



Communiqué
Meeting of Finance Ministers and Central Bank Governors
Moscow, 19-20 July 2013

1. We, the G20 Finance Ministers and Central Bank Governors, met to review the current global economic conjuncture and discuss the required policies in preparation for our Leaders' Summit in September.

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

2. Strengthening growth and creating jobs remain our priority and we are fully committed to taking decisive actions to return to a robust, job rich growth path.

3. The global economy remains too weak and its recovery is still fragile and uneven. Unemployment remains excessively high in many countries. There are signs of strengthening activity in the U.S. and Japan, the recession in the euro area continues even though there are signs of stabilization and growth in many emerging market economies continuing but at a slower pace. While our policy actions have contributed to contain downside risks, those still remain elevated with rising disparity in regional growth prospects. There has been an increase in financial market volatility and tightening of financial conditions.

4. To place the global economy on a stronger, more sustainable and more balanced growth path, we will intensify our policy actions and develop a comprehensive St Petersburg Action Plan. We agreed that our near term priority is to boost jobs and growth. We are committed to further reducing financial market fragmentation, moving ahead decisively with reforms towards a banking union in Europe, continuing monetary support where needed, calibrating the pace and composition of fiscal consolidation plans to economic conditions and fiscal space, continuing to implement or putting in place credible medium term fiscal strategies in advanced economies, rebalancing global demand, and taking measures to support growth, stability and resilience in emerging market economies. Equally important, we agreed that to strengthen our medium term growth potential, the St Petersburg Action Plan must include a comprehensive series of structural reforms that will increase productivity, labor force participation and employment. To this end, we have reviewed our structural reform agenda and agreed to address the gaps in our policy commitments with actions that clearly contribute to our collective objective of achieving strong, sustainable and balanced growth.

5. Achieving a stronger and sustainable recovery while ensuring fiscal sustainability in advanced economies remains critical. As agreed, progress is being made in developing credible, ambitious and country-specific medium term fiscal strategies for the St Petersburg Summit. These strategies will be sufficiently flexible 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.

6. We are determined to accelerate progress toward rebalancing global demand, including internal rebalancing through structural reforms. This requires surplus economies to boost domestic sources of growth and deficit economies to increase national savings and enhance competitiveness. We reiterate our commitments to move more rapidly toward more market-determined exchange rate systems and exchange rate flexibility to reflect underlying fundamentals, and avoid persistent exchange rate misalignments. We will refrain from competitive devaluation and will not target our exchange rates for competitive purposes. We will resist all forms of protectionism and keep our markets open.

7. Monetary policy should be directed toward domestic price stability and continue to support economic recovery according to the respective mandates of central banks. We recognize the support that has been provided to the global economy in recent years from accommodative monetary policies, including unconventional monetary policies. We remain mindful of the risks and unintended negative side effects of extended periods of monetary easing. Future changes to monetary policy settings will continue to be carefully calibrated and clearly communicated. We reiterate that excess volatility of financial flows and disorderly movements in exchange rates have adverse implications for economic and financial stability. Sound macroeconomic policies and strong prudential frameworks will help address potential volatility. We will continue to monitor financial market conditions carefully.

International Financial Architecture

8. Completing the ongoing reforms of IMF governance is indispensable for enhancing its credibility, legitimacy and effectiveness. For this reason, the ratification of the 2010 IMF Quota and Governance Reform is urgently needed. We continue to support the IMF Executive Board's decision to integrate the process of reaching a final agreement on a new quota formula with the 15th General Review of Quotas. We remain committed, together with the whole IMF membership, to agree on the quota formula and complete the 15th General Quota Review by January 2014 as agreed at the Seoul Summit and reiterated in Cannes and Los Cabos. We attach high importance to securing continued progress in meeting this objective, including on key elements by the October 2013 G20 Ministerial and IMFC meetings. We reaffirm our previous commitment that the distribution of quotas based on the formula should better reflect the relative weights of IMF members in the world economy, which have changed substantially in view of strong GDP growth in dynamic emerging market and developing countries. We reaffirm the need to protect the voice and representation of the IMF poorest members as part of this General Review of Quotas.

9. Strengthening the existing practices of public debt management is an important means of achieving more resilient public finances. We welcome the intention of the IMF and the World Bank to review and update the “Guidelines for Public Debt Management” in light of the experience to date. We look forward to a progress report to the Leaders’ Summit in September and initial suggestions for updating the Guidelines by our October meeting. We also call on the OECD for an interim report on its update of OECD leading practices for raising, managing, and retiring public debt, including on state guarantees, by our next meeting.

10. Events in the past years have shown the importance of debt sustainability for all countries. We, therefore, endorse continued attention to this issue in the activities of the IMF and the World Bank and confirm our support for the implementation of the IMF – World Bank Debt Sustainability Framework for low-income countries in order to promote sustainable financing and sustainable growth. Successful implementation of the HIPC Initiative and MDRI, stronger policies, and improved economic prospects have helped expand and diversify external financing opportunities for low-income countries, which they can usefully employ to increase their growth potential. However, unless new financing and borrowing are undertaken prudently, new risks may emerge. We, therefore, ask the IMF and the World Bank to continue assisting low-income countries at their request in developing prudent medium-term debt management strategies and enhancing their debt management capacity. To better inform our practices, we will also take into consideration the IMF-World Bank Debt Sustainability Framework for low-income countries. We agree that further inclusive discussions with low-income countries are needed on these issues.

11. Regional Financing Arrangements (RFAs) can play an important role in the existing global financial safety net. In Cannes our Leaders adopted common principles for cooperation between the IMF and RFAs. We reaffirm these principles, as well as the importance of safeguarding the mandate and independence of the respective institutions. Recognizing recent work undertaken in this area by both the IMF and G20, we look forward to a flexible and voluntary dialogue between the IMF and RFAs on an ongoing basis through well-established communication channels. We also take note of the importance of a dialogue among RFAs to foster an informal exchange of views and experiences in a flexible and voluntary way.

12. We note the work undertaken by the IMF and BIS in developing indicators that reflect global liquidity conditions, looking both at price and quantity-based measures. We call on the Fund to carry out further research with a view to develop proposals on how to incorporate global liquidity indicators more broadly into the Fund's surveillance work.

13. We reiterate that effective local currency bond markets (LCBMs) play an important role in improving the resilience of the domestic economy and financial systems. We welcome the preparation by international organizations (IOs) of the LCBM Action Plan Implementation Report, which describes the efforts taken to improve the coordination of technical and advisory assistance for LCBM development. We welcome the Diagnostic Framework on LCBM prepared by the IMF, the World Bank Group, the EBRD and the OECD,

as part of the Action plan. We look forward to annual review by IOs of developments in LCBMs in light of their contribution to financial stability and better capital flow management. We encourage IOs, other technical assistance providers, and country authorities to consider the use of the Diagnostic Framework in identifying and setting reform priorities in support of LCBM development.

14. We reiterate our commitment to contribute to a successful International Development Association (IDA) 17 replenishment, as well as African Development Fund (AfDF) 13 replenishment.

Financing for Investment

15. We reiterate the importance of long-term financing for investment, including in infrastructure and SMEs, for sustainable growth and job creation. We endorse the work plan, prepared by the Study Group, and welcome the contributions of the international organizations that helped us to assess factors affecting the availability and accessibility of long-term financing for investment, including in infrastructure and for SMEs. In this regard, we welcome the “High-Level Principles of Long-Term Investment Financing by Institutional Investors” elaborated by the OECD in consultation with the G20 members and call on the OECD to identify approaches to their implementation in consultation with participants. We look forward to future contributions by IOs which aim to assist countries in facilitating and promoting long-term investment. We look forward to the FSB’s ongoing monitoring of the impact of financial regulatory reforms on the supply of long-term investment financing.

16. We will undertake further work on measures to facilitate greater intermediation of global savings to generate long-term financing for productive investments, including in infrastructure. We will explore how private sources of financing and capital markets can be better mobilized. We also look forward to building on the ongoing work of the MDBs to develop new approaches in order to optimize the use of their existing resources, including through leveraging private capital, and to strengthen their lending capacity. We take note of the work underway respectively at the World Bank Group and at the regional banks to mobilize and catalyze financing for infrastructure investment, particularly in emerging markets and developing countries. Our efforts to address global infrastructure gaps will focus on the areas with considerable needs, including the power and energy sector in Sub-Saharan Africa.

17. We recognize the paramount importance of the investment climate in attracting long-term financing. Accordingly, in identifying impediments to the mobilization of private capital, we will take a comprehensive approach, which includes financing for infrastructure and SMEs. In this regard, we are committed to taking further actions to improve investment conditions. Furthermore, improving processes and transparency in relation to the planning, prioritization and funding of investment projects, especially in infrastructure, remains essential. Particular attention will also be given to approaches to improve the design of public-private partnership (PPP) arrangements.

Addressing Base Erosion and Profit Shifting (BEPS), Tackling Tax Avoidance, Promoting Automatic Exchange of Information, and Fighting Non-cooperative Jurisdictions

18. Ensuring that all taxpayers pay their fair share of taxes is a high priority in the context of fiscal sustainability, promoting growth, and the needs of developing countries to build capacity for financing development. Tax avoidance, harmful practices and aggressive tax planning have to be tackled. The spread of the digital economy also poses challenges for international taxation. We fully endorse the ambitious and comprehensive Action Plan submitted at the request of the G-20 by the OECD aimed at addressing base erosion and profit shifting (BEPS) with a mechanism to enrich the Plan as appropriate. We welcome the establishment of the OECD/G20 BEPS project and encourage all interested countries to participate. We look forward to regular reporting on the development of proposals and recommendations to tackle the 15 issues identified in the Action Plan and commit to take the necessary individual and collective action with the paradigm of sovereignty taken into consideration. We acknowledge that effective taxation of mobile income is one of the key challenges. Profits should be taxed where functions driving the profits are performed and where value is created. In order to minimize BEPS, we call on member countries to examine how our own domestic laws contribute to BEPS and to ensure that international and our own tax rules do not allow or encourage multinational enterprises to reduce overall taxes paid by artificially shifting profits to low-tax jurisdictions.

19. We commend the progress recently achieved in the area of tax transparency and we fully endorse the OECD proposal for a truly global model for multilateral and bilateral automatic exchange of information. We are committed to automatic exchange of information as the new, global standard and we fully support the OECD work with G20 countries aimed at setting such a new single global standard for automatic exchange of information. We ask the OECD to prepare a progress report by our next meeting, including a timeline for completing this work in 2014. We call on all jurisdictions to commit to implement this standard. We are committed to making automatic exchange of information attainable by all countries, including low-income countries, and will seek to provide capacity building support for them. We call on all countries to join the Multilateral Convention on Mutual Administrative Assistance in Tax Matters without further delay. We look forward to the practical and full implementation of the new standard on a global scale. All countries must benefit from the new transparent environment and we call on the Global Forum on Exchange of Information for Tax Purposes to work with the OECD task force on tax and development, the World Bank Group and others to help developing countries identify their need for technical assistance and capacity building. We are looking forward to the Global Forum establishing a mechanism to monitor and review the implementation of the global standard on automatic exchange of information. We urge all jurisdictions to address the Global Forum's recommendations and especially the fourteen where the legal framework fails to comply with the standard without further delay. We ask the Global Forum to draw on the work of the FATF in connection with beneficial ownership, and also ask the Global Forum to achieve the allocation of overall ratings regarding the effective implementation of

information exchange upon request at its November meeting and report to us at our first meeting in 2014.

20. We reiterate our commitment to FATF's work in fighting money laundering and terrorism financing and its key contribution into tackling other crimes such as tax crimes, corruption, terrorism, and drug trafficking. In particular, we support the identification and monitoring of high risk jurisdictions with strategic anti-money laundering (AML)/countering the financing of terrorism (CFT) deficiencies while recognizing the countries' positive progress in fulfilling the FATF's standards. We encourage all countries to tackle the risks raised by opacity of legal persons and legal arrangements, and we commit to take measures to ensure that we meet the FATF standards regarding the identification of the beneficial owners of companies and other legal arrangements such as trusts that are also relevant for tax purposes. In the prudential area we call for further progress and encourage adherence to cooperation and information exchange standards.

Financial Regulation

21. Since our April meeting, further progress has been made in promoting financial system stability with additional jurisdictions adopting final rules to implement Basel III. Those who have not yet adopted final rules have committed to do so as soon as possible in 2013. We welcome the work of the Basel Committee on Banking Supervision (BCBS) to assess the consistency of jurisdictions' rules with Basel III and look forward to the updated progress report on Basel III implementation ahead of the Summit. We welcome the recent BCBS report on the regulatory consistency of risk-weighted assets and look forward to their further work to improve comparability of regulatory capital ratios. We expect the BCBS to finalize its work on the remaining components of the Basel III framework - the leverage ratio by early 2014 and on net stable funding ratio by end 2014.

22. The FSB will report to the St Petersburg Summit on the progress made and next steps towards addressing the "too big to fail" issue. We strongly support the work to establish robust resolution regimes and resolution plans consistent with the scope and substance of the FSB's Key Attributes of Effective Resolution for any financial institution that could be systemically important beyond the banking sector, and look forward to pilot assessments by the FSB, IMF and World Bank using the Key Attributes' assessment methodology. We will undertake any legislative and other steps needed to enable authorities to resolve financial institutions in an effective manner, including in a cross-border context. We further encourage the FSB and IMF to continue work to address cross-border resolution issues. We recognize that structural banking reforms can facilitate resolvability and call on the FSB, in collaboration with the IMF and the OECD, to assess cross-border consistencies and global financial stability implications taking into account country-specific circumstances.

23. We support the work done by the International Association of Insurance Supervisors (IAIS) and the FSB to finalize the Global Systemically Important Insurers (G-SII) package. We welcome the publication of the initial list of G-SIIs to which resolution planning and group-wide supervision will initially apply. We welcome the IAIS plans to develop a simple, group-

wide capital requirement to be finalized by the time of the G20 Summit in 2014 and that will serve as a foundation for higher loss absorbency requirements for G-SIIs.

24. We note the continued progress in implementing OTC derivatives reforms, and that further work remains to ensure greater consistency in regulatory standards. We are committed to rapidly complete the remaining legislative frameworks and regulations for these reforms. In particular, the recent EU-U.S. announcement on cross-border issues related to OTC derivatives reforms is a major constructive step forward, which paves the way for resolving remaining conflicts, inconsistencies, gaps and duplicative requirements globally. Further steps remain needed, and we have asked key regulators to report by the September Summit on how they have resolved these cross-border issues. In this context, we agree that jurisdictions and regulators should be able to defer to each other when it is justified by the quality of their respective regulations and enforcement regimes, based on essentially identical outcomes, in a non-discriminatory way, paying due respect to home country regulation regimes.

25. We support the Regulatory Oversight Committee (ROC) of the Legal Entity Identifier (LEI) in its efforts to launch the global LEI Foundation as soon as possible.

26. We look forward to further FSB policy recommendations for the oversight and regulation of the shadow banking system by the Leaders' Summit and will work towards their timely implementation.

27. The above are important steps taken by the international community in rebuilding confidence in the long-term robustness of the global financial system. We will continue to monitor and assess their impact on the financial system and on economic growth.

28. We reiterate our call on the IASB and FASB to finalize by the end of 2013 their work on key outstanding projects for achieving convergence on a single set of high-quality accounting standards. We recall the crucial importance of making swift progress on this issue in order to enhance resilience of financial markets.

29. We note the outcomes of the G20 high-level seminar on benchmarks and credit rating agencies (CRAs). We look forward to the FSB progress report on both national authorities' and standard setting bodies' steps to reduce reliance on CRA ratings for the St Petersburg Summit. We welcome the completion of IOSCO's Principles for Financial Benchmarks and the establishment of the FSB's Official Sector Steering Group to coordinate work on the necessary reforms of interest rate benchmarks and guide the work of a Market Participants Group.

30. As a pre-requisite for enhanced policy analysis, we welcome the continued progress made by G-20 economies on closing information gaps under the FSB and IMF G-20 Data Gaps Initiative. We strongly encourage the implementation of the recommendations in this initiative and look forward to the progress report for our meeting in October 2013.

31. We welcome the FSB's intention to review the structure of its representation which is envisaged to be completed by the end of 2014.

Financial Inclusion, Financial Education, Consumer Protection

32. We welcome the progress made by the Global Partnership for Financial Inclusion (GPFI), including creation of the fourth GPFI subgroup, focused on Financial Consumer Protection and Financial Literacy, and work on the expansion of the G20 Basic Set of financial inclusion indicators to cover these issues, as well as the quality of financial service provision and the use of innovative delivery channels. We acknowledge the support from the implementing partners, i.e. the Alliance for Financial Inclusion (AFI), Consultative Group to Assist the Poor (CGAP), IFC, OECD and the World Bank in this regard and expect this work to be completed by the St Petersburg Summit.

33. We commend the forty emerging market and developing countries, which have made financial inclusion commitments, and ask the GPFI to continue support of the global platforms such as AFI's Maya Declaration, G20 Peer Learning Programme and the World Bank Group's Financial Inclusion Support Framework to assist countries in meeting their commitments. We welcome the progress made by Standard Setting Bodies (SSBs) to integrate financial inclusion in their work, consistent with their mandates, including FATF's endorsement of financial inclusion as part of its long-term work; we recognize the role of GPFI in catalyzing this process and ask to continue this work.

34. We welcome the progress made by countries to address the specific challenges in access to finance faced by SMEs through the implementation of the SME Finance Challenge, and support the peer learning through the SME Finance Compact and the launch of the AFI Working Group on SME Finance. As the SME finance gap remains large worldwide, we call for further efforts, particularly in improving credit information, movable collateral and secured transactions systems, and electronic payments, and promoting innovations in SME financial services as laid out in the GPFI report.

35. We welcome practical tools to measure financial literacy and evaluate financial education programs, as well as progress reports on barriers for women and youth in financial inclusion and education, developed by the OECD/International Network for Financial Education (INFE) and the World Bank. We support the OECD/INFE policy guidance on addressing women and girls' needs for financial education and look forward to the G20 Russia's Presidency and the OECD publication on national strategies for financial education by the Leaders' Summit. We also support the work done by the G20/OECD Task Force on Financial Consumer Protection on the first set of effective approaches to support the implementation of the G20 High-Level Principles on Financial Consumer Protection and look forward to their report on other principles in 2014.

Energy and Commodity Markets, Climate Finance

36. We reaffirm our determination to improve transparency and functioning of commodity markets in order to prevent excessive price volatility and which can foster investment in energy infrastructures. We will present to our Leaders a report on the G20 contribution to the transparency of commodity markets at the St Petersburg Summit. We will continue working to improve the timeliness, completeness and reliability of the JODI-Oil and look forward to the IEF report for our October meeting, including on ways to make JODI data available more quickly to a wider selection of users. We welcome progress on the JODI-Gas database and look forward to its full launch by the earliest possible date. We support the IEA, IEF and OPEC practical recommendations to increase transparency in international gas and coal markets. We intend to continue following up very closely the proper implementation of the IOSCO principles for the regulation and supervision of commodity derivatives markets. We look forward to the IOSCO report on the implementation of its principles on Price Reporting Agencies to be presented at our next meeting. Taking into account PRAs' major role in the price discovery process, we welcome IOSCO's plan to consider, in the context of its collaboration with the IEA, IEF and OPEC, the need for any modification of the PRA Principles to align them more closely with the international standards on governance and transparency of benchmarks as adopted by IOSCO and will consider options including their supervision. We welcome the launch of the voluntary peer review process for inefficient fossil fuel subsidies that encourage wasteful consumption, and we encourage broad participation.

37. We recognize the important role that regulation among other policy levers can play in promoting investment and take note that regulation should be a country-led process. We take note of the energy regulators' Statement on sound regulation and promoting investments in energy infrastructure, agreed by the participants in the G20 Outreach Energy Regulators Round Table this June in Kazan.

38. We recognize the importance of our continued discussions on climate finance and on ways to effectively mobilize resources, taking into account the objectives, principles and provisions of UNFCCC. We take note of the experiences shared between members last June in Paris. We will report to the Leaders in St Petersburg on the main messages coming out of these discussions and propose a way forward for the next year.