

Communiqué of the Meeting of Finance Ministers and Central Bank Governors

Gyeongju, Korea, October 23, 2010

1. We, the G20 Finance Ministers and Central Bank Governors, met with a sense of urgency to fully address the economic challenges facing us today in preparation for the Seoul Summit.
2. The global economic recovery continues to advance, albeit in a fragile and uneven way. Growth has been strong in many emerging market economies, but the pace of activity remains modest in many advanced economies. Downside risks remain and are different from country to country and region to region. Yet, given the high interdependence among our countries in the global economic and financial system, uncoordinated responses will lead to worse outcomes for everyone. Our cooperation is essential. We are all committed to play our part in achieving strong, sustainable and balanced growth in a collaborative and coordinated way. Specifically, we will:
 - o pursue structural reforms to boost and sustain global demand, foster job creation and increase growth potential;
complete financial repair and regulatory reforms without delay;
 - o in advanced countries, formulate and implement clear, credible, ambitious and growth-friendly medium-term fiscal consolidation plans in line with the Toronto Summit commitments, differentiated according to national circumstances. We are mindful of the risks of synchronized adjustment on the global recovery and of the risks that failure to implement consolidation, where immediately necessary, would undermine confidence and growth;
 - o continue with monetary policy which is appropriate to achieve price stability and thereby contributes to the recovery;
 - o move towards more market determined exchange rate systems that reflect underlying economic fundamentals and refrain from competitive devaluation of currencies. Advanced economies, including those with reserve currencies, will be vigilant against excess volatility and disorderly movements in exchange rates. These actions will help mitigate the risk of excessive volatility in capital flows facing some emerging countries. Together, we will reinvigorate our efforts to promote a stable and well-functioning international monetary system and call on the IMF to deepen its work in these areas. We welcome the IMF's work to conduct spillover assessments of the wider impact of systemic economies' policies;
 - o continue to resist all forms of protectionist measures and seek to make significant progress to further reduce barriers to trade; and
 - o strengthen multilateral cooperation to promote external sustainability and pursue the full range of policies conducive to reducing excessive imbalances and maintaining current account imbalances at sustainable levels. Persistently large imbalances, assessed against indicative guidelines to be agreed, would warrant an assessment of their nature and the root causes of impediments to adjustment as part of the Mutual Assessment Process, recognizing the need to take into account national or regional circumstances, including large commodity producers. To support our efforts toward meeting these commitments, we call on the IMF to provide an assessment as part of the MAP on the progress toward external sustainability and the consistency of fiscal, monetary, financial sector, structural, exchange rate and other policies.
3. Building on the success of the Toronto Summit, the Framework for Strong, Sustainable and Balanced Growth was refined, with the mutual assessment process carried out at country-level to tackle both short and medium term challenges. Informed by the IMF, the World Bank, the OECD, the ILO and other international organizations' analyses, the Framework provided a solid and practical platform for international cooperation to take place. In response to the tough challenges facing the global economy, we are developing a comprehensive action plan to mitigate risks and achieve our shared objectives. We will submit this action plan for consideration by our Leaders at the November 2010 Seoul Summit. Recognizing the benefits of the Framework, we agreed to recommend to Leaders that the country-led and consultative Framework process should continue beyond the Seoul Summit.
4. We have made significant strides since the adoption of the Action Plan to Implement Principles for Reform at the Washington Summit in November 2008, with support from the FSB. We are committed to take action at the national and international level to raise standards, 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. To build a stronger global

financial system, we have agreed to prioritize the following issues on the agenda for the Seoul Summit:

- Welcome and commit to fully implement within the agreed timeframe the new bank capital and liquidity framework drawn up by the Basel Committee and the Governors and Heads of Supervision.
 - Endorsement of the FSB's recommendations to increase supervisory intensity and effectiveness.
 - Endorsement of the policy framework, work processes and timelines proposed by the FSB to mitigate the risks posed by Systemically Important Financial Institutions and address the 'too-big-to-fail' problems.
 - Commitment to implement all aspects of the G20 financial regulation agenda, in an internationally consistent and non-discriminatory manner, including the commitments on OTC derivatives, compensation practices and accounting standards and FSB principles on reducing reliance on credit rating agencies.
 - Further work on macro-prudential policy frameworks, including tools to help mitigate the impact of excessive capital flows; the reflection of the perspective of emerging market economies in financial regulatory reforms, including through increased outreach; commodity derivative markets; shadow banking; and market integrity.
 - Pursue our work decisively to tackle Non-Cooperative Jurisdictions.
5. We have reached agreement on an ambitious set of proposals to reform the IMF's quota and governance that will help deliver a more effective, credible and legitimate IMF and enable the IMF to play its role in supporting the operation of the international monetary and financial system. These proposals will deliver on the objectives agreed in Pittsburgh and go even further in a number of areas. Key elements include:
- shifts in quota shares to dynamic EMDCs and to underrepresented countries of over 6%, while protecting the voting share of the poorest, which we commit to work to complete by the Annual Meetings in 2012.
 - a doubling of quotas, with a corresponding roll-back of the NAB preserving relative shares, when the quota increase becomes effective.
 - continuing the dynamic process aimed at enhancing the voice and representation of EMDCs, including the poorest, through a comprehensive review of the formula by January 2013 to better reflect the economic weights; and through completion of the next regular review of quotas by January 2014.
 - greater representation for EMDCs at the Executive Board through 2 fewer advanced European chairs, and the possibility of a second alternate for all multi-country constituencies, and
 - moving to an all-elected Board, along with a commitment by the Fund's membership to maintain the Board size at 24 chairs, and following the completion of the 14th General Review, a review of the Board's composition every 8 years.
6. We welcomed the recent reform of the IMF lending facilities, including the enhancement of the Flexible Credit Line and the establishment of the Precautionary Credit Line to strengthen the global financial safety nets. We call on the IMF to continue its work to further improve the global capacity to cope with shocks of a systemic nature.
7. We look forward to the multi-year action plan of the G-20 Working Group on Development to promote inclusive and sustainable economic growth and resilience in developing countries. We are committed to meeting the Millennium Development Goals by 2015 and will reinforce our efforts to this end, including through the use of the Official Development Assistance. We reaffirm our commitment to an ambitious replenishment of the World Bank's International Development Association. We welcomed the progress of the Global Agriculture and Food Security Program in rapidly scaling up agriculture assistance in several developing countries and invite further contributions.
8. We welcomed a set of actions identified to improve access to financial services for the poor and SMEs. We welcomed the strong response to the SME Finance Challenge and look forward to the announcement of the innovative winning entries at the Seoul Summit. We agreed to develop a funding framework to support the effective implementation of the winning proposals of the SME Finance Challenge. We agreed that a global consultative mechanism is needed to maximize the impact of the work on financial inclusion and enhance coordination amongst different initiatives and stakeholders.
9. We noted the progress made on rationalizing and phasing out inefficient fossil fuel subsidies and promoting energy market transparency and stability and agreed to monitor and assess progress towards this commitment at the Seoul Summit.

10. Recognizing the importance of enhancing public-private partnership to promote economic growth beyond the crisis, we welcome the work done by the 12 Seoul G20 Business Summit Working Groups.
11. We thanked Korea for hosting the Finance Ministers and Central Bank Governors meetings this year and welcomed France as chair in 2011.