Communiqué

G20 Finance Ministers and Central Bank Governors Meeting

9-10 February 2015, Istanbul

1. We welcome the favorable outlook for growth and employment in some key economies. However, growth in the global economy remains uneven and although the recovery is in progress, it is slow, especially in some advanced economies, notably the euro area and Japan. Some emerging market economies are slowing down with significant variations across countries and regions, while the growth outlook for low-income developing countries continues to be strong, albeit with some moderation recently. In some countries, potential growth has declined, demand continues to be weak, the outlook for jobs is still bleak, and income inequality is rising. Furthermore, global trade growth continues to be low compared to its pre-crisis averages. Against this backdrop, we are determined to overcome these challenges and deliver on our Leaders' commitment to achieve our objective of strong, sustainable and balanced growth, and to create jobs and foster inclusiveness.

2. We note that the sharp decline in oil prices, reflecting both supply and demand factors, will provide some boost to global growth, but with varying implications across economies. In particular, the decline will increase the purchasing power of oil importing economies and will exert downward pressure on inflation, though temporarily. However, the outlook for oil prices remains uncertain. Therefore, we will continue to closely monitor developments in commodity markets and their impact on the global economy.

3. Prolonged low inflation alongside sluggish growth and protracted demand weaknesses in some advanced economies may increase the risk of persistent stagnation. Accordingly, we will continuously review our monetary and fiscal policy settings and act decisively, if needed.

4. We agree that consistent with central banks' mandates, current economic conditions require accommodative monetary policies in some economies. In this regard, we welcome that central banks take appropriate monetary policy action. The recent policy decision by the ECB aims at fulfilling its price stability mandate, and will further support the recovery in the euro area. We also note that some advanced economies with stronger growth prospects are moving closer to conditions that would allow for policy normalization. In an environment of diverging monetary policy settings and rising financial market volatility, policy settings should be carefully calibrated and clearly communicated to minimize negative spillovers.

5. Fiscal policy has an essential role in both building confidence and sustaining domestic demand. We will deliver our Leaders' agreement to implement fiscal policies flexibly to take into account near-term economic conditions, so as to support economic growth and job creation, while putting debt as a share of GDP on a sustainable path. In Cairns, we agreed to consider changes in the composition and quality of government expenditure and tax to enhance the contribution of our fiscal strategies to growth. We note, in this respect, that the fall in oil prices will provide some countries with an opportunity to reassess their fiscal policies. We note the actions of those countries that have used the current fall in oil prices to

further reduce inefficient fossil fuel subsidies in favor of investment and better targeted transfers.

6. We recognize the key role of the G20 in boosting confidence and reducing vulnerabilities through effective implementation and communication of macroeconomic and structural policies. To this end, we will continue to assess major risk scenarios in the global economy and remain vigilant. We recognize the role of sound macroeconomic policies, structural reforms and strong prudential frameworks to help address potential volatility of financial flows. We will also cooperate to manage spillovers arising from our domestic policies. We will stick to our previous exchange rate commitments and will resist protectionism.

7. In Brisbane, our Leaders announced comprehensive growth strategies to deliver on our Sydney growth ambition and help overcome the challenges we face towards achieving strong, sustainable and balanced growth. Our growth strategies include a substantial number of macroeconomic and structural reform commitments aiming to increase investment, lift employment and participation, enhance trade and promote competition, which are critical to enhancing the growth potential. We will review our strategies to ensure they remain appropriate in light of changing circumstances. We are committed to effective and timely implementation of our growth strategies to accomplish our goals, including those pertaining to reducing external imbalances. We will also strive to ensure that growth is inclusive, including through policies that address income inequality. Thus, we agreed to develop a robust framework to hold each other to account and monitor progress towards our collective growth ambition. While we remain committed to implement our entire growth strategies, we will consolidate our monitoring mechanism by mostly focusing on the key commitments that have the greatest impact on growth. We will present the first accountability report of the implementation of our growth strategies at the Antalya Summit.

8. We are committed to boosting investment in our countries via concrete and ambitious investment strategies that will also support our collective growth objective. These strategies will include a set of policy measures that further improves the business environment and facilitates financial intermediation. We will also call on the multilateral development banks to mobilize their resources and technical expertise, and optimize their balance sheets including for investments in infrastructure. We will continue to promote ways to improve the quality of public investment processes, increase the number of bankable projects and improve PPP models to attract further involvement by the private sector. We will also underline the policy measures for strengthening project planning to fulfill the infrastructure needs of low-income developing countries. We will put a special emphasis on improving the financing situation of and investment environment for SMEs. We are working to facilitate long-term financing from institutional investors and to encourage market sources of finance, including securitization. To promote infrastructure as an asset class, we will encourage an increasing role for new financial models including transparent asset-based financing structures. We look forward to early operationalization of the Global Infrastructure Hub that will contribute to delivering our objectives outlined in the Global Infrastructure Initiative including through developing a

knowledge sharing platform, addressing data gaps and developing a consolidated database of infrastructure projects.

9. We remain deeply disappointed with the continued delay in progressing the IMF quota and governance reforms agreed in 2010 and the 15th General Review of Quotas, including a new quota formula. Recognizing the importance of these reforms for the credibility, legitimacy and effectiveness of the IMF, we reaffirm that their earliest implementation remains our highest priority for the Fund. We continue to urge the United States to ratify the 2010 reforms as soon as possible. As requested by our Leaders in Brisbane, the IMF has initiated discussions on options for next steps. We agree that any option should constitute a meaningful interim step towards the full implementation of 2010 reforms and should not be viewed as a substitute. We call on the IMF to further its work on the options for discussions in April. We remain committed to maintaining a strong and quota-based IMF, with adequate resources to fulfill its systemic responsibilities. We look forward to the quinquennial SDR review by the IMF this year.

10. We have made significant progress in completing financial reform agenda and are committed to finalizing the remaining core elements this year. Critical steps remain to be taken especially in addressing the too-big-to-fail problem, notably finalizing the proposed common international standard on total-loss-absorbing-capacity for global systemically important banks by the Antalya Summit after the completion of rigorous quantitative impact assessment, including consequences on banks in emerging markets. We will finalize the methodology for identifying systemically important financial institutions beyond the banking and insurance sector by the end of 2015 and design policy measures to be applied thereafter. We recognize the importance of timely, full and consistent implementation of agreed reforms. In particular, we are committed to implementing the Key Attributes of Effective Resolution Regimes for all parts of the financial sector that could be systemic in the event of failure. We will enhance cross-border cooperation to enable regulations to be more effective, particularly in the areas of resolution and over-the-counter (OTC) derivatives markets reforms, where swift implementation is required. We encourage jurisdictions to defer to each other when it is justified in line with the St. Petersburg Declaration. We look forward to the FSB's annual report that will address the progress of implementation and effects of financial regulatory reforms. We call on the FSB to continue monitoring and addressing new and evolving financial risks, many of which may arise outside the banking system. In this regard, we will implement the updated shadow banking roadmap agreed in Brisbane to further improve the oversight and regulation of shadow banking, appropriate to the systemic risks posed to ensure resilient market based financing. We are concerned about market misconduct and the recent trend of financial institutions terminating and restricting business relationships with categories of customers. We will closely monitor these developments in view of their potential impact on financial inclusion and stability.

11. We reiterate our full support to the G20/OECD Base Erosion and Profit Shifting (BEPS) Project, showing our resolve to tackle cross-border tax avoidance by modernizing international tax rules. We will finalize the deliverables under the BEPS Action Plan by year-end. We endorse the mandate to develop a multilateral instrument to streamline the

implementation of the tax treaty-related BEPS measures. We also reaffirm our commitment to strengthen tax transparency to prevent cross-border evasion. With respect to the exchange of information on request, we urge all jurisdictions to fully comply with the Global Forum standards and join the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. We will work towards completing the necessary legislative procedures to begin the automatic exchange of information (AEoI) within the agreed timeframe. We look forward to the practical and full implementation of the new standard on a global scale and reiterate our commitment to making AEoI attainable by all countries, including all financial centers, and support the pilot projects. We welcome the direct engagement of developing countries in the BEPS Project ensuring that their concerns are addressed and acknowledge that their timing of application may differ from other countries. We will closely monitor progress in preparation of toolkits to assist developing countries in implementing the BEPS actions. We will continue to support developing countries in strengthening their capacity. We will implement the G20 High-Level Principles on Beneficial Ownership Transparency.

12. Considering the impact terrorist acts can have on our societies and economies, we commit to deepen our cooperation and urge all countries to speed-up their compliance with the relevant international standards, in particular, concerning the exchange of information and the freezing of terrorist assets.

13. We support achieving a successful outcome of the Third International Conference on Financing for Development, to be held in July 2015 in Addis Ababa, Ethiopia, towards the implementation of the post-2015 development agenda.

14. We welcome progress made by international organizations to assist affected countries in dealing with the economic impact of the Ebola crisis and enhancing risk management capacity for future global health emergencies. In particular, we welcome the IMF Catastrophe Containment and Relief Trust and the WBG’s progress made in developing Pandemic Emergency Facility.

Annex

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Reports Received

We welcome the delivery of the following reports ahead of the G20 Finance Ministers and Central Bank Governors meeting, February 2015:

IMF Surveillance Note, February 2015.

OECD Going for Growth Report, February 2015.

IMF Managing Director's Letter and Report to IMFC and G20, February 2015.

OECD Secretary-General Report to the G20 Finance Ministers and Central Bank Governors, February 2015.

Financial Reforms – Finishing the Post-Crisis Agenda and Moving Forward, Financial Stability Board Chair's Letter to G20 Finance Ministers and Central Bank Governors, February 2015.

G20/OECD Voluntary Aggregation Exercise Results of the Checklist on Long Term Investment Financing Strategies and Institutional Investors, OECD Progress Report to G20 Finance Ministers and Central Bank Governors, February 2015.

New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments, OECD Report to G20 Finance Ministers and Central Bank Governors, February 2015.

SME Debt Financing Beyond Bank Lending: the Role of Securitization, Bonds and Private Placements, OECD Report to G20 Finance Ministers and Central Bank Governors, February 2015.

Mapping Channels to Mobilize Institutional Investment in Sustainable Energy, OECD Report to G20 Finance Ministers and Central Bank Governors, February 2015.

Issues for Further Action

We ask the IMF, OECD and World Bank Group to work with us to identify from our growth strategies the subset of commitments that have the greatest impact on growth.

We ask the IMF and OECD to participate in a seminar during the 2nd Framework Working Group meeting, on the modeling methodology of our growth strategies.

We ask the OECD, together with other IOs, to assist us in analyzing G20 country-specific investment strategies, assisting in providing an aggregate ambition in fostering investment, including in infrastructure by the Antalya Summit.

We ask the IMF and the OECD, with input from the BIS and FSB, to assess whether further work is needed on their respective approaches to measures which are both macro-prudential and capital flow measures, taking into account their individual mandates, by our meeting in April. We look forward to the final report from the G20/OECD Task Force on Institutional

Investors and Long Term Financing on *the Checklist on Long Term Investment Financing Strategies and Institutional Investors* by our meeting in April.

We call on the OECD to discuss the draft revisions to its corporate governance principles in the G20/OECD High Level Roundtable on Corporate Governance to be held on 10 April 2015 in Istanbul and to submit the revised Principles together with a report on their use for SMEs' related analysis by our September meeting for transmission to the Summit.

We look forward to the IMF's note on asset-based financing, such as Sukuk, for infrastructure which will inter alia cover banking regulation and supervision, Sukuk market development and adapting monetary policy frameworks.

We ask the World Bank Group (WBG) for preparation of a voluntary toolkit for planning and prioritization of infrastructure projects and for strengthening of methodologies to identify and design infrastructure projects.

We call on the WBG to report on current efforts of countries to promote greater transparency in PPP transactions, along with a voluntary toolkit for increasing public awareness and understanding of PPP projects.

We ask the IMF to report back to us on the progress on the inclusion of the strengthened collective action and *pari passu* clauses in international sovereign bonds and the Fund's efforts in actively promoting their use. We will discuss the progress achieved on this, with a view to expand our understanding.

We ask the FSB, coordinating the inputs of the IMF, OECD, BIS, IOSCO and WBG to prepare a report by our meeting in September preceded by an interim report to the June Deputies meeting to examine the factors that shape the liability structure of corporates focusing on its implications for financial stability.

We ask the FSB to examine with the World Bank and other relevant bodies, the extent of withdrawal from correspondent banking and its implications for financial inclusion, as well as possible policy responses as needed.

We ask the FSB to work with CPMI, IOSCO and BCBS to develop and report to us in April a work plan for identifying and addressing any remaining gaps and potential financial stability risks arising relating to Central Counterparties (CCPs) that are systemic across multiple jurisdictions and for helping to enhance their resolvability.

We ask the OECD to update their report on *SMEs and Taxation,* which was first published in 2009 to analyze current policy and administrative aspects of taxing SMEs. We look forward to updates in 2015 from the Global Forum on Transparency and the Exchange of Information for Tax Purposes about the AEoI roadmap.

We ask the Global Forum to report back by the second half of 2015 on progress made by its members in signing the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. We look forward to the final report from the OECD on possible tougher incentives and implementation processes, to deal with those countries which fail to respect Global Forum standards on exchange of tax information on request.

We look forward to a report from the IMF, WBG, OECD and UN on efficient and effective use of tax incentives in low-income developing countries.

We look forward to a voluntary toolkit by the OECD, IMF, UN and WBG to assist developing countries addressing transfer pricing comparable data difficulties including pricing of minerals in an intermediate form and safe harbors.

We call on the Financial Action Task Force (FATF) and the FATF-style regional bodies to put a specific focus on financing of terrorism, further coordinate in their upcoming work and develop guidelines to enhance transparency of payment systems, in order to mitigate the risk of being abused for financing for terrorism and money laundering purposes. We ask for a report by October 2015, on progress made and proposals to strengthen all counter-terrorism financing tools.

We ask the Climate Finance Study Group to continue its work in line with the proposed next steps in their 2014 Progress Report in collaboration with the relevant IOs and report back to us at our April meeting. We look forward to a positive outcome at the COP21 in Paris and we call upon all IFIs to deepen their collaboration on climate finance.