome the work that the OECD/INFE and the World Bank are undertaking on the development of practical tools for financial literacy measurement and the evaluation of financial education programs and look forward to the progress report on the National Strategies for Financial Education by our July meeting. We look forward to an update report on the work undertaken by the G20/OECD Task Force to support the implementation of the G20 High-Level Principles on Financial Consumer Protection by the St Petersburg Summit. We wait for the FinCoNet Status report on consumer protection supervisory tools and best practices to support supervisory bodies, based on work undertaken by FinCoNet members and on the World Bank Global Survey on Financial Consumer Protection.

Energy, Commodities, Climate Finance

25. We will produce a report to our Leaders on progress on the G20's contribution to enhance transparency and facilitate better functioning of international commodity and energy markets. We look forward to the report by the IEA, IEF and OPEC on practical steps G20 countries could take to increase transparency in international gas and coal markets, as well as the IOSCO report on progress on the implementation of the principles for the PRAs and the assessment by IOSCO in cooperation with the IEA, IEF and OPEC of the impact of these principles on physical markets. We will continue working to improve the timeliness, completeness and reliability of JODI-Oil and look forward to a progress report this year. We welcome progress on the JODI-Gas database and look forward to its launch in 2013.
26. We will voluntarily self-report this year on our efforts to incorporate green growth and sustainable development policies into our structural reform agendas. 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 methodological recommendations for and undertake a voluntary peer review process for such fossil fuel subsidies with the view to encourage broad participation and report on the outcomes to our Leaders in St Petersburg. We will continue working towards building a better understanding among G20 members of the underlying issues in the area of climate finance through voluntary knowledge and experience sharing, taking into account the objectives, provisions and principles of the UNFCCC, and report back to our Leaders in 2013.