

G20 Leaders Conclusions on Financial Crises, 2008-2011

Zaria Shaw and Sarah Jane Vassallo, G20 Research Group, January 3, 2012

Summary of Conclusions on Financial Crises in G20 Documents

Year	# of Words	% of Total Words	# of Paragraphs	% of Total Paragraphs	# of Documents	% of Total Documents	Total Dedicated Documents
2008	1865	50.9	25	35.2	1	100	1
2009 London	2135	34.1	30	32.6	3	100	3
2009 Pittsburgh	3118	33.4	33	30.2	1	100	1
2010 Toronto	3082	27.3	46	31.9	2	100	0
2010 Seoul	3536	22.3	42	19.2	5	100	0
2011 Cannes	1947	13.7	33	17	3	100	0
Average	2614	30.2	34.8	27.7	2.5	100	0.83

Notes:

Data are drawn from all official English-language documents released by the G8 leaders as a group. Charts are excluded.

“# of Words” is the number of financial crises-related subjects for the year specified, excluding document titles and references. Words are calculated by paragraph because the paragraph is the unit of analysis.

“% of Total Words” refers to the total number of words in all documents for the year specified.

“# of Paragraphs” is the number of paragraphs containing references to financial crises for the year specified. Each point is recorded as a separate paragraph.

“% of Total Paragraphs” refers to the total number of paragraphs in all documents for the year specified.

“# of Documents” is the number of documents that contain financial crises subjects and excludes dedicated documents.

“% of Total Documents” refers to the total number of documents for the year specified.

“# of Dedicated Documents” is the number of documents for the year that contain a financial crises-related subject in the title.

Introduction

This analysis focuses on the global governance of systemic financial crises, defined as sudden, significant losses of confidence, liquidity and solvency in private financial institutions, financial markets or governments that national governments are unable to control or contain. These crises spread to other countries and endanger the broader global financial system. A crisis can come in different varieties, especially in the current era of intensifying or “third wave” globalization. This period has brought increased “hot money” flows, credit risk, transmission of shocks, increasingly sophisticated financial institutions, highly leveraged institutions, and regulatory arbitrage.

Search Terms

Inclusions

Banking systems, confidence, credit risk, crisis/crises (financial), crisis management, cross border crisis management, financial instruments, financial shocks, financial system, global crisis, hedge fund, hot money, leverage, liquidity, liquidity risk/facilities,

regulatory arbitrage, regulation of financial institutions, restore stability, solvency, threats to market stability, vulnerability

Exclusions

Adaptation of standards and codes, currency exchange crises, exchange rate misalignments, financial architecture, Financial Stability Board (FSB), Financial Stability Forum (FSF), global imbalance, international financial institution architecture, International Monetary Fund reform

Coding Rules

The unit of analysis is the paragraph/sentence.

A direct reference to financial crises or a cognate term is required.

Cognate or extended terms can be used without a direct reference to financial crises if they have previously been directly associated together in summit communiqué history.

Conclusions on Financial Crises in G20 Summit Documents

2008: Washington DC, November 14-15

Declaration of the Summit on Financial Markets and the World Economy

1. We, the Leaders of the Group of Twenty, held an initial meeting in Washington on November 15, 2008, amid serious challenges to the world economy and **financial markets**. We are determined to enhance our cooperation and work together to restore global growth and achieve needed reforms in the world's **financial systems**.

2. Over the past months our countries have taken urgent and exceptional measures to support the global economy and stabilize **financial markets**. These efforts must continue. At the same time, we must lay the foundation for reform to help to ensure that a **global crisis**, such as this one, does not happen again. Our work will be guided by a shared belief that market principles, open trade and investment regimes, and effectively regulated financial markets foster the dynamism, innovation, and entrepreneurship that are essential for economic growth, employment, and poverty reduction.

Root Causes of the Current Crisis:

3. During a period of strong global growth, growing capital flows, and prolonged stability earlier this decade, market participants sought higher yields without an adequate appreciation of the risks and failed to exercise proper due diligence. At the same time, weak underwriting standards, unsound risk management practices, increasingly complex and opaque financial products, and consequent excessive leverage combined to create **vulnerabilities** in the system. Policy-makers, regulators and supervisors, in some advanced countries, did not adequately appreciate and address the risks building up in financial markets, keep pace with financial innovation, or take into account the systemic ramifications of domestic regulatory actions.

Actions to Be Taken:

5. We have taken strong and significant actions to date to stimulate our economies, **provide liquidity**, strengthen the capital of financial institutions, protect savings and deposits, address regulatory deficiencies, unfreeze credit markets, and are working to ensure that international financial institutions (IFIs) can provide critical support for the global economy.

6. But more needs to be done to stabilize **financial markets** and support economic growth. Economic momentum is slowing substantially in major economies and the global outlook has weakened. Many emerging market economies, which helped sustain the world economy this decade, are still experiencing good growth but increasingly are being adversely impacted by the worldwide slowdown.

7. Against this background of deteriorating economic conditions worldwide, we agreed that a broader policy response is needed, based on closer macroeconomic cooperation, to restore growth, avoid negative spillovers and support emerging market economies and developing countries. As immediate steps to achieve these objectives, as well as to address longer-term challenges, we will:

- Continue our vigorous efforts and take whatever further actions are necessary to stabilize the **financial system**...
- Help emerging and developing economies gain access to finance in current difficult financial conditions, including through **liquidity facilities** and program support. We stress the International Monetary Fund's (IMF) important role in **crisis response**, welcome its new **short-term liquidity** facility, and urge the ongoing review of its instruments and facilities to ensure flexibility....
- Ensure that the IMF, World Bank and other MDBs have sufficient resources to continue playing their role in overcoming **the crisis**.

Common Principles for Reform of Financial Markets:

8. In addition to the actions taken above, we will implement reforms that will strengthen financial markets and regulatory regimes so as to avoid future crises. Regulation is first and foremost the responsibility of national regulators who constitute the first line of defense against market instability. However, our financial markets are global in scope, therefore, intensified international cooperation among regulators and strengthening of international standards, where necessary, and their consistent implementation is necessary to protect against adverse cross-border, regional and global developments affecting international financial stability. Regulators must ensure that their actions support market discipline, avoid potentially adverse impacts on other countries, including regulatory arbitrage, and support competition, dynamism and innovation in the marketplace. Financial institutions must also bear their responsibility for the turmoil and should do their part to overcome it including by recognizing losses, improving disclosure and strengthening their governance and risk management practices.

9. We commit to implementing policies consistent with the following common principles for reform.

- **Strengthening Transparency and Accountability:** We will strengthen financial market transparency, including by enhancing required disclosure on complex financial products and ensuring complete and accurate disclosure by firms of their financial conditions. Incentives should be aligned to avoid excessive risk-taking.
- **Enhancing Sound Regulation:** We pledge to strengthen our regulatory regimes, prudential oversight, and risk management, and ensure that all financial markets, products and participants are regulated or subject to oversight, as appropriate to their circumstances. We will exercise strong oversight over credit rating agencies, consistent with the agreed and strengthened international code of conduct. We will also make regulatory regimes more effective over the economic cycle, while ensuring that regulation is efficient, does not stifle innovation, and encourages expanded trade in financial products and services. We commit to transparent assessments of our national regulatory systems.
- **Promoting Integrity in Financial Markets:** We commit to protect the integrity of the world's financial markets by bolstering investor and consumer protection, avoiding conflicts of interest, preventing illegal market manipulation, fraudulent activities and abuse, and protecting against illicit finance risks arising from non-cooperative jurisdictions. We will also promote information sharing, including with respect to jurisdictions that have yet to commit to international standards with respect to bank secrecy and transparency.
- **Reinforcing International Cooperation:** We call upon our national and regional regulators to formulate their regulations and other measures in a consistent manner. Regulators should enhance their coordination and cooperation across all segments of financial markets, including with respect to cross-border capital flows. Regulators and other relevant authorities as a matter of priority should strengthen cooperation on crisis prevention, management, and resolution.
- **Reforming International Financial Institutions:** We are committed to advancing the reform of the Bretton Woods Institutions so that they can more adequately reflect changing economic weights in the world economy in order to increase their legitimacy and effectiveness. In this respect, emerging and developing economies, including the poorest countries, should have greater voice and representation. The Financial Stability Forum (FSF) must expand urgently to a broader membership of emerging economies, and other major standard setting bodies should promptly review their membership. The IMF, in collaboration with the expanded FSF and other bodies, should work to better identify **vulnerabilities**, anticipate potential stresses, and act swiftly to play a key role in crisis response.

Tasking of Ministers and Experts:

10...In consultation with other economies and existing bodies, drawing upon the recommendations of such eminent independent experts as they may appoint, we request

our Finance Ministers to formulate additional recommendations, including in the following specific areas:

- ...Strengthening the resilience and transparency of credit derivatives markets and reducing their **systemic risks**, including by improving the infrastructure of over-the-counter markets;

Commitment to an Open Global Economy:

14. We are mindful of the impact of the **current crisis** on developing countries, particularly the most vulnerable. We reaffirm the importance of the Millennium Development Goals, the development assistance commitments we have made, and urge both developed and emerging economies to undertake commitments consistent with their capacities and roles in the global economy. In this regard, we reaffirm the development principles agreed at the 2002 United Nations Conference on Financing for Development in Monterrey, Mexico, which emphasized country ownership and mobilizing all sources of financing for development.

Strengthening Transparency and Accountability

Immediate Actions by March 31, 2009

- The key global accounting standards bodies should work to enhance guidance for valuation of securities, also taking into account the valuation of complex, illiquid products, especially during **times of stress**...

Private sector bodies that have already developed best practices for private pools of capital and/or **hedge funds** should bring forward proposals for a set of unified best practices. Finance Ministers should assess the adequacy of these proposals, drawing upon the analysis of regulators, the expanded FSF, and other relevant bodies.

- Enhancing Sound Regulation:

Immediate Actions by March 31, 2009

- The IMF, expanded FSF, and other regulators and bodies should develop recommendations to mitigate pro-cyclicality, including the review of how valuation and **leverage**, bank capital, executive compensation, and provisioning practices may exacerbate cyclical trends.

Prudential Oversight:

Immediate Actions by March 31, 2009

- ...Supervisors and regulators, building on the imminent launch of central counterparty services for credit default swaps (CDS) in some countries, should: speed efforts to reduce the **systemic risks** of CDS and over-the-counter (OTC) derivatives transactions; insist that market participants support exchange traded or electronic trading platforms

for CDS contracts; expand OTC derivatives market transparency; and ensure that the infrastructure for OTC derivatives can support growing volumes.

Medium-term Actions

- ...Supervisors and central banks should develop robust and internationally consistent approaches for **liquidity** supervision of, and central bank liquidity operations for, cross-border banks.

Risk Management:

Immediate Actions by March 31, 2009

- Regulators should develop and implement procedures to ensure that financial firms implement policies to better manage **liquidity risk**, including by creating strong liquidity cushions.
- ...Authorities should ensure that financial institutions maintain adequate capital in amounts necessary to sustain **confidence**. International standard setters should set out strengthened capital requirements for banks' structured credit and securitization activities.

Medium-term Actions

- International standard setting bodies, working with a broad range of economies and other appropriate bodies, should ensure that regulatory policy makers are aware and able to respond rapidly to evolution and innovation in **financial markets** and products.

Promoting Integrity in Financial Markets:

Immediate Actions by March 31, 2009

- ...National and regional authorities should work to promote information sharing about domestic and cross-border **threats to market stability** and ensure that national (or regional, where applicable) legal provisions are adequate to address these **threats**.
- National and regional authorities should also review business conduct rules to protect markets and investors, especially against market manipulation and fraud and strengthen their cross-border cooperation to protect the **international financial system** from illicit actors. In case of misconduct, there should be an appropriate sanctions regime.

Medium-term actions

- National and regional authorities should implement national and international measures that protect the **global financial system** from uncooperative and non-transparent jurisdictions that pose risks of illicit financial activity....

Reinforcing International Cooperation:

Immediate Actions by March 31, 2009

- ...Regulators should take all steps necessary to strengthen cross-border **crisis management** arrangements, including on cooperation and communication with each

other and with appropriate authorities, and develop comprehensive contact lists and conduct simulation exercises, as appropriate.

Medium-term Actions

- Authorities should ensure that temporary measures to **restore stability** and **confidence** have minimal distortions and are unwound in a timely, well-sequenced and coordinated manner.

Reforming International Financial Institutions:

Immediate Actions by March 31, 2009

- The IMF, given its universal membership and core macro-financial expertise, should, in close coordination with the FSF and others, take a leading role in drawing lessons from the **current crisis**, consistent with its mandate.
- We should review the adequacy of the resources of the IMF, the World Bank Group and other multilateral development banks and stand ready to increase them where necessary. The IFIs should also continue to review and adapt their lending instruments to adequately meet their members' needs and revise their lending role in the light of the ongoing **financial crisis**.

2009: London, April 1-2

Global Plan for Recovery and Reform

2. We face the greatest challenge to the world economy in modern times; a **crisis** which has deepened since we last met, which affects the lives of women, men, and children in every country, and which all countries must join together to resolve. A **global crisis** requires a global solution...

4. We have today therefore pledged to do whatever is necessary to:
1. **restore confidence**, growth, and jobs;
 2. **repair the financial system** to restore lending;
 3. **strengthen financial regulation** to rebuild trust;
 4. fund and **reform our international financial institutions** to overcome this crisis and prevent future ones;...

By acting together to fulfil these pledges we will bring the world economy out of recession and **prevent a crisis** like this from recurring in the future.

Restoring growth and jobs:...

5. Our actions to restore growth cannot be effective until we restore domestic lending and international capital flows. We have provided significant and comprehensive support to our **banking systems** to provide **liquidity**, recapitalise financial institutions, and address decisively the problem of impaired assets. We are committed to take all necessary actions to restore the normal flow of credit through the financial system and ensure the soundness of systemically important institutions, implementing our policies in line with the agreed G20 framework for restoring lending and repairing the financial sector....

Strengthening financial supervision and regulation:

13. Major failures in the financial sector and in financial regulation and supervision were fundamental causes of the **crisis**. **Confidence** will not be restored until we rebuild trust in our financial system. We will take action to build a stronger, more globally consistent, supervisory and regulatory framework for the future financial sector, which will support sustainable global growth and serve the needs of business and citizens.

14. We each agree to ensure our domestic regulatory systems are strong. But we also agree to establish the much greater consistency and systematic cooperation between countries, and the framework of internationally agreed high standards, that a global financial system requires. Strengthened regulation and supervision must promote propriety, integrity and transparency; guard against risk across the financial system; dampen rather than amplify the financial and economic cycle; reduce reliance on inappropriately risky sources of financing; and discourage excessive risk-taking. Regulators and supervisors must protect consumers and investors, support market discipline, avoid adverse impacts on other countries, reduce the scope for **regulatory arbitrage**, support competition and dynamism, and keep pace with innovation in the marketplace.

15. To this end we are implementing the Action Plan agreed at our last meeting, as set out in the attached progress report. We have today also issued a Declaration, Strengthening the Financial System. In particular we agree:...

- to extend regulation and oversight to all systemically important financial institutions, instruments and markets. This will include, for the first time, systemically important **hedge funds**; ...
- to take action, once recovery is assured, to improve the quality, quantity, and international consistency of capital in the banking system. In future, regulation must prevent excessive **leverage** and require buffers of resources to be built up in good times; ...

Strengthening our global financial institutions:

17. Emerging markets and developing countries, which have been the engine of recent world growth, are also now facing challenges which are adding to the current downturn in the global economy. It is imperative for global **confidence** and economic recovery that capital continues to flow to them. This will require a substantial strengthening of the international financial institutions, particularly the IMF. We have therefore agreed today to make available an additional \$850 billion of resources through the global financial institutions to support growth in emerging market and developing countries by helping to finance counter-cyclical spending, bank recapitalisation, infrastructure, trade finance, balance of payments support, debt rollover, and social support. To this end: ...

18. We have agreed to support a general SDR allocation which will inject \$250 billion into the world economy and increase global **liquidity**, and urgent ratification of the Fourth Amendment.

19. In order for our financial institutions to help manage the **crisis** and prevent future **crises** we must strengthen their longer term relevance, effectiveness and legitimacy. So alongside the significant increase in resources agreed today we are determined to reform and modernise the international financial institutions to ensure they can assist members and shareholders effectively in the new challenges they face. We will reform their mandates, scope and governance to reflect changes in the world economy and the new challenges of globalisation, and that emerging and developing economies, including the poorest, must have greater voice and representation. This must be accompanied by action to increase the credibility and accountability of the institutions through better strategic oversight and decision making. To this end:...

Ensuring a fair and sustainable recovery for all:

25. We are determined not only to restore growth but to lay the foundation for a fair and sustainable world economy. We recognise that the current **crisis** has a disproportionate impact on the vulnerable in the poorest countries and recognise our collective responsibility to mitigate the social impact of the **crisis** to minimise long-lasting damage to global potential. To this end: ...

- the actions and decisions we have taken today will provide \$50 billion to support social protection, boost trade and safeguard development in low income countries, as part of the significant increase in **crisis** support for these and other developing countries and emerging markets;
- we are making available resources for social protection for the poorest countries, including through investing in long-term food security and through voluntary bilateral contributions to the World Bank's Vulnerability Framework, including the Infrastructure **Crisis** Facility, and the Rapid Social Response Fund;...
- we call on the UN, working with other global institutions, to establish an effective mechanism to monitor the impact of the **crisis** on the poorest and most vulnerable.

26. We recognise the human dimension to the **crisis**. We commit to support those affected by the **crisis** by creating employment opportunities and through income support measures. We will build a fair and family-friendly labour market for both women and men. We therefore welcome the reports of the London Jobs Conference and the Rome Social Summit and the key principles they proposed. We will support employment by stimulating growth, investing in education and training, and through active labour market policies, focusing on the most vulnerable. We call upon the ILO, working with other relevant organisations, to assess the actions taken and those required for the future.

Global Plan Annex: Declaration on Strengthening the Financial System

We, the Leaders of the G20, have taken, and will continue to take, action to strengthen regulation and supervision in line with the commitments we made in Washington to reform the regulation of the financial sector. Our principles are strengthening transparency and accountability, enhancing sound regulation, promoting integrity in **financial markets** and reinforcing international cooperation. The material in this declaration expands and provides further detail on the commitments in our statement. We published today a full progress report against each of the 47 actions set out in the Washington Action Plan. In particular, we have agreed the following major reforms.

Financial Stability Board:

We have agreed that the Financial Stability Forum should be expanded, given a broadened mandate to promote financial stability, and re-established with a stronger institutional basis and enhanced capacity as the Financial Stability Board (FSB). The FSB will:

- assess **vulnerabilities** affecting the financial system, identify and oversee action needed to address them;...
- support contingency planning for cross-border **crisis management**, particularly with respect to systemically important firms; and
- collaborate with the IMF to conduct **Early Warning Exercises** to identify and report to the IMFC and the G20 Finance Ministers and Central Bank Governors on the build up of macroeconomic and financial risks and the actions needed to address them.

International cooperation:

To strengthen international cooperation we have agreed:...

- to implement the FSF principles for cross-border **crisis** management immediately, and that home authorities of each major international financial institution should ensure that the group of authorities with a common interest in that financial institution meet at least annually;...

Prudential regulation:

We have agreed to strengthen international frameworks for prudential regulation:...

- risk-based capital requirements should be supplemented with a simple, transparent, non-risk based measure which is internationally comparable, properly takes into account off-balance sheet exposures, and can help contain the build-up of **leverage** in the banking system;...
- the BCBS and national authorities should develop and agree by 2010 a global framework for promoting stronger **liquidity** buffers at financial institutions, including cross-border institutions.

The scope of regulation:

We have agreed that all systemically important financial institutions, markets, and instruments should be subject to an appropriate degree of regulation and oversight. In particular:...

- in order to prevent **regulatory arbitrage**, the IMF and the FSB will produce guidelines for national authorities to assess whether a financial institution, market, or an instrument is systemically important by the next meeting of our Finance Ministers and Central Bank Governors. These guidelines should focus on what institutions do rather than their legal form;
- **hedge funds** or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their **leverage**, necessary for assessment of the **systemic risks** that they pose

individually or collectively. Where appropriate, registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management. We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure that effective oversight is maintained where a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009. We call on the FSB to report to the next meeting of our Finance Ministers and Central Bank Governors;

- supervisors should require that institutions which have **hedge funds** as their counterparties have effective risk management. This should include mechanisms to monitor the funds' **leverage** and set limits for single counterparty exposures;...

Accounting standards:

We have agreed that the accounting standard setters should improve standards for the valuation of **financial instruments** based on their **liquidity** and investors' holding horizons, while reaffirming the framework of fair value accounting.

We also welcome the FSF recommendations on procyclicality that address accounting issues. We have agreed that accounting standard setters should take action by the end of 2009 to:

- reduce the complexity of accounting standards for **financial instruments**;...

Declaration on Delivering Resources through the International Financial Institutions

We, the leaders of the Group of Twenty, are committed to ensuring that capital continues to flow to emerging market and developing countries to protect their economies and support world growth. To this end, we have agreed to increase very substantially the resources available through the international financial institutions and to ensure that the institutions have the facilities needed to address the **crisis** in a coordinated and comprehensive manner.

In addition to these steps, we have also agreed to support a general allocation of SDRs equivalent to \$250 billion to increase global **liquidity**, \$100 billion of which will go directly to emerging market and developing countries. We agreed to ratify urgently the fourth amendment to the IMF's articles...

For the Multilateral Development Banks (MDBs), we have agreed to support:...

- full and exceptional use of MDB balance sheets, to create further capacity for lending to meet **crisis** needs;...
- actions by the MDBs to **leverage** private capital more effectively, including through the use of guarantees, bond insurance and bridging finance; and
- the new IFC Global Trade **Liquidity** Pool which should provide up to \$50 billion of trade **liquidity** support over the next three years, with significant co-financing from the private sector (as part of the global effort to ensure the availability of at least \$250 billion of trade finance over the next two years). In order to reach this objective, we agreed to provide \$3-4 billion in voluntary bilateral contributions to the IFC Pool. We also welcomed the steps taken by other MDBs to increase support for trade finance, and

medium and long-term project finance through our export credit and investment agencies.

We have also agreed to ensure that the international financial institutions have the facilities they need to address the current **crisis** and meet the needs of emerging markets and developing countries. To this end:...

- we will support, through voluntary bilateral contributions, the World Bank Vulnerability Framework, including the **Infrastructure Crisis Facility** and the Rapid Social Response Fund;...

We agreed that these resources and facilities should enhance the capacity of the international financial institutions to address the **crisis**. Cooperation and coordination between the IFIs should be strengthened to increase their effectiveness. Emerging and developing economies, including the poorest, should have greater voice and representation.

2009: Pittsburgh, September 24-25

G20 Leaders Statement: The Pittsburgh Summit

1. We meet in the midst of a critical transition **from crisis to recovery** to turn the page on an era of irresponsibility and to adopt a set of policies, regulations and reforms to meet the needs of the 21st century global economy.
2. When we last gathered in April, we confronted the **greatest challenge to the world economy** in our generation.
3. Global output was contracting at pace not seen since the 1930s. Trade was plummeting. Jobs were disappearing rapidly. Our people worried that the world was on the edge of **a depression**.
4. At that time, our countries agreed to do everything necessary to ensure recovery, to **repair our financial systems** and to maintain the global flow of capital.
5. It worked.
6. Our forceful response helped stop the dangerous, sharp decline in global activity and stabilize **financial markets**. Industrial output is now rising in nearly all our economies. International trade is starting to recover. Our financial institutions are raising needed capital, **financial markets** are showing a willingness to invest and lend, and **confidence** has improved.
7. Today, we reviewed the progress we have made since the London Summit in April. Our national commitments to restore growth resulted in the largest and most coordinated fiscal and monetary stimulus ever undertaken. We acted together to increase dramatically the resources necessary to stop the **crisis** from spreading around the world. We took steps

to fix the broken regulatory system and started to implement sweeping reforms to reduce the risk that financial excesses will again destabilize the global economy....

11. Even as the work of recovery continues, we pledge to adopt the policies needed to lay the foundation for strong, sustained and balanced growth in the 21st century. We recognize that we have to act forcefully to overcome the legacy of the recent, **severe global economic crisis** and to help people cope with the consequences of this **crisis**. We want growth without cycles of boom and bust and markets that foster responsibility not recklessness.

16. To make sure our regulatory system for banks and other financial firms reins in the excesses that led to the **crisis**. Where reckless behavior and a lack of responsibility led to **crisis**, we will not allow a return to banking as usual.

18. *To reform the global architecture to meet the needs of the 21st century.* After this **crisis**, critical players need to be at the table and fully vested in our institutions to allow us to cooperate to lay the foundation for strong, sustainable and balanced growth....

A Framework for Strong, Sustainable, and Balanced Growth:

1. We assessed the progress we have made together in addressing the global **crisis** and agreed to maintain our steps to support economic activity until recovery is assured. We further committed to additional steps to ensure strong, sustainable, and balanced growth, to build a stronger international financial system, to reduce development imbalances, and to modernize our architecture for international economic cooperation.

2. The growth of the global economy and the success of our coordinated effort to respond to the recent **crisis** have increased the case for more sustained and systematic international cooperation. In the short-run, we must continue to implement our stimulus programs to support economic activity until recovery clearly has taken hold. We also need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, at their November meeting to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing, and sequencing of this process will vary across countries or regions and across the type of policy measures. Credible exit strategies should be designed and communicated clearly to anchor expectations and reinforce **confidence**...

4. We will need to work together as we manage the transition to a more balanced pattern of global growth. The **crisis** and our initial policy responses have already produced significant shifts in the pattern and level of growth across countries. Many countries have already taken important steps to expand domestic demand, bolstering global activity and reducing imbalances. In some countries, the rise in private saving now underway will, in time, need to be augmented by a rise in public saving. Ensuring a strong recovery will necessitate adjustments across different parts of the global economy, while requiring macroeconomic policies that promote adequate and balanced global demand as well as

decisive progress on structural reforms that foster private domestic demand, narrow the global development gap, and strengthen long-run growth potential. The IMF estimates that only with such adjustments and realignments, will global growth reach a strong, sustainable, and balanced pattern. While governments have started moving in the right direction, a shared understanding and deepened dialogue will help build a more stable, lasting, and sustainable pattern of growth. Raising living standards in the emerging markets and developing countries is also a critical element in achieving sustainable growth in the global economy.

Strengthening the International Financial Regulatory System:

10. Major failures of regulation and supervision, plus reckless and irresponsible risk taking by banks and other financial institutions, created dangerous financial fragilities that contributed significantly to the current **crisis**. A return to the excessive risk taking prevalent in some countries before the **crisis** is not an option.

11. Since the onset of the **global crisis**, we have developed and begun implementing sweeping reforms to tackle the root causes of the **crisis** and transform the system for global financial regulation. Substantial progress has been made in strengthening prudential oversight, improving risk management, strengthening transparency, promoting market integrity, establishing supervisory colleges, and reinforcing international cooperation. We have enhanced and expanded the scope of regulation and oversight, with tougher regulation of over-the-counter (OTC) derivatives, securitization markets, credit rating agencies, and **hedge funds**. We endorse the institutional strengthening of the FSB through its Charter, following its establishment in London, and welcome its reports to Leaders and Ministers. The FSB's ongoing efforts to monitor progress will be essential to the full and consistent implementation of needed reforms. We call on the FSB to report on progress to the G20 Finance Ministers and Central Bank Governors in advance of the next Leaders summit.

12. Yet our work is not done. Far more needs to be done to protect consumers, depositors, and investors against abusive market practices, promote high quality standards, and help ensure the world does not face a **crisis** of the scope we have seen. We are committed to take action at the national and international level to raise standards together so that our national authorities implement global standards consistently in a way that ensures a level playing field and avoids fragmentation of markets, protectionism, and **regulatory arbitrage**. Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed. We commit to conduct robust, transparent stress tests as needed. We call on banks to retain a greater proportion of current profits to build capital, where needed, to support lending. Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently. It is important to ensure an adequate balance between macroprudential and microprudential regulation to control risks, and to develop the tools necessary to monitor and assess the buildup of macroprudential risks in the financial system. In addition, we have agreed to improve the regulation, functioning, and

transparency of financial and commodity markets to address excessive commodity price volatility.

13. As we encourage the resumption of lending to households and businesses, we must take care not to spur a return of the practices that led to the **crisis**. The steps we are taking here, when fully implemented, will result in a fundamentally stronger financial system than existed prior to the **crisis**. If we all act together, financial institutions will have stricter rules for risk-taking, governance that aligns compensation with long-term performance, and greater transparency in their operations. All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards. Our reform is multi-faceted but at its core must be stronger capital standards, complemented by clear incentives to mitigate excessive risk-taking practices. Capital allows banks to withstand those losses that inevitably will come. It, together with more powerful tools for governments to wind down firms that fail, helps us hold firms accountable for the risks that they take. Building on their Declaration on Further Steps to Strengthen the International Financial System, we call on our Finance Ministers and Central Bank Governors to reach agreement on an international framework of reform in the following critical areas:

- *Building high quality capital and mitigating pro-cyclicality*: We commit to developing by end-2010 internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive **leverage**. These rules will be phased in as financial conditions improve and economic recovery is assured, with the aim of implementation by end-2012. The national implementation of higher level and better quality capital requirements, counter-cyclical capital buffers, higher capital requirements for risky products and off-balance sheet activities, as elements of the Basel II Capital Framework, together with strengthened **liquidity** risk requirements and forward-looking provisioning, will reduce incentives for banks to take excessive risks and create a financial system better prepared to withstand adverse shocks. We welcome the key measures recently agreed by the oversight body of the Basel Committee to strengthen the supervision and regulation of the banking sector. We support the introduction of a **leverage** ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to a Pillar 1 treatment based on appropriate review and calibration. To ensure comparability, the details of the **leverage** ratio will be harmonized internationally, fully adjusting for differences in accounting. All major G20 financial centers commit to have adopted the Basel II Capital Framework by 2011....
- Addressing cross-border resolutions and systemically important financial institutions by end-2010: Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish **crisis management** groups for the major cross-border firms and a legal framework for **crisis** intervention as well as improve information sharing in times of stress. We should develop resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future. Our prudential standards for systemically important institutions should be commensurate with the costs of their failure. The FSB should propose by the end of October 2010 possible measures including more intensive supervision and specific additional capital, **liquidity**, and other prudential requirements.

Reforming the Mandate, Mission and Governance of the IMF:

18. Our commitment to increase the funds available to the IMF allowed it to stem the spread of the **crisis** to emerging markets and developing countries. This commitment and the innovative steps the IMF has taken to create the facilities needed for its resources to be used efficiently and flexibly have reduced global risks. Capital again is flowing to emerging economies.

20. Our collective response to the **crisis** has highlighted both the benefits of international cooperation and the need for a more legitimate and effective IMF. The Fund must play a critical role in promoting global financial stability and rebalancing growth. We welcome the reform of IMF's lending facilities, including the creation of the innovative Flexible Credit Line. The IMF should continue to strengthen its capacity to help its members cope with financial volatility, reducing the economic disruption from sudden swings in capital flows and the perceived need for excessive reserve accumulation. As recovery takes hold, we will work together to strengthen the Fund's ability to provide even-handed, candid and independent surveillance of the risks facing the global economy and the international financial system. We ask the IMF to support our effort under the Framework for Strong, Sustainable and Balanced Growth through its surveillance of our countries' policy frameworks and their collective implications for financial stability and the level and pattern of global growth.

Reforming the Mission, Mandate and Governance of Our Development Banks:

22. The Multilateral Development Banks (MDBs) responded to our April call to accelerate and expand lending to mitigate the impact of the **crisis** on the world's poorest with streamlined facilities, new tools and facilities, and a rapid increase in their lending. They are on track to deliver the promised \$100 billion in additional lending. We welcome and encourage the MDBs to continue making full use of their balance sheets. We also welcome additional measures such as the temporary use of callable capital contributions from a select group of donors as was done at the InterAmerican Development Bank (IaDB). Our Finance Ministers should consider how mechanisms such as temporary callable and contingent capital could be used in the future to increase MDB lending at times of **crisis**. We reaffirm our commitment to ensure that the Multilateral Development Banks and their concessional lending facilities, especially the International Development Agency (IDA) and the African Development Fund, are appropriately funded.

23. Even as we work to mitigate the impact of the **crisis**, we must strengthen and reform the global development architecture for responding to the world's long-term challenges.

Strengthening Support for the Most Vulnerable:

34. Many emerging and developing economies have made great strides in raising living standards as their economies converge toward the productivity levels and living standards of advanced economies. This process was interrupted by the **crisis** and is still far from complete. The poorest countries have little economic cushion to protect vulnerable populations from calamity, particularly as the financial **crisis** followed close on the heels of a global spike in food prices. We note with concern the adverse impact of the global

crisis on low income countries' (LICs) capacity to protect critical core spending in areas such as health, education, safety nets, and infrastructure. The UN's new Global Impact Vulnerability Alert System will help our efforts to monitor the impact of the **crisis** on the most vulnerable. We share a collective responsibility to mitigate the social impact of the **crisis** and to assure that all parts of the globe participate in the recovery.

35. The MDBs play a key role in the fight against poverty. We recognize the need for accelerated and additional concessional financial support to LICs to cushion the impact of the **crisis** on the poorest, welcome the increase in MDB lending during the **crisis** and support the MDBs having the resources needed to avoid a disruption of concessional financing to the most vulnerable countries. The IMF also has increased its concessional lending to LICs during the **crisis**. Resources from the sale of IMF gold, consistent with the new income model, and funds from internal and other sources will double the Fund's medium-term concessional lending capacity.

36. Several countries are considering creating, on a voluntary basis, mechanisms that could allow, consistent with their national circumstances, the mobilization of existing SDR resources to support the IMF's lending to the poorest countries. Even as we work to mitigate the impact of the **crisis**, we must strengthen and reform the global development architecture for responding to the world's long-term challenges. We ask our relevant ministers to explore the benefits of a new **crisis** support facility in IDA to protect LICs from future **crises** and the enhanced use of **financial instruments** in protecting the investment plans of middle income countries from interruption in times of **crisis**, including greater use of guarantees.

38. Even before the **crisis**, too many still suffered from hunger and poverty and even more people lack access to energy and finance. Recognizing that the **crisis** has exacerbated this situation, we pledge cooperation to improve access to food, fuel, and finance for the poor.

46. We agree on the importance of building an employment-oriented framework for future economic growth. In this context, we reaffirm the importance of the London Jobs Conference and Rome Social Summit. We also welcome the recently-adopted ILO Resolution on Recovering from the **Crisis: A Global Jobs Pact**, and we commit our nations to adopt key elements of its general framework to advance the social dimension of globalization. The international institutions should consider ILO standards and the goals of the Jobs Pact in their **crisis** and **post-crisis** analysis and policy-making activities.

47. To ensure our continued focus on employment policies, the Chair of the Pittsburgh Summit has asked his Secretary of Labor to invite our Employment and Labor Ministers to meet as a group in early 2010 consulting with labor and business and building on the upcoming OECD Labour and Employment Ministerial meeting on the jobs **crisis**. We direct our Ministers to assess the evolving employment situation, review reports from the ILO and other organizations on the impact of policies we have adopted, report on whether further measures are desirable, and consider medium-term employment and

skills development policies, social protection programs, and best practices to ensure workers are prepared to take advantage of advances in science and technology.

Annex: Core Values for Sustainable Economic Activity

1. The **economic crisis** demonstrates the importance of ushering in a new era of sustainable global economic activity grounded in responsibility. The current **crisis** has once again confirmed the fundamental recognition that our growth and prosperity are interconnected, and that no region of the globe can wall itself off in a globalized world economy.

5. We also agree that certain key principles are fundamental, and in this spirit we commit to respect the following core values:...

- We have a responsibility to provide for **financial markets** that serve the needs of households, businesses and productive investment by strengthening oversight, transparency, and accountability....

G20 Framework for Strong, Sustainable, and Balanced Growth:

1. Our countries have a shared responsibility to adopt policies to achieve strong, sustainable and balanced growth, to promote a resilient international financial system, and to reap the benefits of an open global economy. To this end, we recognize that our strategies will vary across countries. In our Framework for Strong, Sustainable and Balanced Growth, we will:...

- strengthen financial supervision to prevent the re-emergence in the financial system of excess credit growth and excess **leverage** and undertake macro prudential and regulatory policies to help prevent credit and asset price cycles from becoming forces of destabilization....

2. We recognize that the process to ensure more balanced global growth must be undertaken in an orderly manner. All G20 members agree to address the respective weaknesses of their economies....

- G20 members with sustained, significant external surpluses pledge to strengthen domestic sources of growth. According to national circumstances this could include increasing investment, reducing **financial markets** distortions, boosting productivity in service sectors, improving social safety nets, and lifting constraints on demand growth.

2010: Toronto, September 26-27

The G20 Toronto Summit Declaration

Preamble

2. Building on our achievements in addressing the **global economic crisis**, we have agreed on the next steps we should take to ensure a full return to growth with quality jobs, to reform and strengthen **financial systems**, and to create strong, sustainable and balanced global growth.

3. Our efforts to date have borne good results. Unprecedented and globally coordinated fiscal and monetary stimulus is playing a major role in helping to restore private demand and lending. We are taking strong steps toward increasing the stability and strength of our **financial systems**. Significantly increased resources for international financial institutions are helping stabilise and address the impact of the **crisis** on the world's most **vulnerable**...

4. But serious challenges remain. While growth is returning, the recovery is uneven and fragile, unemployment in many countries remains at unacceptable levels, and the social impact of the **crisis** is still widely felt... We took new steps to build a better regulated and more resilient **financial system** that serves the needs of our citizens. There is also a pressing need to complete the reforms of the international financial institutions.

The Framework for Strong, Sustainable and Balanced Growth

7. The G20's highest priority is to safeguard and strengthen the recovery and lay the foundation for strong, sustainable and balanced growth, and strengthen our **financial systems** against risks. We therefore welcome the actions taken and commitments made by a number of G20 countries to boost demand and rebalance growth, strengthen our public finances, and make our **financial systems** stronger and more transparent. These measures represent substantial contributions to our collective well-being and build on previous actions. We will continue to co-operate and undertake appropriate actions to bolster economic growth and foster a strong and lasting recovery.

10. We are committed to taking concerted actions to sustain the recovery, create jobs and to achieve stronger, more sustainable and more balanced growth... We agreed today on:

- Following through on fiscal stimulus and communicating "growth friendly" fiscal consolidation plans in advanced countries that will be implemented going forward... There is also a risk that the failure to implement consolidation where necessary would undermine **confidence** and hamper growth...

Financial Sector Reform

15. We are building a more resilient **financial system** that serves the needs of our economies, reduces moral hazard, limits the build up of systemic risk, and supports strong and stable economic growth. We have strengthened the **global financial system** by fortifying prudential oversight, improving risk management, promoting transparency, and reinforcing international cooperation...

18. The first pillar is a strong regulatory framework. We took stock of the progress of the Basel Committee on Banking Supervision (BCBS) towards a new global regime for bank capital and **liquidity** and we welcome and support its work. Substantial progress has been made on reforms that will materially raise levels of resilience of our **banking systems**. The amount of capital will be significantly higher and the quality of capital will be significantly improved when the new reforms are fully implemented. This will enable banks to withstand — without extraordinary government support — stresses of a

magnitude associated with the recent **financial crisis**. We support reaching agreement at the time of the Seoul Summit on the new capital framework...

19. We agreed to strengthen financial market infrastructure by accelerating the implementation of strong measures to improve transparency and regulatory oversight of **hedge funds**, credit rating agencies and over-the-counter derivatives in an internationally consistent and non-discriminatory way...

21. The third pillar is resolution and addressing systemic institutions. We are committed to design and implement a system where we have the powers and tools to restructure or resolve all types of **financial institutions in crisis**, without taxpayers ultimately bearing the burden, and adopted principles that will guide implementation... We agreed the financial sector should make a fair and substantial contribution towards paying for any burdens associated with government interventions, where they occur, to repair the **financial system** or fund resolution, and reduce risks from the **financial system**. We recognized that there are a range of policy approaches to this end...

International Financial Institutions and Development

23. The International Financial Institutions (IFIs) have been a central part of the global response to the **financial and economic crisis**, mobilizing critical financing, including \$750 billion by the IMF and \$235 billion by the Multilateral Development Banks (MDBs). This has underscored the value of these institutions as platforms for our global cooperation.

Fighting Protectionism and Promoting Trade and Investment

35. While the **global economic crisis** led to the sharpest decline of trade in more than seventy years, G20 countries chose to keep markets open to the opportunities that trade and investment offer. It was the right choice.

Other Issues and Forward Agenda

40. We agree that corruption threatens the integrity of markets, undermines fair competition, distorts resource allocation, destroys public trust and undermines the rule of law. We call for the ratification and full implementation by all G20 members of the United Nations Convention against Corruption (UNCAC) and encourage others to do the same. We will fully implement the reviews in accordance with the provisions of UNCAC. Building on the progress made since Pittsburgh to address corruption, we agree to establish a Working Group to...adopting and enforcing strong and effective anti-bribery rules, fighting corruption in the public and private sectors, preventing access of corrupt persons to **global financial systems**, cooperation in visa denial, extradition and asset recovery, and protecting whistleblowers who stand-up against corruption.

Annex I: The Framework for Strong, Sustainable and Balanced Growth

3. The G20's highest priority is to safeguard and strengthen the recovery and lay the foundation for strong, sustainable and balanced growth, including strengthening our **financial systems** against risks...

6. The assessment is that in the absence of a coordinated policy response: global output is likely to remain below its pre-**crisis** trend; unemployment remains above pre-**crisis** levels in most countries; fiscal deficits and debt in some advanced economies reach unacceptably high levels; and, global current account imbalances, which narrowed during the **crisis**, widen again. Moreover, this outlook is subject to considerable downside risks.

9. We agreed to follow through on fiscal stimulus and communicating “growth friendly” fiscal consolidation plans in advanced countries that will be implemented going forward... There is also a risk that the failure to implement consolidation where necessary would undermine **confidence** and hamper growth...

13. Across all G20 members, we recognise that structural reforms can have a substantial impact on economic growth and global welfare. We will implement measures that will enhance the growth potential of our economies in a manner that pays particular attention to the most vulnerable.... These include:

- Product, service and labour market reforms in advanced economies, particularly those economies that may have lost some productive capacity during the **crisis**...
- Reducing restrictions on labour mobility, enhancing foreign investment opportunities and simplifying product **market regulation** in emerging market economies.
- Actions to accelerate financial repair and reform. Weaknesses in **financial sector regulation** and supervision in advanced economies led to the recent **crisis**. We will implement the G20 financial reform agenda and ensure a stronger **financial system** serves the needs of the real economy. While not at the centre of the **crisis**, financial sectors in some emerging economies need to be developed further so that they can provide the depth and breadth of services required to promote and sustain high rates of economic growth and development...

14. We welcome the recommendations of our Labour and Employment Ministers, who met in April 2010, on the employment impacts of the **global economic crisis**. We reaffirm our commitment to achieving strong job growth and providing social protection to our most vulnerable citizens...

15. We are committed to narrowing the development gap and that we must consider the impact of our policy actions on low-income countries... The **crisis** will have long lasting impact on the development trajectories of poor countries in every region of the world...

Annex II: Financial Sector Reform

1. The **financial crisis** has imposed huge costs. This must not be allowed to happen again. The recent financial volatility has strengthened our resolve to work together to complete financial repair and reform. We need to build a more resilient **financial system** that serves the needs of our economies, reduces moral hazard, limits the build-up of systemic risk and supports strong and stable economic growth.

2. Collectively we have made considerable progress toward strengthening the **global financial system** by fortifying prudential oversight, improving risk management,

promoting transparency and continuously reinforcing international cooperation. We welcome the strong **financial regulatory** reform bill in the United States.

3. ... More work is required to restore the soundness and enhance the transparency of banks' balance sheets and markets; and improve the corporate governance and risk management of financial firms in order to strengthen the **global financial system** and restore the credit needed to fuel sustainable economic growth. We welcome the decision of EU leaders to publish the results of ongoing tests on European banks to reassure markets of the resilience and transparency of the European **banking system**.

Capital and Liquidity

5. We agreed that the core of the financial sector reform agenda rests on improving the strength of capital and **liquidity** and discouraging excessive **leverage**. We agreed to increase the quality, quantity, and international consistency of capital, to strengthen **liquidity** standards, to discourage excessive **leverage** and risk taking, and reduce procyclicality.

6. We took stock of the progress of the Basel Committee on Banking Supervision (BCBS) towards a new global regime for bank capital and **liquidity** and we welcome and support its work. Substantial progress has been made on reforms that will materially raise levels of **resilience of our banking systems**.

7. We support reaching agreement, at the time of the Seoul Summit, on a new capital framework that would raise capital requirements by:

- establishing a new requirement that each bank hold in Tier 1 capital, at a minimum, an increasing share of common equity, after deductions, measured as a percentage of risk-weighted assets, that enables them to withstand with going concern fully-loss-absorbing capital — without extraordinary government support — stresses of a magnitude associated with the recent **financial crisis**.

10. We reiterated support for the introduction of a **leverage** ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to Pillar I treatment after an appropriate transition period based on appropriate review and calibration. To ensure comparability, the details of the **leverage** ratio will be harmonized internationally, fully adjusting for differences in accounting.

11. We acknowledged the importance of the quantitative impact study currently being conducted by the BCBS that measures the potential impact of the new Basel standards and will ensure that the new capital and **liquidity** standards are of high quality and adequately calibrated. The BCBS- FSB macroeconomic impact study will inform the development of the phase-in period of the new standards.

13. We support the BCBS' work to consider the role of contingent capital in strengthening market discipline and helping to bring about a **financial system** where the private sector fully bears the losses on their investments. Consideration of contingent capital should be included as part of the 2010 reform package.

14. We called upon the FSB and the BCBS to report on progress of the full package of reform measures by the Seoul Summit. We recognize the critical role of the financial sector in driving a robust economy. We are committed to design a **financial system** which is resilient, stable and ensures the continued availability of credit.

More Intensive Supervision

Resolution of Financial institutions

16. We are following through on our commitment to reduce moral hazard in the **financial system**. We are committed to design and implement a system where we have the powers and tools to restructure or resolve all types of **financial institutions in crisis**, without taxpayers ultimately bearing the burden. These powers should facilitate “going concern” capital and **liquidity** restructuring as well as “gone concern” restructuring and wind-down measures. We endorsed and have committed to implement our domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010. In this regard, we support changes to national resolution and **insolvency** processes and laws where needed to provide the relevant national authorities with the capacity to cooperate and coordinate resolution actions across borders.

Addressing Systemically Important Financial Institutions

18. We welcomed the FSB’s interim report on reducing the moral hazard risks posed by systemically important financial institutions...This should include more intensive supervision along with consideration of **financial instruments** and mechanisms to encourage market discipline, including contingent capital, bail-in options, surcharges, levies, structural constraints, and methods to haircut unsecured creditors.

19. We welcomed the substantial progress that has been made regarding the development of supervisory colleges and **crisis management** groups for the major complex financial institutions identified by the FSB.

Financial Sector Responsibility

21. We agreed the financial sector should make a fair and substantial contribution towards paying for any burdens associated with government interventions, where they occur, to repair the **financial system** or fund resolution.

22. To that end, we recognized that there is a range of policy approaches... We agreed the range of approaches would follow these principles:

- Reduce risks from the **financial system**;

Financial Market Infrastructure and Scope of Regulation

24. We agreed on the need to strengthen financial market infrastructure in order to reduce systemic risk, improve market efficiency, transparency and integrity. Global action is important to minimize **regulatory arbitrage**, promote a level playing field, and foster the widespread application of the principles of propriety, integrity, and transparency.

25. We pledged to work in a coordinated manner to accelerate the implementation of over-the-counter (OTC) **derivatives regulation** and supervision and to increase transparency and standardization...

26. We committed to accelerate the implementation of strong measures to improve transparency and regulatory oversight of **hedge funds**, credit rating agencies and over-the-counter derivatives in an internationally consistent and non-discriminatory way...

28. We acknowledged the significant work of the International Organization of Securities Commission (IOSCO) to facilitate the exchange of information amongst regulators and supervisors, as well as IOSCO's principles regarding the oversight of **hedge funds** aimed at addressing related regulatory and systemic risks.

Assessment and Peer Review

32. We pledged to support robust and transparent independent international assessment and peer review of our **financial systems** through the IMF and World Bank's Financial Sector Assessment Program and the FSB peer review process. The mutual dependence and integrated nature of our **financial system** requires that we all live up to our commitments. Weak **financial systems** in some countries pose a threat to the stability of the international **financial system**. International assessment and peer review are fundamental in making the financial sector safer for all.

34. We called upon the FSB to expand upon and formalize its outreach activities beyond the membership of the G20 to reflect the global nature of our **financial system**. We recognized the prominent role of the FSB, along with other important organizations including, the IMF and World Bank. These organizations, along with other international standard setters and supervisory authorities, play a central role to the health and well-being of our financial system.

Annex III: Enhancing the Legitimacy, Credibility and Effectiveness of the IFIs and Further Supporting the Needs of the Most vulnerable

1. The **global economic and financial crisis** has demonstrated the value of the International Financial Institutions (IFIs) as instruments for coordinating multilateral action. These institutions were on the front-line in responding to the **crisis**, mobilizing \$985 billion in critical financing. In addition, the international community and the IFIs mobilized over \$250 billion in trade finance.

2. The **crisis** also demonstrated the importance of delivering further reforms. As key platforms for our cooperation, we are committed to strengthening the legitimacy, credibility and effectiveness of the IFIs, to ensure that they are capable of helping us **maintain global financial and economic stability** and supporting the growth and development of all their members.

MDB Financing

4. Since the start of the **global financial crisis**, the MDBs have been playing an important role in the global response by exceeding our London commitment, in providing

\$235 billion in lending, more than half of which has come from the World Bank Group. At a time when private sector sources of finance were diminished, this lending was critical to global stabilization. Now more than ever, the MDBs are key development partners for many countries.

IMF Reforms

13. We are committed to strengthening the legitimacy, credibility and effectiveness of the IMF to ensure it succeeds in carrying out its mandate. Important actions have been taken by the G20 and the international community since the onset of the **crisis**, including the mobilization of \$750 billion to support IMF members' needs for **crisis financing**. The IMF raised \$250 billion in new resources through immediate bilateral loans and note purchase agreements, to be subsequently incorporated into a \$500 billion expansion of the New Arrangements to Borrow (NAB). The IMF also implemented a \$250 billion new general allocation of SDRs to bolster the foreign exchange reserves of all members. Along with important surveillance and lending reforms, including a new early-warning exercise and the creation of new precautionary instruments such as the Flexible Credit Line, these actions have significantly increased the IMF's **crisis** response capacity. However, important work remains to be completed to fully reform the IMF.

18. We acknowledged a need for national, regional and international efforts to deal with capital flow volatility, financial fragility, and prevent **crisis contagion**. We task our Finance Ministers and Central Bank Governors to prepare policy options, based on sound incentives, to strengthen global financial safety nets for our consideration at the Seoul Summit. In line with these efforts, we also call on the IMF to make rapid progress in reviewing its lending instruments, with a view to further reforming them as appropriate. In parallel, IMF surveillance should be enhanced to focus on systemic risks and vulnerabilities wherever they may lie. Our goal is to build a more stable and resilient international monetary system.

Further Supporting the Needs of the Most Vulnerable

19. We have made significant progress in supporting the poorest countries during the **crisis** and must continue to take measures to assist the most vulnerable and must ensure that the poorest countries benefit from our efforts to restore global growth...

Principles for Innovative Financial Inclusion

Innovation: Promote technological and institutional innovation as a means to expand **financial system** access and usage, including by addressing infrastructure weaknesses.

2010: Seoul, November 11-12

The G20 Seoul Summit Leaders' Declaration

8. Since 2008, a common view of the challenges of the world economy, the necessary responses and our determination to resist protectionism has enabled us to both address the root causes of the **crisis** and safeguard the recovery. We are agreed today to develop our

common view to meet these new challenges and a path to strong, sustainable and balanced growth beyond the **crisis**.

9. Today, the Seoul Summit delivers:

- the Seoul Action Plan composed of comprehensive, cooperative and country-specific policy actions to move closer to our shared objective. The Plan includes our commitment to:
 - undertake macroeconomic policies, including fiscal consolidation where necessary, to ensure ongoing recovery and sustainable growth and **enhance the stability of financial markets**...
- a modernized IMF that better reflects the changes in the world economy through greater representation of dynamic emerging markets and developing countries. These comprehensive quota and governance reforms, as outlined in the Seoul Summit Document, will enhance the IMF's legitimacy, credibility and effectiveness, making it an even stronger institution for **promoting global financial stability** and growth.
- core elements of a new financial **regulatory framework**, including bank capital and **liquidity standards**, as well as measures to better **regulate** and effectively resolve systemically important financial institutions, complemented by more effective oversight and supervision...

11. Building on our achievements to date, we have agreed to work further on macro-prudential policy frameworks; better reflect the perspective of emerging market economies in **financial regulatory reforms; strengthen regulation** and oversight of shadow banking; further work on **regulation and supervision of commodity derivatives markets**; improve market integrity and efficiency; enhance consumer protection; pursue all outstanding governance reform issues at the IMF and World Bank; and build a more stable and resilient international monetary system, including by further strengthening global financial safety nets. We will also expand our MAP based on the indicative guidelines to be agreed.

13. To provide broader, forward-looking leadership in the post-**crisis** economy, we will also continue our work to prevent and tackle corruption through our Anti-Corruption Action Plan; rationalize and phase-out over the medium term inefficient fossil fuel subsidies; mitigate excessive fossil fuel price volatility; safeguard the global marine environment; and combat the challenges of global climate change.

17. The actions agreed today will help to further strengthen the global economy, accelerate job creation, ensure more stable financial markets, narrow the development gap and promote broadly shared growth beyond **crisis**.

The Seoul Summit Document

The Seoul Action Plan

2. Since then, we have made important progress through our country-led, consultative Mutual Assessment Process (MAP) of the Framework:

- Strong measures have been adopted and are being implemented to safeguard the **stability** of our **financial system**;

8. Fiscal Policies: Advanced economies will formulate and implement clear, credible, ambitious and growth-friendly medium-term fiscal consolidation plans in line with the Toronto commitment, differentiated according to national circumstances. We are mindful of the risk of synchronized adjustment on the global recovery and of the risk that failure to implement consolidation, where immediately necessary, would undermine **confidence** and growth.

9. Financial Reforms: We are committed to take action at the national and international level to raise standards, and ensure that our national authorities implement global standards developed to date, consistently, in a way that ensures a level playing field, a race to the top and avoids fragmentation of markets, protectionism and **regulatory arbitrage**. In particular, we will implement fully the new bank capital and **liquidity** standards and address too-big-to-fail problems. We agreed to further work on **financial regulatory reforms**.

International Financial Institution Reforms

14. When the world was in the middle of the **global financial crisis**, we met and agreed to provide the IFIs with the resources they needed to support the global economy. With our agreements to increase their resources substantially and endorse new lending instruments, the IFIs mobilized critical financing, including more than \$750 billion by the IMF and \$235 billion by the Multilateral Development Banks (MDBs). Financial markets stabilized and the global economy started to recover. Even in the midst of the **crisis**, we knew that further reforms of the IFIs were required.

15. We committed to modernize the institutions fundamentally so that they better reflect changes in the world economy and can more effectively play their roles **in promoting global financial stability**, fostering development and improving the lives of the poorest. In June 2010, we welcomed the reforms to increase the voting power of developing and transition countries at the World Bank. We also remained committed to strengthening the legitimacy, credibility and effectiveness of the IMF through quota and governance reforms.

Modernized IMF governance

18. When combined with the already agreed voice reform of the World Bank, these represent significant achievements in modernizing our key IFIs. They will be even stronger players in **promoting global financial stability** and growth. We asked our Finance Ministers and Central Bank Governors to continue to pursue all outstanding governance reform issues at the World Bank and the IMF.

Surveillance

20. IMF surveillance should be enhanced to focus on **systemic risks and vulnerabilities** wherever they may lie. To this extent, we welcome the decision made by the IMF to make **financial stability assessments** under the Financial Sector Assessment Program (FSAP) a regular and mandatory part of Article IV consultation for members with systemically important financial sectors. We call on the IMF to make further progress in

modernizing the IMF's surveillance mandate and modalities. These should involve, in particular: strengthening bilateral and multilateral work on surveillance **covering financial stability**, macroeconomic, structural and exchange rate policies, with increased focus on systemic issues; enhancing synergies between surveillance tools; helping members to strengthen their surveillance capacity; and ensuring even-handedness, candor, and independence of surveillance. We welcome the IMF's work to conduct spillover assessments of the wider impact of systemic economies' policies.

Strengthened global financial safety nets

22. As the global economy became more interconnected and integrated, the size and volatility of capital flows increased significantly. The increased volatility was a source of **instability during the financial crisis. It even adversely** affected countries with solid fundamentals and the effects were greater on those with more open economies. These problems persist. Current volatility of capital flows is reflecting the differing speed of recovery between advanced and emerging market economies. National, regional and multilateral responses are required. **Strengthened global financial safety nets** can help countries to cope with **financial volatility**, reducing the economic disruption from sudden swings in capital flows and the perceived need for excessive reserve accumulation.

24. We welcome the following achievements from our mandate:

- The creation of the Precautionary Credit Line (PCL) as a new preventative tool. The PCL allows countries with sound fundamentals and policies, but **moderate vulnerabilities**, to benefit from the IMF's precautionary **liquidity** provision.

25. ...We asked our Finance Ministers and Central Bank Governors to explore, with input from the IMF:

B. Ways to improve collaboration between RFAs and the IMF across all possible areas and enhance the capability of RFAs for **crisis prevention**, while recognizing region-specific circumstances and characteristics of each RFA.

26. Our goal is to build a more stable and resilient international monetary system. While the international monetary system has proved resilient, tensions and **vulnerabilities** are clearly apparent. We agreed to explore ways to further improve the international monetary system to ensure systemic **stability in the global economy**. We asked the IMF to deepen its work on all aspects of the international monetary system, including capital flow volatility. We look forward to reviewing further analysis and proposals over the next year.

Financial Sector Reforms

27. The global **financial system** came to a sudden halt in 2008 as a result of reckless and irresponsible risk taking by banks and other financial institutions, combined with major failures of **regulation and supervision**. While our initial priority was to move quickly to stabilize financial markets and restore the global flow of capital, we never lost sight of the need to address the root causes of the **crisis**. We took our first step at the Washington

Summit, where we developed the Action Plan to Implement Principles for Reform. Since then, we built on the progress made in London, Pittsburgh, and Toronto, and together, took major strides toward fixing the **financial system** with the support from the international organizations, particularly the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS).

Transformed financial system to address the root causes of the crisis

28. Today, we have delivered core elements of the new **financial regulatory framework** to transform the **global financial system**.

29. We endorsed the landmark agreement reached by the BCBS on the new bank capital and **liquidity framework**, which increases the resilience of the **global banking system** by raising the quality, quantity and international consistency of bank capital and **liquidity**, constrains the build-up of **leverage** and maturity mismatches, and introduces capital buffers above the minimum requirements that can be drawn upon in bad times. The framework includes an internationally harmonized **leverage** ratio to serve as a backstop to the **risk-based capital measures**. With this, we have achieved far-reaching reform of the **global banking system**. The new standards will markedly reduce banks' incentive to take excessive risks, lower the likelihood and severity of future **crises**, and enable banks to withstand without extraordinary government support stresses of a magnitude associated with the recent **financial crisis**. This will result in a **banking system** that can better support stable economic growth. We are committed to adopt and implement fully these standards within the agreed timeframe that is consistent with economic **recovery and financial stability**. The new framework will be translated into our national laws and **regulations**, and will be implemented starting on January 1, 2013 and fully phased in by January 1, 2019.

30. We reaffirmed our view that no firm should be too big or too complicated to fail and that taxpayers should not bear the costs of resolution...This requires a multi-pronged framework combining: a resolution framework and other measures to ensure that all financial institutions can be resolved safely, quickly and without destabilizing the **financial system** and exposing the taxpayers to the risk of loss; a requirement that SIFIs and initially in particular financial institutions that are globally systemic (G-SIFIs) should have higher loss absorbency capacity to reflect the greater risk that the failure of these firms poses to the **global financial system**; more intensive supervisory oversight; robust core financial market infrastructure to reduce contagion risk from individual failures; and other supplementary prudential and other requirements as determined by the national authorities which may include, in some circumstances, **liquidity** surcharges, tighter large exposure restrictions, levies and structural measures. In the context of loss absorbency, we encourage further progress on the feasibility of contingent capital and other instruments. We encouraged the FSB, BCBS and other relevant bodies to complete their remaining work in accordance with the endorsed work processes and timelines in 2011 and 2012.

31. In addition, we agreed that G-SIFIs should be subject to a sustained process of mandatory international recovery and resolution planning. We agreed to conduct rigorous

risk assessment on these firms through international supervisory colleges and negotiate institution-specific **crisis cooperation agreements** within **crisis management groups**. Regular peer reviews will be conducted by the FSB on the effectiveness and consistency of national policy measures for these firms.

33. Delivering on our commitment in Toronto, we endorsed the policy recommendations prepared by the FSB in consultation with the IMF, on **increasing supervisory intensity** and effectiveness. We reaffirmed that the new **financial regulatory framework** must be complemented with more effective oversight and supervision. We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention.

Implementation and international assessment, including peer review

34. But our reform efforts are an ongoing process. It is essential that we fully implement the new standards and principles, in a way that ensures a level playing field, a race to the top and avoids fragmentation of markets, protectionism and **regulatory arbitrage**. We recognized different national starting points.

37. We also firmly recommitted to work in an internationally consistent and nondiscriminatory manner to strengthen **regulation and supervision on hedge funds**, OTC derivatives and credit rating agencies...

39. In addition, we reiterated our commitment to preventing non-cooperative jurisdictions from posing risks to the **global financial system** and welcomed the ongoing efforts by the FSB, Global Forum on Tax Transparency and Exchange of Information (Global Forum), and the Financial Action Task Force (FATF), based on comprehensive, consistent and transparent assessment. We reached agreement on...

40. We reaffirmed the FSB's role in coordinating at the international level the work of national financial authorities and international standard setting bodies in developing and promoting the implementation of **effective regulatory, supervisory and other financial sector policies** in the interest of **global financial stability**. We asked the FSB to bring forward for review by Finance Ministers and Central Bank Governors well before our next meeting in 2011 proposals to strengthen its capacity, resources and governance to keep pace with growing demands. We welcomed the FSB's outreach. We endorsed the establishment of regional consultative groups. We welcomed the FSB report on progress in the implementation of G20 recommendations for strengthening **financial stability** and look forward to another progress report at our next meeting.

Future work: Issues that warrant more attention

41. While we have made significant progress in a number of areas, there still remain some issues that warrant more attention:

- Addressing regulatory reform issues pertaining specifically to emerging market and developing economies: We agreed to work on **financial stability** issues that are of

particular interest to emerging market and developing economies, and called on the FSB, IMF and World Bank to develop and report before the next Summit.

- Strengthening **regulation and supervision of shadow banking**: With the completion of the new standards for banks, there is a potential that **regulatory** gaps may emerge in the shadow **banking system**. Therefore, we called on the FSB to work in collaboration with other international standard setting bodies to develop recommendations to **strengthen the regulation and oversight** of the shadow **banking system** by mid-2011.
- Further work on **regulation and supervision of commodity derivative markets**: We called especially on IOSCO's taskforce on commodity futures markets to report to the FSB for consideration of next steps in April 2011 on its important work.
- Improving market integrity and efficiency: We called on IOSCO to develop by June 2011 and report to the FSB recommendations to promote markets' integrity and efficiency to mitigate the risks posed to the **financial system** by the latest technological developments.

Fighting Protectionism and Promoting Trade and Investment

44. We strongly believe that trade can be an effective tool for reducing poverty and enhancing economic growth in developing countries, LICs in particular...In this respect, we also agree to monitor and assess trade finance programs in support of developing countries, in particular their coverage and impact on LICs, and to evaluate the impact of **regulatory regimes on trade finance**.

Seoul Development Consensus for Shared Growth

46. **The crisis** disproportionately affected the most vulnerable in the poorest countries and slowed progress toward achievement of the Millennium Development Goals (MDGs). As the premier economic forum, we recognize the need to strengthen and **leverage** our development efforts to address such challenges.

Fossil Fuel Price Volatility

63. Welcoming the June and November 2010 IOSCO reports, we ask IOSCO to further monitor developments in the oil OTC markets and report to the FSB for consideration of next steps, for improved **regulation** and enhanced transparency of **the oil financial market** in April 2011 by Finance Ministers and other relevant Ministers, informed by the work of the Energy Experts Group. We ask the Energy Experts Group to extend its work on volatility to other fossil fuels as a second step.

Anti-Corruption

70. In this regard, we will lead by example in key areas as detailed in the Anti-Corruption Action Plan, including: to accede or ratify and effectively implement the UN Convention against Corruption and promote a transparent and inclusive review process; adopt and enforce laws against the bribery of foreign public officials; prevent access of corrupt officials to the **global financial system**; consider a cooperative framework for the denial of entry to corrupt officials, extradition, and asset recovery; protect whistleblowers; safeguard anticorruption bodies. We are also committed to undertake a dedicated effort to encourage public-private partnerships to tackle corruption and to engage the private

sector in the fight against corruption, with a view to promoting propriety, integrity and transparency in the conduct of business affairs, as well as in the public sector.

Annex I: Seoul Development Consensus for Shared Growth

Why Growth Must Be Shared

...We recognize as a crucial part of this exercise that we need to enhance the role of developing countries and low income countries (LICs) in particular, for the following reasons:

- Second, because we acknowledge that the impact of the **recent crisis** demonstrated a global interconnectedness that is disproportionately affecting the most vulnerable in the poorest countries. It has been estimated that, as a result of the recent **crisis**, an additional 64 million people will be living in extreme poverty (i.e., living on less than USD 1.25 a day) by the end of 2010. We therefore have a responsibility to fulfill.

4. Private sector participation. Promote private sector involvement and innovation, recognizing the unique role of the private sector as a rich source of development knowledge, technology and job creation. Encourage specific ways to stimulate and **leverage** the flows of private capital for development, including by reducing risks and improving the investment climate and market size.

Annex II: Multi-Year Action Plan on Development

Infrastructure

Action 1: Develop Comprehensive Infrastructure Action Plans

Improving the domestic infrastructure investment climate

- Working with LICs on a demand driven basis, assess and diagnose institutional, **regulatory**, policy, and public sector capacity bottlenecks in LICs that hamper public, semi-public and private investment in infrastructure and assist LICs in developing action plans within the context of national development goals and strategies to...

Special measures for regional integration

- Identify and make recommendations with respect to specific institutional, **regulatory and policy changes** needed for national policies and regional architecture to respond to the physical and economic needs of regional projects (*November 2011*);

Action 2: Establish a G20 High-Level Panel for Infrastructure Investment

Composition

- Approximately 12 members will be appointed in a non-executive capacity for their expertise and authority in developing country public infrastructure investment needs, public finance and economics, constraints in LICs, sovereign wealth fund investment criteria, public private partnerships, project finance, innovative finance, and **risk management** (*February 2011; December 2010 for appointment of Chair*); and

Private Investment and Job Creation

...Recognizing the centrality of private investment to development and job creation, we will support and assist investors, developing countries and key development partners, such as the International Finance Corporation and International Development

Association, in their work to better **leverage** and maximize the economic value-added of private investment and to create globally competitive industries...

Action: Support Responsible Value-Adding Private Investment and Job Creation

- The G20, MDBs, UNCTAD, UNDP, ILP and OECD will, based on the outcomes of this and other work, assist developing countries, in particular LICs, to develop action plans with the view to strengthen financial markets to boost small and medium enterprises (SMEs), improve the business investment climate, maximize the value-added of private investment and support the **regulatory framework** for foreign and domestic investment. Existing international investment arrangements between G20 countries and LICs will be strengthened to promote investment in LICs. *(June 2012)*

Growth and Resilience

*Social protection systems and international remittances, together with improved access to financial services, play an important role in providing income security for poor communities in developing countries, and in particular LICs, providing buffers to those communities from the impact of external shocks and contributing to the maintenance and enhancement of aggregate demand. Lessons can be learned from the performance of specific social protection mechanisms in developing countries during the **recent crisis**, and applied for the benefit of LICs, including through South-South cooperation. Measures can also be taken to facilitate and increase the efficiency of international remittances, building on existing work in this area.*

Action I: Support Developing Countries to Strengthen and Enhance Social Protection Programs

Recognizing the **vulnerabilities** exposed by the **global financial crisis**, we call upon the UNDP, in consultation with the ILO, MDBs and other relevant international organizations, to:

- Identify lessons learned from the implementation of social protection mechanisms in developing countries, in particular LICs, during and after the **crisis**;

Annex III: G20 Anti-Corruption Action Plan

3. To prevent corrupt officials from accessing the **global financial system** and from laundering their proceeds of corruption, we call upon the G20 to further strengthen its effort to prevent and combat money laundering, and invite the Financial Action Task Force (FATF) to continue to emphasize the anti-corruption agenda as we urged in Pittsburgh and report back to us in France on its work to: continue to identify and engage those jurisdictions with strategic Anti-Money Laundering/Counter-Financing of Terrorism (AML/CFT) deficiencies; and update and implement the FATF standards calling for transparency of cross-border wires, beneficial ownership, customer due diligence, and due diligence for “politically exposed persons”.

2011: Cannes, November 3-4

Final Declaration: Building Our Common Future: Renewed Collective Action for the Benefit of All

Reflecting the changing economic equilibrium and the emergence of new international currencies

12. ...We are determined to act on our commitments to exchange rate reform articulated in our Action plan for Growth and Jobs to **address short term vulnerabilities, restore financial stability** and strengthen the medium-term foundations for growth. Our actions will help address the challenges created by developments in **global liquidity and capital flows volatility**, thus facilitating further progress on exchange rate reforms and reducing excessive accumulation of reserves.

Strengthening our capacity to cope with crises

14. ...We agreed to continue these efforts to this end. We recognize that central banks play a major role in **addressing liquidity shocks** at a global and regional level, as shown by the recent improvements in regional swap lines such as in East Asia. We agreed on common principles for cooperation between the IMF and Regional Financial Arrangements, which will strengthen **crisis prevention and resolution efforts**.

15. As a contribution to this structured approach and building on existing instruments and facilities, we support the IMF in putting forward the new Precautionary and Liquidity Line (PLL). This would enable the provision, on a case by case basis, of increased and more flexible short-term liquidity to countries with strong policies and fundamentals **facing exogenous, including systemic, shocks....**

16. We welcome the euro area's comprehensive plan and urge rapid elaboration and implementation, including of country reforms. We welcome the euro area's determination to bring its full resources and entire institutional capacity to bear in **restoring confidence and financial stability**, and in ensuring the proper functioning of money and financial markets.

Strengthening IMF surveillance

18. We call on the IMF to make further progress towards a more integrated, even-handed and effective IMF surveillance, taking into account the Independent Evaluation Office report on surveillance, covering in particular **financial sector**, fiscal, monetary, exchange rate policies and an enhanced analysis of their **impact on external stability**. ...

Implementing and deepening Financial sector reforms

22. We are determined to fulfill the commitment we made in Washington in November 2008 to ensure that all **financial markets, products and participants are regulated or subject to oversight** as appropriate to their circumstances in an internationally consistent and non-discriminatory way.

Meeting our commitments notably on banks, OTC derivatives, compensation practices and credit rating agencies, and intensifying our monitoring to track deficiencies

23. We are committed to improve banks' **resilience to financial and economic shocks**. Building on progress made to date, we call on jurisdictions to meet their commitment to implement fully and consistently the Basel II risk-based framework as well as the Basel II-5 additional

requirements on market activities and securitization by end 2011 and the Basel III capital and liquidity standards, while respecting observation periods and review clauses, starting in 2013 and completing full implementation by 1 January 2019.

24. Reforming the over the counter derivatives markets is crucial to build a **more resilient financial system**. ...

27. We agree to intensify our monitoring of **financial regulatory reforms**, report on our progress and track our deficiencies. To do so, we endorse the FSB coordination framework for implementation monitoring, notably on key areas such as the **Basel capital and liquidity frameworks**, OTC derivatives reforms, compensation practices, G-SIFI policies, resolution frameworks, and **shadow banking**. This work will build on the monitoring activities conducted by standard setting bodies to the extent possible. We stress the need to report the results of this monitoring to the public including on an annual basis through a traffic lights scoreboard prepared by the FSB. We welcome its first publication today and commit to take all necessary actions to progress in the areas where deficiencies have been identified.

Filling in the gaps in the regulation and supervision of the financial sector

30. Bank-like activities. **The shadow banking system** can create opportunities for **regulatory arbitrage** and cause the build-up of systemic risk outside the scope of the regulated banking sector. To this end, we agree to strengthen the regulation and oversight of the shadow banking system and endorse the FSB initial eleven recommendations with a work-plan to further develop them in the course of 2012, building on a balanced approach between indirect regulation of shadow banking through banks and direct regulation of shadow banking activities, including money markets funds, securitization, securities lending and repo activities, and other shadow banking entities. We ask Finance Ministers and Central Bank Governors to review the progress made in this area at their April meeting.

31. Markets. We must ensure that markets serve efficient allocation of investments and savings in our economies and **do not pose risks to financial stability**. To this end, we commit to implement initial recommendations by IOSCO on market integrity and efficiency, including measures to address the **risks posed by high frequency trading and dark liquidity**, and call for further work by mid-2012. We also call on IOSCO to assess the functioning of credit default swap (CDS) markets and the role of those markets in price formation of underlying assets by our next Summit. We support the creation of a global legal entity identifier (LEI) which uniquely identifies parties to financial transactions....

33. Consumer protection. We agree that integration of financial consumer protection policies into regulatory and supervisory frameworks **contributes to strengthening financial stability**, endorse the FSB report on consumer finance protection and the high level principles on financial consumer protection prepared by the OECD together with the FSB

34. Other regulatory issues. We are developing macro-prudential policy frameworks and tools to **limit the build-up of risks in the financial sector**, building on the ongoing work of the FSB-BIS-IMF on this subject...

35. We are committed to protect our public finances and the **global financial system from the risks** posed by tax havens and non cooperative jurisdictions. The damage caused is particularly important for the least developed countries. Today we reviewed progress made in the three following areas:...

Communique: G20 Leaders Summit

A global strategy for growth and jobs

5. We have agreed on an Action plan for Growth and Jobs to address **short term vulnerabilities** and strengthen medium-term foundations for growth.

6. We are determined to strengthen the social dimension of globalization. We firmly believe that employment and social inclusion must be at the heart of our actions and policies to **restore growth and confidence**...

Towards a more stable and resilient International Monetary System

11. We welcome the euro area's comprehensive plan and urge rapid elaboration and implementation, including of country reforms. We welcome the euro area's determination to bring its full resources and entire institutional capacity to bear in **restoring confidence and financial stability**, and in ensuring the proper functioning of money and **financial markets**.

Reforming the financial sector and enhancing market integrity

12. In Washington in 2008, we committed to ensure that **all financial markets, products and participants are regulated or subject to oversight**, as appropriate. We will implement our commitments and pursue the **reform of the financial system**.

14. We have decided to develop the **regulation and oversight of shadow banking**. We will develop further our regulation on market integrity and efficiency, including **addressing the risks posed by high frequency trading and dark liquidity**. We have tasked IOSCO to assess the functioning of Credit Default Swaps markets. We have agreed on principles to protect financial services consumers.

15. We will not allow a return to **pre-crisis behaviours in the financial sector** and we will strictly monitor the implementation of our commitments regarding banks, OTC markets and compensation practices.

Avoiding protectionism and strengthening the multilateral trading system

23. We stand by the Doha Development Agenda (DDA) mandate. However, it is clear that we will not complete the DDA if we continue to conduct negotiations as we have in the past. We recognize the progress achieved so far. **To contribute to confidence**, we need to pursue in 2012 fresh, credible approaches to furthering negotiations, including the issues of concern for Least Developed Countries and, where they can bear fruit, the remaining elements of the DDA mandate....

Cannes Action Plan for Jobs and Growth

The global economy has entered a new and difficult phase. Global growth has weakened, **downside risks have heightened, and confidence has waned**. Uncertainty over the sustainability of public debt levels in some advanced economies has increased, and the rebalancing in demand from the public to the private sector and from the external to the domestic sector has not materialized.

- In Europe, sovereign debt risks in some countries have generated a difficult dynamic of rising interest costs and **stresses in the banking system, which are now weighing on confidence** and real activity in the euro area. Growth in the euro area is now projected to be weaker and unemployment higher.
- In emerging markets, there are also clear signs of a slowing in growth as developments in advanced economies begin to weigh on these countries. In some emerging market economies, **financial stability and overheating risks remain**. The lack of exchange rate flexibility in some countries limits policy options to deal with these risks.

We are firmly committed to support the recovery, **ensure financial stability and restore confidence**. Only through collective actions on all of these fronts will we move closer to stronger, more sustainable and balanced growth....

Addressing Short-Term Vulnerabilities and Restoring Financial Stability

We have agreed on a plan to sustain the near-term recovery, promote growth and **restore financial stability** in a manner that complements our medium-term reforms:

1. We commit 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 continue to stand ready to provide liquidity to banks as required.

b) Advanced countries, 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, including as set out in the country specific commitments below.

5. In all policy areas, we commit to minimize the negative spillovers on other countries of policies implemented for domestic purposes. We reaffirm 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.

Strengthening the Medium-Term Foundations for Growth

We have agreed that the actions to address immediate risks to recovery must be complemented by sustained, broad-based **reforms to boost confidence**, raise global output and create jobs.

We have agreed to a six-point plan to strengthen the medium-term foundations for growth: (1) commitments to fiscal consolidation; (2) commitments to boost private demand in countries with current account surpluses, and, where appropriate, to rotate demand from the public to the private sector in countries with current account deficits; (3) structural reforms to raise growth and enhance job creation across G20 members; (4) **reforms to strengthen national/global financial systems**; (5) measures to promote open trade and investment, rejecting protectionism in all its forms; and (6) actions to promote development.

4. We commit to the full and timely implementation of the **financial sector reform agenda** agreed up through Seoul, including: implementing Basel II, II.5 and III along the agreed timelines; more intensive supervisory effort; clearing and trading obligations for OTC derivatives; standards and principles for sounder compensation practices, achieving a single set of high quality global accounting standards; a comprehensive framework to address the risks posed by systemically important financial institutions; and, strengthened regulation and oversight of shadow banking. We endorsed the joint IMF/WB/FSB report on financial stability issues in emerging markets and developing economies.

We ask our Finance Ministers to work closely together in the coming months to **address vulnerabilities and sustain recovery**.