

Communiqué: G20 Finance Ministers and Central Bank Governors Meeting

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1. The global recovery continues and the financial markets have recovered most of the ground lost earlier in the year since our February meeting in Shanghai. However, growth remains modest and uneven, and downside risks and uncertainties to the global outlook persist against the backdrop of continued financial volatility, challenges faced by commodity exporters and low inflation. Geopolitical conflicts, terrorism, refugee flows, and the shock of a potential UK exit from the European Union also complicate the global economic environment.

2. We welcome policy actions being taken by a number of G20 members to support growth and stabilize markets. We reiterate our commitments to using all policy tools – monetary, fiscal and structural – individually and collectively to foster confidence and strengthen growth. Monetary policy will continue to support economic activity and ensure price stability, consistent with central banks' mandates, but monetary policy alone cannot lead to balanced growth. Our fiscal strategies aim to support the economy and we will use fiscal policy flexibly to strengthen growth, job creation and confidence, while enhancing resilience and ensuring debt as a share of GDP is on a sustainable path. We are also making tax policy and public expenditure more growth-friendly, including by prioritizing high-quality investment. Furthermore, we will continue to explore policy options, tailored to country circumstances, that the G20 countries may undertake as necessary to support growth and respond to potential risks. We reiterate that excess volatility and disorderly movements in exchange rates can have adverse implications for economic and financial stability. We will consult closely on exchange markets. We reaffirm our previous exchange rate commitments, including that we will refrain from competitive devaluations and we will not target our exchange rates for competitive purposes. We will resist all forms of protectionism. We will carefully calibrate and clearly communicate our macroeconomic and structural policy actions to reduce policy uncertainty, minimize negative spillovers and promote transparency.

3. We have made concrete progress in our enhanced structural reform agenda with support of the OECD, the IMF and other IOs. We have identified and agreed to the priority areas, based on which by July we will further develop and agree upon a set of guiding principles as a reference guide to national reform actions. We will benefit from the priority areas and guiding principles that will be applied in a flexible way to allow members to account for their specific national circumstances. We look forward to proposals for a set of indicators to help monitor and assess our efforts and progress with structural reforms and challenges, taking into account diversity of country circumstances for endorsement at our July meeting. We agreed on the approach to combine our investment strategies with the growth strategies, and remain committed to the effective and timely implementation of our growth strategies. We are reviewing and updating our structural and macroeconomic policies in our growth strategies, including through an enhanced peer review process, to ensure they remain relevant to evolving economic conditions and consistent with the collective growth ambition set by the Brisbane Summit. We will explore further steps to revitalize global trade, lift quality investment and boost innovation as engines for growth. We remain committed to promoting greater inclusiveness and reducing excessive global imbalances.

4. We reaffirm our commitment to advancing the investment agenda with focus on infrastructure, both in terms of quantity and quality. We encourage MDBs to carry out the action plan to optimize their balance sheets as well as take joint actions to formulate quantitative ambition for high quality projects and support infrastructure investment, including catalyzing private sector funding. We look forward to further work on launching the Global Infrastructure Connectivity Alliance to enhance the synergy and cooperation of infrastructure programs, including those at regional level. We will develop a policy guidance note to promote diversified financing instruments for infrastructure and SMEs. We welcome and support the effective implementation of the G20/OECD Corporate Governance and SME Financing Principles as well as the G20 Action Plan on SME Financing as guidance. We welcome the Knowledge Sharing Report submitted by the Global Infrastructure Hub.

5. We are taking actions to continue strengthening the stability and resilience of the international monetary system. We support the work to further strengthen the global financial safety net with the IMF at its center, including through more effective cooperation between the IMF and regional financing arrangements. We also

support the work to improve the IMF's toolkit. We reaffirm our commitment to a strong, quota-based, and adequately resourced IMF. We look forward to the completion of the 15th General Review of Quotas, including a new quota formula, by the 2017 Annual Meetings. We reaffirm that any realignment under the 15th review in quota shares is expected to result in increased shares for dynamic economies in line with their relative positions in the world economy, and hence likely in the share of emerging market and developing countries as a whole. We look forward to the outcomes of the World Bank Group's shareholding review in accordance with the agreed roadmap and timeframe. To facilitate more orderly, timely and predictable sovereign debt restructuring processes, we are working to foster greater dialogue among official creditors and debtors and to promote the incorporation of enhanced contractual clauses into sovereign bonds. We welcome progress made in Argentina's effort to end a decade-long dispute and regain access to international capital markets. Building on the work of the IMF, BIS, FSB and OECD, we will continue enhancing the monitoring and analysis of capital flows and risks stemming from capital flow volatility. We welcome the IMF's ongoing work to review country experiences and policies in dealing with capital flows and identify emerging issues. We also note that the OECD is reviewing its Code on Liberalization of Capital Movements. We will discuss the size of the Special Drawing Rights (SDR) during the 11th Basic Period of SDR and reporting official reserves in SDR. We support the examination of possible broader use of SDR.

6. We reiterate our commitments to finalizing remaining core elements and support the timely, full and consistent implementation of our agreed financial sector reform agenda, including the Basel III and total loss absorbing capacity (TLAC) standard. We also reiterate our support for the work by the Basel Committee to refine elements of Basel III framework to ensure its coherence and maximize its effectiveness without further significantly increasing overall capital requirements across the banking sector. We will continue to enhance the monitoring of implementation and effects of reforms to ensure their consistency with our overall objectives, including by addressing any material unintended consequences. We look forward to the coordinated work by the IMF, FSB and BIS to take stock of international experiences with macro-prudential frameworks and tools, to help promote effective macro-prudential policies and report back by our next meeting. We welcome the FSB's work in cooperation with other standard setting bodies to assess holistically the extent, drivers and possible persistence of shifts in market liquidity across jurisdictions and asset classes and consider policy measures if necessary. We look forward to its planned public consultation in mid-2016 on policy recommendations to address structural vulnerabilities associated with asset management activities. We look forward to the FSB peer review report on country-specific implementation of the FSB policy framework for shadow banking entities, and call upon the membership to address identified gaps and on the FSB to evaluate the case for further policy recommendations if appropriate. We reiterate our commitment to expediting implementation of the Principles for Financial Market Infrastructures, and to progressing on the work to enhance central counterparty resilience, recovery planning and resolvability, including on cross-border cooperation arrangements such as Crisis Management Groups, and look forward to the report by the FSB in September. We support the work by the FSB, FATF, World Bank Group, OECD and IMF to assess and address, as appropriate, the decline in correspondent banking services including under the FSB-coordinated action plan, and ask for a report on progress to be sent to the Summit. We reaffirm our support for the work of the GPFII on enhancing SME financing, promoting digital financial inclusion and improving data collection and indicators.

7. We reiterate our commitment to timely and widespread implementation of the G20/OECD BEPS package and encourage all relevant and interested countries and jurisdictions to join the new inclusive framework on an equal footing quickly, noting its first meeting will be in June. The G20 strongly reaffirms the importance of effective and widespread implementation of the internationally agreed standards on transparency. Therefore we call on all relevant countries including all financial centers and jurisdictions, which have not committed to implement the standard on automatic exchange of information by 2017 or 2018 to do so without delay and to sign the Multilateral Convention. We expect that by the 2017 G20 Summit all countries and jurisdictions will upgrade their Global Forum rating to a satisfactory level. We mandate the OECD working with G20 countries to establish objective criteria by our July meeting to identify non-cooperative jurisdictions with respect to tax transparency. Defensive measures will be considered by G20 members against non-cooperative jurisdictions if progress as assessed by the Global Forum is not made. We look forward to the Global Forum report on transparency and information exchange for tax purposes before the end of the year. We welcome the collective and continuous efforts by countries and international organizations to build capacity on tax matters for developing economies. We encourage G20 members to consider committing to the principles of the Addis Tax Initiative.

8. The G20 reiterates the high priority it attaches to financial transparency and effective implementation of the standards on transparency by all, in particular with regard to the beneficial ownership of legal persons and legal arrangements. Improving the transparency of the beneficial ownership of legal persons and legal arrangements is vital to protect the integrity of the international financial system, and to prevent misuse of these entities and arrangements for corruption, tax evasion, terrorist financing and money laundering. The G20 reiterates that it is

essential that all countries and jurisdictions fully implement the FATF standards on transparency and beneficial ownership of legal persons and legal arrangements and we express our determination to lead by example in this regard. We particularly stress the importance of countries and jurisdictions improving the availability of beneficial ownership information to, and its international exchange between, competent authorities for the purposes of tackling tax evasion, terrorist financing and money laundering. We ask the FATF and the Global Forum on Transparency and Exchange of Information for Tax Purposes to make initial proposals by our October meeting on ways to improve the implementation of the international standards on transparency, including on the availability of beneficial ownership information, and its international exchange.

9. We reaffirm our resolve to combat decisively and tackle all sources, techniques and channels of terrorist financing. We call on all countries and jurisdictions to join us in these efforts, including through swift and effective implementation of FATF standards, the new Consolidated Strategy on Combating Terrorist Financing, and provisions of the UN Security Council Resolution 2253. We ask the FATF, working with the relevant IOs, to strengthen its work on identifying and tackling loopholes and deficiencies that remain in the financial system and ensure that the FATF standards are effective and comprehensive, and fully implemented. We call on the FATF-style regional bodies to be vigorous partners. We call on the IMF, OECD, FSB, and the World Bank Group to support FATF in addressing the evolving challenges by bringing in their own analysis, within their respective areas of expertise, of the sources, techniques and channels of illicit financial flows.

10. We welcome the progress made by the G20 Green Finance Study Group (GFSG) in identifying challenges to mobilize private capital for green investment. Many of these challenges can be addressed by financial innovations, knowledge sharing and capacity building, risk analysis and international cooperation. We ask the GFSG to develop, for consideration by countries, more specific options for developing green banking, scaling-up the green bond market, supporting the integration of environmental factors by institutional investors, and developing ways for measuring progress of green financial activities, as part of its synthesis report to be delivered by July.

11. Recognizing the importance of the operating entities of the financial mechanism of the United Nations Framework Convention on Climate Change, we welcome the endorsement of the Strategic Plan for the Green Climate Fund (GCF) and call for the Fund's continued efforts to scale up its operations. We reiterate our call for timely implementation of the Paris Agreement on Climate Change and the commitments made by developed countries and international organizations and announcements made by other countries on climate finance. We affirm the importance of monitoring and transparency of climate finance. We ask the Climate Finance Study Group (CFSG) to finalize this year's work and report back to us at our July Meeting. We reaffirm our commitment to implementing the 2030 Agenda for Sustainable Development.

12. We reaffirm our commitment to rationalize and phase-out inefficient fossil fuel subsidies that encourage wasteful consumption, over the medium term, recognizing the need to support the poor. Further, we encourage all G20 countries to consider participation in the voluntary peer review of inefficient fossil fuel subsidies that encourage wasteful consumption.

Annex

Reports received

1. IMF paper on A Guiding Framework on Structural Reforms, March 2016.
2. OECD note on Structural Reform Priorities for the G-20, April 2016.
3. G20/OECD Progress report on diversification of financial instruments and related guidance.
4. G20/GIH Knowledge sharing report.
5. OECD Financing SME and Entrepreneurs 2016: An OECD Scoreboard, April 2016.
6. The OECD Code of Liberalisation of Capital Movements: recent developments, report by the OECD.
7. FSB's Task Force on Climate-Related Financial Disclosures: Phase I Report: April 2016

8. OECD Secretary-General's Report to G20 Finance Ministers, Update on Tax Transparency.

9. OECD Survey of Large Pension Funds and Public Pension Reserve Funds.

Issues for further action

1. We request the Framework Working Group (FWG) to further work on the guiding principles as well as the proposed structural reform indicator system, with the aim to submit for the Deputies' review in June and for our endorsement in July. Recognizing the analytical work by the IMF and the OECD, we call on the IMF, the OECD and other IOs to continue to provide technical support on the enhanced structural reform agenda.

2. We ask the IMF, OECD and WBG to update the assessment of the implementation of key commitments in our growth strategies, as well as of progress towards our collective growth ambition as defined in Brisbane, and report back to us by our meeting in July.

3. We ask relevant IOs to provide assessments of developments in trade and investment to inform our revised growth strategies for the next FWG meeting.

4. We ask the WBG, OECD and other relevant IOs to provide draft outcome documents regarding the priorities of 2016 investment agenda, leading to the final deliverables for our July meeting.

5. We look forward to the development of assessment methodology of the G20/OECD Principles of Corporate Governance.

6. We look forward to the FSB's second annual report on implementation and effects of regulatory reforms, which will reflect key outcomes from the FSB's workshop in May.

7. We look forward to considering the final report and recommendations of the FSB's Task Force on Climate-related Financial Disclosures in early 2017.

8. We look forward to the G20 Tax Symposium in July, to discuss the role tax policy can play in achieving a strong, sustainable and balanced economic growth.

9. We look forward to receiving recommendations from the IMF, OECD, WBG and UN on mechanisms to help ensure effective implementation of technical assistance programs, and on how countries can contribute funding for tax projects and direct technical assistance at our July meeting.