G20 Finance Conclusions on Financial Regulation and Supervision, 1999-2011

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G20 Research Group, August 8, 2011

Summary of Conclusions on Financial Regulation in G20 Finance Documents

Year	# of Words	% of Total Words	# of Paragraphs	% of Totals Paragraphs	# of Documents	% of Total Documents	# of Dedicated Documents
1999	260	0	0	0	0	0	0
2000	307	12.5	4	10.5	1	100	0
2001	45	1.8	1	1.8	1	50	0
2002	81	8.4	1	9	1	100	0
2003	186	15.6	2	22.2	1	100	0
2004	95	2.4	1	2.5	1	25	0
2005	0	0	0	0	0	0	0
2006	29	0.8	1	2.7	1	50	0
2007	133	3.4	1	3.8	1	50	0
2008-1*	170	65.6	2	40	1	100	0
2008-2	247	14.2	2	11.7	1	100	0
2009-1*	762	46.2	10	33.3	2	100	0
2009-2*	80	5.8	1	5.8	1	50	0
2009-3	939	73.9	5	41.6	1	50	0
2010-1*	584	28.1	5	16.6	1	50	0
2010-2*	512	33.4	7	38.8	1	50	0
2010-3	283	19.6	2	13.3	1	100	0
2011-1*	718	35.7	5	50	1	100	0
2011-2*	428	28.3	2	14.3	1	100	0
Average	303.37	20.83	2.74	16.73	0.95	67.12	0

Notes:
Data are drawn from all official English-language documents released by the G20 finance ministers and central bank governors as a group. Charts are excluded.
"# of Words" is the number of financial regulation-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 regulation 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 regulation 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 regulation-related subject in the title.
* Meeting in addition to annual scheduled meeting.

Introduction

In the context of the G20, financial regulation mostly refers to standards and codes. In general, financial regulations oblige domestic financial institutions to meet specific requirements, restrictions, principles and guidelines to maintain integrity of the financial system and conduct appropriate reporting, monitoring, inspection and enforcement of regulations. Regulations can be administered by the government or a non-governmental organization (such as an industry association or professional standards board). Overall, the issue area of financial regulation consists, in crisis and non-crisis situations, of the activities at the international, national, and sub-federal levels to shape through hard law regulation or soft law supervision the government and industry regimes (principles, norms, rules and decision-making procedures) for the activities of sectors of and firms in the financial services industry, including: banking, securities, accounting, credit, rating agencies, hedge funds, private equity, other alternative investments, derivatives, exchanges, insurance, mutual funds, pension funds and sovereign wealth funds.

Search Terms

The following keywords were used for this report.

Inclusions

Accounting standards, authorities, banking regulation, banking standards, banking supervision, Basel II Capital Framework, Basel Committee on Banking Supervision (BCBS), bond regulation, capital standards, codes, corporate governance, corporate responsibility, credit rating agencies, derivatives, evaluation process, Financial Accounting Standards Board (FASB), financial crime, financial disclosure, financial innovation, financial markets, financial markets reform, financial regulation, Financial Sector Assessment Program (FSAP), financial services industry, Financial Stability board (FSB), Financial Stability Forum (FSF), financial supervision, hedge funds, illicit finance risks, International Accounting Standards Board (IASB), international code of good practice, International Organization of Securities Regulators (IOSR), market regulation, peer review, prudential standards, reform, regulators, regulatory arbitrage, reserve ratios, reserve requirements, securities regulation, standard setting bodies, standards, stock regulation, stress tests, structural reform, supervisors, supervisory colleges, tax havens, Washington Action Plan

Exclusions

Financial Action Task Force (FATF), money laundering, terrorist financing

Coding Rules

The unit of analysis is the sentence (if stand alone) or paragraph.
A direct reference to financial regulation or a cognate term is required.
Cognate or extended terms can be used without a direct reference to "financial regulation" if they have previously been directly associated together in summit document history.

Conclusions on Financial Regulation in G20 Finance Documents

1999: Berlin, Germany, December 15-16

No references.

2000: Montreal, Canada, October 24-25

Communiqué: Annex: Reducing Vulnerability to Financial Crisis
2. Prudent Liability Management

We agreed that a comprehensive strategy to reduce vulnerability to financial crises requires attention to liability management including effective management of public-sector liabilities, appropriate consideration of the external financial situation of the private sector, and effective and transparent **financial sector regulation and supervision**.

In particular, we agreed that effective management of public sector liabilities requires finding an appropriate balance between minimizing financing costs and increasing liquidity risk. Care must be taken to avoid excessive reliance on short-term debt, currency mismatch or the "bunching" of external debt payments. Prudent public sector liability management is also assisted by the development of an efficient and liquid market for long-term domestic currency-denominated government securities.

Prudent liability management is also essential for the private sector, in particular for banks and other financial institutions. Appropriate **standards of financial sector regulation and supervision**, disclosure, accounting and auditing should be in place to facilitate the monitoring of the external activities of the financial sector. The overall external position of the private sector requires appropriate consideration, subject to the constraints associated with the availability of data.

4. International Standards and Codes
Finally, we considered the role that weaknesses in **financial sector regulation and supervision**, in corporate governance, in the disclosure of economic and financial data, and in the transparency of macroeconomic policies have played in contributing to recent financial crises. We agreed on the importance of **international codes and standards** to address these weaknesses, endorsed the Financial Stability Forum's recommendations, and encouraged continued work on incentives to foster implementation. The G20, as part of its mandate to promote co-operation to achieve stable and sustainable world economic growth, should play an important leadership role in supporting the continuing implementation of **international standards and codes** in a manner and at a pace that reflects each country's unique development and reform priorities, and institutional characteristics.

2001: Ottawa, Canada, November 16-17

Communiqué
We will continue to promote adoption of **international standards and codes** for transparency, macroeconomic policy, sound **financial sector regulation** and corporate governance in consultation as appropriate with relevant international bodies and with the private sector, and thereby strengthen the integrity of the international financial system.

2002: New Delhi, India, November 22-23

Communiqué
We believe that effective and accountable International Financial Institutions (IFIs) and worldwide surveillance are essential for a healthy global financial system. Sustainable exchange rate regimes, prudent asset-liability management, and implementation of agreed **standards and codes** are important components of an effective strategy for crisis prevention. We agreed on the need for sound **national financial systems**, **effective supervision**, and corporate governance in line with global best practice. We also agreed that capital account liberalisation should proceed in an appropriately sequenced manner.

2003: Morelia, Mexico, October 26-27

Communiqué
We also encourage the adoption of the best practices embodied in **key international standards and codes**, which will help support strong, stable growth and reduce the risk of future financial crises.

Our understanding of the significance of institution building in the financial sector has benefited from a number of case studies provided by members on this subject. By reviewing these case studies, we have compiled a number of valuable lessons to assist countries in attaining the benefits of globalization. In particular, the case studies highlighted the positive effects on the whole economy of reforms in the financial sector and provided insights into the appropriate management of the process of reform. Increased financial liberalization, integration, and effective **regulatory policies and supervision**, with due regard to the appropriate timing and sequencing, are means to enhance the development of the financial system. Our analysis has underlined the fact that solid institutions and sound, deep and sophisticated domestic financial markets are key elements to maximize the benefits of globalization, promote growth and significantly reduce the risk of financial crises. We will continue to address these issues in our future agenda.

2004: Berlin, Germany, November 19-21

Communiqué
5. Based on an exchange of experience over the past two years, we emphasised that strong domestic financial sectors are essential in supporting economic growth and reducing external vulnerabilities. We agreed that high priority should be given to establishing stable and efficient institutions. Progress in institution building is also important for a well-sequenced liberalisation of the capital account. Emphasis must be given to implementing the relevant internationally recognised **standards and codes**. We highlighted the crucial role of **financial sector supervision**, which should pay due regard to efficiency, operational independence and accountability of the agencies involved….

2005: Xianghe, China, October 15-16

No references.

2006: Melbourne, Australia, November 18-19

G20 Reform Agenda 2006

4….Turkey will undertake reform of public finances, including restructuring the social security system and broadening the tax base, as well improving the **regulation and supervision of the financial sector**.

2007: Kleinmond, South Africa, November 17-18

Communiqué

Global Outlook

3. The recent financial market disturbances have highlighted the importance of sound macroeconomic and financial policies and continued vigilance. While the immediate policy priority has focused on restoring and maintaining orderly conditions in financial markets, we concur that recent events have emphasised the need for **greater effectiveness of financial supervision** and the management of financial risks as well as to increase transparency among financial intermediaries. The nature of the recent turbulence also suggests that there may be important new lessons for understanding the origins of crises, the way financial shocks are transmitted; and the respective roles of regulators, rating agencies, the private sector and the international financial community. We agreed to pursue further work to improve our understanding of these issues and their application to G20 members, in the year ahead.

2008: Washington, US, October 11 (emergency meeting)

Communiqué

In accordance with the G20's core mission to promote open and constructive exchanges between advanced and emerging-market countries on key issues related to global economic stability and growth, the Ministers and Governors discussed the present financial market crisis and its implications for the world economy. They stressed their resolve to work together to overcome the financial turmoil and to deepen cooperation to **improve the regulation, supervision and the overall functioning of the world's financial markets**. They emphasized that the global implications of the current crisis reinforced the need for international cooperation as well as continued actions, in countries where necessary, in key areas such as macroeconomic policy, liquidity provision, strengthening financial institutions and protecting retail depositors.

They committed to using all the **economic and financial tools to assure the stability and well functioning of financial markets**. They also committed to ensuring that actions are closely communicated so that the action of one country does not come at the expense of others or the stability of the system as a whole.

2008: San Paulo, Brazil, November 8-9

Communiqué

3. We noted that the current financial crisis is largely a result of excessive risk taking and faulty risk management practices in financial markets, inconsistent macroeconomic policies, which gave rise to domestic and external imbalances, as well **as deficiencies in financial regulation and supervision** in some advanced countries.

6. We agreed that all countries must address the risks associated with excessive leverage and improve their **regulatory and supervisory regimes** in order to deliver improved risk assessment and management by financial institutions, to enhance transparency and accountability in financial markets, as well as to strengthen international cooperation to identify and respond preemptively to national and international systemic risks. Furthermore, we recognized the need to improve the supervision and governance of financial institutions, at both national and international levels. In this regard, we should consider ways of enhancing the identification of systemically important institutions and ensure proper oversight of these institutions, including credit rating agencies. We should ensure that all sectors of the financial industry, as appropriate, are regulated or subjected to oversight. We agreed that it is important to address the issue of **pro-cyclicality in financial market regulations and supervisory systems**. We also agreed that financial institutions should have common accounting standards and clear internal incentives to promote stability and that action needs to be taken, through voluntary effort or regulatory action, to avoid compensation schemes which reward excessive short-term returns or risk taking. **Regulators and supervisors** should enhance their vigilance and cooperation with respect to cross-border flows.

2009: Horsham, UK, March 14-15 (emergency meeting)

Communiqué

Strengthening the Financial System

6. To further strengthen the global financial system we have completed the immediate steps in the Washington Action Plan and we welcome the Financial Stability Forum's (FSF) expansion to all G20 members. We remain focused on the medium term actions, and make recommendations to the London Summit to ensure:

- all systemically important financial institutions, markets and instruments are subject to an appropriate degree of **regulation and oversight**, and that hedge funds or their managers are registered and disclose appropriate information to assess the risks they pose;

- **stronger regulation** is reinforced by strengthened macro-prudential oversight to prevent the build-up of systemic risk;

- **financial regulations** dampen rather than amplify economic cycles, including by building buffers of resources during the good times and measures to constrain leverage; but it is vital that capital requirements remain unchanged until recovery is assured; and

- strengthened international cooperation to prevent and resolve crises, including through **supervisory colleges, institutional reinforcement of the FSF, and the launch of an IMF/FSF Early Warning Exercise**.

7. We have also agreed to: **regulatory oversight**, including registration, of all Credit Rating Agencies whose ratings are used for **regulatory purposes**, and compliance with the International Organisation of Securities Commissions (IOSCO) code; full transparency of exposures to off-balance sheet vehicles; the need for improvements in accounting standards, including for provisioning and valuation uncertainty; greater standardisation and resilience of credit derivatives markets; the FSF's sound practice principles for compensation; and the relevant international bodies identify non-cooperative jurisdictions and to develop a tool box of effective counter measures.

Annex: Restoring Lending: A Framework for Financial Repair and Recovery

We, the G20 Finance Ministers and Central Bank Governors, agreed the need to continue working together to **maintain and support lending** in our financial systems. We are committed to taking decisive action, where needed, and to use all available tools to **restore the full functioning of financial markets**, and in particular to underpin the flow of credit, both domestically and globally.

A cooperative and consistent approach by **national authorities** to programmes addressing impaired assets should be based on the following principles:

International Cooperation

1. Given the interconnectedness of the **global financial system**, international cooperation is important to maximise the effectiveness of these measures and reject financial protectionism. Cooperation has the potential to further maximise the benefits of these actions and address spillovers, in particular by increasing confidence in **financial stability**, minimising distortions to the market and maintaining a level playing field, supporting developing countries and emerging market economies, while defending taxpayers' interests.

Eligibility of assets and institutions

3. The eligibility of assets for support should be kept flexible due to the difference in balance sheet compositions, the conditions in different countries and because the amount and type of impaired assets is likely to differ across financial sectors. There should be a specified cut-off date prior to announcement of the programme. Priority should be given to institutions which pose a significant risk to **financial stability**.

Transparency and disclosure

5. Consistent with prudential considerations, there should be a full and transparent disclosure of the impairment of banks' balance sheets. **Stress testing** should include a rigorous and up to date assessment of their exposure to potential losses and of their future viability, including their capacity to continue lending and absorb potential losses in order to avoid international distortions.

Governments should manage in a transparent way impaired asset resolution programmes. In order to build market confidence, governments should disclose the processes, **standards** and results of their impaired asset management programmes.

Valuation

6. While valuation methodologies may vary depending on the proposed asset resolution program, it is critical that those methodologies are applied transparently, objectively, consistently and in a cooperative way, in order to promote a level playing field across countries and financial institutions, and to advance prudential objectives while limiting the exposure of the state to potential losses. **Supervisory authorities** should have an important role in validating valuation processes. This will ensure that the risk is transferred from the banking sector to governments at a fair price, including through fees, with appropriate risk sharing, to limit the cost to the government, provide the right incentives to the participating institutions and minimise distortions.

Restructuring

8. Restructurings should focus on maximising the effectiveness of any government support and the long-term viability of an institution and should depend on pricing relative to expected losses, the capacity of the bank to withstand residual exposures and the bank's access to other support. Where sound restructuring is supported by merger or acquisition cross-border deals, close collaboration with the relevant foreign **authorities** is essential.

2009: London, Britain, September 4-5

Communiqué

2. Our unprecedented, decisive and concerted policy action has helped to arrest the decline and boost global demand. Financial markets are stabilising and the global economy is improving, but we remain cautious about the outlook for growth and jobs, and are particularly concerned about the impact on many low income countries. We will continue to implement decisively our necessary **financial support measures and expansionary monetary and fiscal policies**, consistent with price stability and long-term fiscal sustainability, until recovery is secured.

2009: St. Andrews, Scotland, November 6-7

Communiqué

1. To continue strengthening the global financial system we agreed to work with the **FSB** to maintain the momentum of our programme of **reforms**, and ensure their full, timely and consistent implementation and a level playing field, in particular:

- to strengthen **prudential regulation**, we emphasised the need for the Basel Committee to develop stronger standards by end-2010 to be phased in as financial conditions improve and the economic recovery is assured, with the aim of implementation by end-2012. We call on **supervisors** to ensure that banks retain, as needed, a greater proportion of their profits to build capital to support lending;

- to ensure that compensation policies and practices **support financial stability** and align with long-term value creation, we commit to incorporate urgently within our national frameworks the FSB standards, and call on firms to implement these sound compensation practices immediately. The **FSB** will start assessing implementation without delay and report back with further proposals, as required, by March 2010;

- we welcome the new IMF/BIS/**FSB report** on assessing the systemic importance of financial institutions, markets and instruments, and the **FSB's** work to reduce the moral hazard posed by systemically important institutions. We call for the rapid development of internationally consistent, firm-specific recovery and resolution plans and tools by end-2010. We look forward to discussing at our next meeting the IMF's review of options on how the financial sector could contribute to paying for burdens associated with government interventions to repair the banking system; and,

- we welcome progress by the Global Forum on tax transparency and exchange of information, and the possible use of a multilateral instrument. To continue tackling non-cooperative jurisdictions (NCJs), we welcome progress made and call on the Global Forum, **FSB** and FATF to complete their peer review processes, and to assess adherence to **international standards**. We call on the relevant international institutions to further develop incentives and countermeasures as appropriate, in line with the timescales agreed in Pittsburgh, including through publishing lists of NCJs, and review capacity-building mechanisms to support the efforts of developing countries.

2010: Washington, April 22-23

Communiqué: Meeting of G20 Finance Ministers and Central Bank Governors

1. We, the G20 Finance Ministers and Central Bank Governors, met in Washington D.C. to ensure the global economic recovery and the transition to a strong, sustainable and

balanced growth as well as our agendas for the **financial regulatory reform** and international financial institutions remain on track.

4. Recognizing the increasingly integrated nature of the **financial regulatory reform** issues, we reaffirmed our strong commitment to fully implement our **reform agenda** on the timelines agreed by Leaders in London and Pittsburgh. Good progress is being made and, to maintain the momentum, we:

- reaffirmed our reform is multi-faceted but at its core must be stronger **capital standards**, complemented by clear incentives to mitigate excessive risk-taking practices. We recommitted 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. Implementation of these new rules should be complemented by strong **supervision**. We stressed the importance of the quantitative and macroeconomic impact studies underway and look forward to an update on their progress by the **FSB** for our June meeting.

- agreed to closely review the progress of and provide guidance and strong support for the work of the **FSB**, **BCBS** and IMF. We support the work of the **FSB** to develop prudential standards, market infrastructures to contain the propagation of shocks and resolution tools and frameworks for systemically important financial institutions and look forward to a progress report for our meeting in June 2010. We look forward to receiving the IMF's final report on the range of options that countries have adopted or are considering as to how the financial sector could make a fair and substantial contribution towards paying for any burdens associated with government interventions to repair the banking system. We call on the IMF for further work on options to ensure domestic financial institutions bear the burden of any extraordinary government interventions where they occur, address their excessive risk taking and help promote a level playing field, taking into consideration individual country's circumstances. We welcomed the **FSB**, IMF and **BCBS's** joint report on the inter-linkages between these issues and noted that, moving forward, we need to take into account the cumulative impact of the reforms on the financial system and the wider economy to move unequivocally in the direction of sound and stronger capital and liquidity framework ; and

- stressed the importance of achieving a single set of high quality, **global accounting standards**; implementing international standards with regard to compensation practices and welcomed the **FSB's report**; completing the development of **standards** for central clearing and trading on exchanges or electronic platforms of all standardized **over-the-counter derivative** contracts, where appropriate, and reporting to trade repositories of all over-the-counter derivative **contracts**; and consistent and coordinated oversight of **hedge funds** and **credit rating agencies**. We welcomed the progress by the Financial Action Task Force in the fight against money laundering and terrorist financing, particularly regarding the issue of a public statement on jurisdictions with strategic deficiencies last February. We also welcomed the report by the Global Forum on Tax Transparency and Exchange of Information, the launch of the peer review process, and the development of a multilateral mechanism for information exchange which will be open to all countries. We welcomed the launch of the **evaluation process** by the **FSB** on the adherence to prudential information exchange and cooperation standards in all jurisdictions.

2010: Busan, Korea, June 4-5

G20 Finance Ministers and Central Bank Governors Communiqué
4. Building on progress to date, we affirmed our commitment to intensify our efforts and to accelerate **financial repair and reform**. Therefore, we:

- agreed further progress on financial repair is critical to global economic recovery. This requires greater transparency and further strengthening of banks' balance sheets and better corporate governance of financial firms.

- committed to reach agreement expeditiously on stronger **capital and liquidity standards** as the core of our reform agenda and in that regard fully support the work of the **Basel Committee on Banking Supervision** and call on them to propose internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive leverage and risk taking by the November 2010 Seoul Summit. It is critical that our **banking regulators** develop capital and liquidity rules of sufficient rigor to allow our financial firms to withstand future downturns in the global financial system. As we agreed, these rules will be phased in as financial conditions improve and economic recovery is assured, with the aim of implementation by end-2012. We welcome the progress on the quantitative and macroeconomic impact studies which will inform the calibration and phasing in, respectively. We are committed to move together in a transparent and coordinated way on national implementation of the agreed rules. Implementation of these new rules should be complemented by **strong supervision**.

- emphasized the need to reduce moral hazard associated with systemically important financial institutions and reinforced our commitment to develop effective resolution tools and frameworks for all financial institutions on the basis of internationally agreed principles. We look forward to the **FSB's interim report** to the Toronto Summit.

- committed to accelerate the implementation of strong measures to improve transparency, **regulation and supervision of hedge funds, credit rating agencies, compensation practices and OTC derivatives** in an internationally consistent and non-discriminatory way. We called on the **FSB** to review national and regional implementation in these areas and promote global policy cohesion.

We also committed to improve the functioning and transparency of commodities markets.

- expressed the importance we place in achieving a single set of high quality, global **accounting standards** and urged the **International Accounting Standards Board** and the **Financial Accounting Standards Board** to redouble their efforts to that end. We encouraged the **International Accounting Standards Board** to further improve involvement of stakeholders.

- reaffirmed our commitment to **international assessment and peer review across the FSB** membership. We also recommit to apply measures and mechanisms to address non-cooperative jurisdictions and ensure compliance, including by providing support. We welcomed the report by the Global Forum on Tax Transparency and Exchange of Information, the progress on the **peer review process**, and the development of a multilateral mechanism for information exchange open to all countries. We fully support the work of the Financial Action Task Force in the fight against money laundering and terrorist financing and regular updates of a public list on jurisdictions with strategic deficiencies. We welcomed the implementation of the **FSB's evaluation process** on the adherence to prudential information exchange and international cooperation **standards** in all jurisdictions.

2010: Gyeongju, Korea, October 22-23

Communiqué of the Meeting of Finance Ministers and Central Bank Governors
1. We are all committed to play our part in achieving strong, sustainable and balanced growth in a collaborative and coordinated way. Specifically, we will:

- complete financial repair and regulatory reforms without delay;

3. 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.

2011: Paris, February, 18-19

Communiqué
3. We reaffirm our commitment to coordinated policy action by all G20 members to achieve strong, sustainable and balanced growth. Our main priority actions include implementing medium term fiscal consolidation plans differentiated according to national circumstances in line with our Toronto commitment, pursuing appropriate monetary policy, enhancing exchange rate flexibility to better reflect underlying economic fundamentals and **structural reforms**, to sustain global demand, increase potential growth, foster job creation and contribute to global rebalancing…

5. …We look forward to discussing at our next meeting the report of IEF, IEA, OPEC and IOSCO on price reporting agencies as well as the interim report on food security currently being undertaken by the relevant international organizations, and IOSCO's recommendations, and the **FSB's** consideration of next steps, on **regulation and supervision** of commodity **derivatives markets** notably to strengthen transparency and address market abuses.

6. We commit to pursuing the **reform of the financial sector**. Despite good progress, significant work remains. We will implement fully the **Basel III new standards for banks** within the agreed timelines while taking due account of the agreed observation periods and review clauses in respect of the liquidity standards. Likewise, we will implement in an internationally consistent and non-discriminatory way the **FSB's** recommendations on OTC **derivatives** and on reducing reliance on **credit rating agencies'** ratings. We look forward to the completion by the next Leaders' Summit of the following ongoing work on systemically important financial institutions as scheduled in the **FSB** work program for 2011: determination of Global-systemically important financial institutions by **FSB** and national authorities based on indicative criteria, a comprehensive multi-pronged framework with more intensive **supervisory oversight**; effective resolution capacity including in a cross-border context; higher loss absorbency

measures through a menu of viable alternatives that may include, depending on national circumstances, capital surcharges, contingent capital and bail-in instruments ; and other supplementary requirements as determined by the national authorities including systemic levies. Once the framework initially applicable to G-SIFIs is agreed, we will move expeditiously to cover all SIFIs. We look forward to the 2 reports to be finalized by the BIS, IMF and **FSB** on macro-prudential frameworks and by the **FSB**, IMF and World Bank with input of national authorities on financial stability issues in emerging market and developing economies by our October meeting. We look forward to the recommendations that the **FSB** will prepare by mid-2011 on **regulation and oversight of the shadow banking system** to efficiently address the risks, notably of arbitrage, associated with shadow banking and its interactions with the **regulated banking system**. We call on IOSCO to develop by mid-2011 recommendations to promote markets' integrity and efficiency notably to mitigate the risks created by the latest technological developments. We also call on the **FSB** to bring forward for our next meeting comprehensive proposals to strengthen its governance, resources and outreach. We urge all jurisdictions to fully implement the **FSB** principles and standards on sounder compensation practices agreed by the G20 Leaders in Pittsburgh and call on the **FSB** to undertake ongoing monitoring in this area and look forward to receiving the results of a second thorough **FSB peer review** midyear to identify remaining gaps. We call on the OECD, the **FSB** and other relevant international organizations to develop common principles on consumer protection in the field of **financial services** by our October meeting. We reaffirm our commitment to more effective **oversight and supervision**, including regular **stress testing** of banks building on the **Basel committee's principles.**

7. We reiterated our call to improve compliance with international standards and strengthen the process of identifying non-cooperative jurisdictions. We look forward to the forthcoming update by FATF of the public list of jurisdictions with strategic deficiencies and to a public list of all jurisdictions evaluated by the **FSB** ahead of the next G20 Leaders Summit. We welcome the 18 **peer reviews** issued by the Global Forum on Transparency and Exchange of Information and urge all jurisdictions so far identified as not having the elements in place to achieve an effective exchange of information to promptly address the weaknesses…

10. We stand ready to support Egypt and Tunisia, with responses at the appropriate time well coordinated with the international institutions and the regional development banks to accompany **reforms** designed to the benefit of the whole population and the stabilization of their economies.

2011: Washington, April, 14-15

Final Communiqué

6. Commodity prices face increasing pressures. We welcomed the recommendations of the IEF, IEA and OPEC and committed to improve the timeliness, completeness and reliability of the JODI Oil database. We welcomed the work of international organizations on their report to address excessive price volatility in food and agricultural

markets, and its impact on food security. We look forward to receiving their final recommendations, including on risk management and mitigation tools. We stressed the need for participants on commodity **derivatives** markets to be subject to appropriate **regulation and supervision**, called for enhanced transparency in both cash and **derivatives** markets as previously recommended by IOSCO, and asked IOSCO to finalize, by September, its recommendations on **regulation and supervision** in this area especially to address market abuses and manipulation, such as through formalized position management powers including the authority to set ex-ante position limits where appropriate, among other powers of interventions.

7. We welcomed the preliminary proposals of the **FSB** to strengthen its capacity, resources and governance including representativeness and asked the **FSB** to put forward formal proposals at its July meeting for review at our next meeting. We took stock of progress made to determine a cohort of global SIFIs and confirmed that the **FSB** will make recommendations on a multi-pronged framework with more intensive supervisory **oversight**, effective resolution capacities and higher loss absorbency capacity. We look forward to public consultations on SIFI recommendations and request a macroeconomic impact study by **FSB** and BCBS, in cooperation with BIS and IMF, to be reviewed at our next meeting. We welcomed the **FSB** work on the scope of shadow banking and look forward to the recommendations that the **FSB** will prepare for our next meeting on the **regulation and oversight of the shadow banking system**. We committed to set high, internationally consistent, coordinated and non-discriminatory requirements in our legislations and **regulations** implementing **FSB** recommendations on OTC **derivatives** markets and stressed the need to avoid overlapping **regulations**. We urge all jurisdictions to fully implement the **FSB** principles and **standards** on compensation. We call on the **FSB** to undertake ongoing monitoring in this area and will assess the results of the 2nd **peer review** on compensation practices by our next meeting. We will review at our next meeting progress made by the **IASB** and **FASB** towards completing their convergence project by the end of 2011 and look forward to the outcome of the ongoing **IASB** governance review process. We welcomed ongoing work of OECD and **FSB** and other relevant international organizations to develop common principles on consumer protection in **financial services**.