Global Governance and Policy Coherence :

Before and After the G20 Summit

Annex I

Tasks assigned to international organizations by the G20 Leaders

(informal summary - Based on the 2 April 2009 London texts)

The G20 Leaders agree

- To meet again before the end of this year to review progress on our commitments.[1]
- To instruct our Finance Ministers to complete the implementation of these decisions in line with the timetable set out in the Action Plan and (...) [have] the next meeting of our Finance Ministers in Scotland in November.[1]
- [To have] our Finance Ministers to [complete] a report monitoring the Action Plan from “the FSB and the IMF” (...) working with the Financial Action Taskforce and other relevant bodies.[1]
- [To ask] the Chairman, working with the G20 Finance Ministers, to consult widely in an inclusive process and report back to the next meeting with proposals for further reforms to improve the responsiveness and adaptability of the IFIs.[1]

For the new FSB, [the G20] agree

- to establish a new Financial Stability Board (FSB) with a strengthened mandate, as a successor to the Financial Stability Forum (FSF), including all G20 countries, FSF members, Spain, and the European Commission;[1]
- that the FSB should collaborate with the IMF to provide early warning of macroeconomic and financial risks and the actions needed to address them;[1 and 2]

- to endorse and implement the FSF's tough new principles on pay and compensation and to support sustainable compensation schemes and the corporate social responsibility of all firms;[1]

- to call on the accounting standard setters to work urgently with supervisors and regulators to improve standards on valuation and provisioning and achieve a single set of high-quality global accounting standards;[1]

- to extend regulatory oversight and registration to Credit Rating Agencies to ensure they meet the international code of good practice, particularly to prevent unacceptable conflicts of interest;[1]

- to ask the FSB and the IMF to monitor progress [on the timetable set out in the Action Plan] working with the Financial Action Taskforce and other relevant bodies, and provide a report to the next meeting of (...) Finance Ministers (...) in November;[1]

- that FSB and the IMF should (...) launch an Early Warning Exercise at the 2009 Spring Meetings;[2]

- to develop a toolbox of measures to promote adherence to prudential, tax and AML/CFT standards and cooperation with jurisdictions;[2]

- to call upon the FSB and the FATF to report to the next G20 Finance Ministers and Central Bank Governors' meeting on adoption and implementation by countries;[2]

- to assess vulnerabilities affecting the financial system, identify and oversee action needed to address them;[2]

- to promote co-ordination and information exchange among authorities responsible for financial stability;[2]

- to monitor and advise on market developments and their implications for regulatory policy;[2]

- to advise on and monitor best practice in meeting regulatory standards;[2]

- to undertake joint strategic reviews of the policy development work of the international Standard Setting Bodies to ensure their work is timely, coordinated, focused on priorities, and addressing gaps;[2]

- to set guidelines for, and support the establishment, functioning of, and participation in, supervisory colleges, including through ongoing identification of the most systemically important cross-border firms;[2]

- to support contingency planning for cross-border crisis management, particularly with respect to systemically important firms;[2]

- to elaborate and report on [FSB member] commitments:

    - to enhance the openness and transparency of the financial sector; and

    - to implement international financial standards (including the 12 key International Standards and Codes); and

    - to elaborate and report on the [periodic peer reviews, using among other evidence IMF / World Bank public Financial Sector Assessment Program] evaluation process.[2]

    - to call on the FSB to work with the BIS and international standard setters to develop macro-prudential tools [across the financial system including in the case of regulated banks, shadow banks, and private pools of capital to limit the build up of systemic risk] and provide a report by autumn 2009;[2]

    - to produce with the IMF guidelines [on regulatory arbitrage] for national authorities to assess whether a financial institution, market, or an instrument is systemically important by the next meeting of our Finance Ministers and Central Bank Governors. These guidelines should focus on what institutions do rather than their legal form;[2]

G20 expects the Basel Committee on Banking Supervision (BCBS) to

- review minimum levels of capital and develop recommendations in 2010;[2]

- join the FSB and CGFS, working with accounting standard setters, to take forward, with a deadline of end 2009, the implementation of the recommendations published today to mitigate procyclicality, including a requirement for banks to build buffers of resources in good times that they can draw down when conditions deteriorate;[2]

- should take forward with national authorities work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements, by 2010.[2]

- To take forward its review on the role of external ratings (if Credit Rating Agencies) in prudential regulation and determine whether there are any adverse incentives that need to be addressed.[2]

- Integrate the FSF principles into their risk management guidance by autumn 2009. The principles, which have today been published, require:

    - firms' boards of directors to play an active role in the design, operation, and evaluation of compensation schemes;

    - compensation arrangements, including bonuses, to properly reflect risk and the timing and composition of payments to be sensitive to the time horizon of risks. Payments should not be finalised over short periods where risks are realised over long periods; and[2]

    - firms to publicly disclose clear, comprehensive, and timely information about compensation. Stakeholders, including shareholders, should be adequately informed on a timely basis on compensation policies to exercise effective monitoring.[2]

    - Supervisors will assess firms' compensation policies as part of their overall assessment of their soundness. Where necessary they will intervene with responses that can include increased capital requirements.[2]

G20 expects the International Organization of Securities Commissions (IOSCO)

- to coordinate full compliance with IOSCO Code of Conduct Fundamental which national regulatory oversight regimes are to establish for all Credit Rating Agencies by 2009.[2]

G20 expects the BIS Committee on Global Financial System (CGFS)

- In conjunction the FSB and BCBS working with accounting standard setters, to take forward, with a deadline of end 2009, implementation of the recommendations published today to mitigate procyclicality, including a requirement for banks to build buffers of resources in good times that they can draw down when conditions deteriorate; [2]

For the IMF, [the G20] (...) have agreed:

- now and in the future, to candid, even-handed, and independent IMF surveillance of our economies and financial sectors, of the impact of our policies on others, and of risks facing the global economy;

- to increase the resources available to the IMF through immediate financing from members of $250 billion, subsequently incorporated into an expanded and more flexible New Arrangements to Borrow, increased by up to $500 billion, and to consider market borrowing if necessary;[1 and 2]

- to welcome (...) the progress made by the IMF with its new Flexible Credit Line (FCL) and its reformed lending and conditionality framework which will enable the IMF to ensure that its facilities address effectively the underlying causes of countries' balance of payments financing needs, particularly the withdrawal of external capital flows to the banking and corporate sectors. We support Mexico's decision to seek an FCL arrangement.[1 and 2]

- To support a general SDR allocation which will inject $250 billion into the world economy and increase global liquidity, and urgent ratification of the Fourth Amendment.[1 and 2]

- To implement the package of IMF quota and voice reforms agreed in April 2008 and call on the IMF to complete the next review of quotas by January 2011;[1]

- to [consider] (...) greater involvement of the Fund's Governors in providing strategic direction to the IMF and increasing its accountability;[1]

- that the heads and senior leadership of the international financial institutions should be appointed through an open, transparent, and merit-based selection process.[1]

- To commit, consistent with the new income model, that additional resources from agreed sales of IMF gold will be used, together with surplus income, to provide $6 billion additional concessional and flexible finance for the poorest countries over the next 2 to 3 years. We call on the IMF to come forward with concrete proposals at the Spring Meetings;[1 and 2]

- agreed to review the flexibility of the Debt Sustainability Framework and call on the IMF and World Bank to report to the IMFC and Development Committee at the Annual Meetings;[1]

- to double IMF's concessional lending capacity for low income countries and double access limits, within the Debt Sustainability Framework (DSF);[2]

- That IMF and FSB should (...) launch an Early Warning Exercise at the 2009 Spring Meetings.[2]

- To [accelerate] the next quota review to be completed by January 2011 to ensure the IMF's finances are on a sustainable footing commensurate with the needs of the international monetary system;[2]

- to take[ing] steps to ensure that its surveillance and lending facilities address effectively the underlying causes of countries' balance of payments financing needs, particularly the withdrawal of external capital flows to the banking and corporate sectors;[2]

- to ask the IMF and the FSB to monitor progress [on the timetable set out in the Action Plan] working with the Financial Action Taskforce and other relevant bodies, and provide a report to the next meeting of (...) Finance Ministers (...) in November.[1]

- To be a member new FSB as it was of the old FSF.

- To produce with the FSB guidelines [on regulatory arbitrage] for national authorities to assess whether a financial institution, market, or an instrument is systemically important by the next meeting of our Finance Ministers and Central Bank Governors. These guidelines should focus on what institutions do rather than their legal form;[2]

- to come forward with concrete proposals at the Spring Meetings for the $6 billion additional concessional and flexible finance for the poorest countries over the next two to three years.[3]

- should take steps to ensure that its surveillance and lending facilities address effectively the underlying causes of countries' balance of payments financing needs, particularly the withdrawal of external capital flows to the banking and corporate sectors.[3]

For the Multilateral Development Banks (MDBs), the G20 have agreed to support:

- a substantial increase in lending of $100 billion including to low income countries, to a total of around $300 billion over the next three years;[1 and 2]

- [the] availability of at least $250 billion over the next two years to support trade finance through our export credit and investment agencies and through the MDBs.[1]

- full and exceptional use of MDB balance sheets, to create further capacity for lending to meet crisis needs;[2]

- a 200 per cent general capital increase at the Asian Development Bank and reviews of the need for capital increases at the Inter-American Development Bank, the African Development Bank and the European Bank for Reconstruction and Development;[2]

- actions by the MDBs to leverage private capital more effectively, including through the use of guarantees, bond insurance and bridging finance;[2]

- the new IFC Global Trade Liquidity Pool which should provide up to $50 billion of trade liquidity support over the next three years, with significant co-financing from the private sector (as part of the global effort to ensure the availability of at least $250 billion of trade finance over the next two years). In order to reach this objective, we agreed to provide $3-4 billion in voluntary bilateral contributions to the IFC Pool. We also welcomed the steps taken by other MDBs to increase support for trade finance, and medium and long-term project finance through our export credit and investment agencies.[2]

- Not to be a member of the new FSB

For the World Bank Group (WBG), the G20 have agreed to support:

- (...) implementing the World Bank reforms agreed in October 2008. We look forward to further recommendations, at the next meetings, on voice and representation reforms on an accelerated timescale, to be agreed by the 2010 Spring Meetings;[1]

- (...) [the appointment of] the heads and senior leadership of the international financial institutions (...) through an open, transparent, and merit-based selection process;[1]

- through voluntary bilateral contributions, the World Bank Vulnerability Framework, including the Infrastructure Crisis Facility and the Rapid Social Response Fund;[1 and 2]

- individual country limits on World Bank lending should be increased, as appropriate, to enable large countries to access required levels of finance and so support stability and recovery in their regions;[2]

- low income IDA countries with sustainable debt positions and sound policies should be given temporary access to non-concessional IBRD lending to compensate for the loss of access to capital markets, and IDA resources should be front loaded, using the existing flexibility in the DSF;[2]

- to be a member new FSB as it was of the old FSF.

G20 calls on the WTO:

- together with other international bodies, within their respective mandates, to monitor and report publicly on our adherence to these undertakings[1] on a quarterly basis;

- [to receive prompt notifications] of any such measures.

- To be a member new FSB as it was of the old FSF.

"We remain committed to reaching an ambitious and balanced conclusion to the Doha Development Round, which is urgently needed. This could boost the global economy by at least $150 billion per annum. To achieve this we are committed to building on the progress already made, including with regard to modalities".[1]

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[1] Reference for .. "we reaffirm the commitment made in Washington: to refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organisation (WTO) inconsistent measures to stimulate exports. In addition we will rectify promptly any such measures. We extend this pledge to the end of 2010;

we will minimize any negative impact on trade and investment of our domestic policy actions including fiscal policy and action in support of the financial sector. We will not retreat into financial protectionism, particularly measures that constrain worldwide capital flows, especially to developing countries;

G20 notes that the OECD

- has today published a list of countries assessed by the Global Forum against the international standard for exchange of tax information;[1]
- is a member of the old FSF and the new FSB.

G20 expects the OECD Financial Action Task Force on Money Laundering (FATF)

- to revise and reinvigorate the review process for assessing compliance by jurisdictions with AML/CFT standards, using agreed evaluation reports where available.[2]
- to report with the FSB to the next G20 Finance Ministers and Central Bank Governors' meeting on adoption and implementation by countries.[2]

G20 calls on the UN

- [to work] with other global institutions, to establish an effective mechanism to monitor the impact of the crisis on the poorest and most vulnerable.[1 and 2]
- Not to be a member of the new FSB

G20 calls upon the ILO

- [to work] with other relevant organisations, to assess the actions taken and those required for the future.[2]
- Not to be a member of the new FSB

G20 and the UNFCCC

- We reaffirm our commitment to address the threat of irreversible climate change, based on the principle of common but differentiated responsibilities, and to reach agreement at the UN Climate Change conference in Copenhagen in December 2009.
- Not to be a member of the new FSB

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2 Reference for assessment of actions taken and those required for the future: "We commit to support those affected by the crisis by creating employment opportunities and through income support measures. We will build a fair and family-friendly labour market for both women and men. We therefore welcome the reports of the London Jobs Conference and the Rome Social Summit and the key principles they proposed. We will support employment by stimulating growth, investing in education and training, and through active labour market policies, focusing on the most vulnerable."

Unknown forum

- G20 supports discussion on such a charter for sustainable economic activity with a view to further discussion at our next meeting. We take note of the work started in other fora in this regard and look forward to further discussion of this charter for sustainable economic activity.

1. Leaders Statement : The Global Plan for Recovery and Reform, 2 April 2009, London, http://www.g20.org/Documents/final-communique.pdf
2. Declaration on strengthening the financial system, 2 April 2009, London http://www.g20.org/Documents/Fin_Deps_Fin_Reg_Annex_020409_-_1615_final.pdf
3. Declaration on delivering resources through the international financial institutions, 2 April 2009, London, http://www.g20.org/Documents/Fin_Deps_IFI_Annex_Draft_02_04_09_-__1615_Clean.pdf

Annex II

Original terms of reference for the G20 strategy for global recovery

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

Strengthening Transparency and Accountability: We will strengthen financial market transparency, including by enhancing required disclosure on complex financial products and ensuring complete and accurate disclosure by firms of their financial conditions. Incentives should be aligned to avoid excessive risk-taking.

Enhancing Sound Regulation: We pledge to strengthen our regulatory regimes, prudential oversight, and risk management, and ensure that all financial markets, products and participants are regulated or subject to oversight, as appropriate to their circumstances. We will exercise strong oversight over credit rating agencies, consistent with the agreed and strengthened international code of conduct. We will also make regulatory regimes more effective over the economic cycle, while ensuring that regulation is efficient, does not stifle innovation, and encourages expanded trade in financial products and services. We commit to transparent assessments of our national regulatory systems.

Promoting Integrity in Financial Markets: We commit to protect the integrity of the world's financial markets by bolstering investor and consumer protection, avoiding conflicts of interest, preventing illegal market manipulation, fraudulent activities and abuse, and protecting against illicit finance risks arising from non-cooperative jurisdictions. We will also promote information sharing, including with respect to jurisdictions that have yet to commit to international standards with respect to bank secrecy and transparency.

Reinforcing International Cooperation: We call upon our national and regional regulators to formulate their regulations and other measures in a consistent manner. Regulators should enhance their coordination and cooperation across all segments of financial markets, including with respect to cross-border capital flows. Regulators and other relevant authorities as a matter of priority should strengthen cooperation on crisis prevention, management, and resolution.

Reforming International Financial Institutions: We are committed to advancing the reform of the Bretton Woods Institutions so that they can more adequately reflect changing economic weights in the world economy in order to increase their legitimacy and effectiveness. In this respect, emerging and developing economies, including the poorest countries, should have greater voice and representation. The Financial Stability Forum (FSF) must expand urgently to a broader membership of emerging economies, and other major standard setting bodies should promptly review their membership. The IMF, in collaboration with the expanded FSF and other bodies, should work to better identify vulnerabilities, anticipate potential stresses, and act swiftly to play a key role in crisis response".

DECLARATION ,SUMMIT ON FINANCIAL MARKETS AND THE WORLD ECONOMY, November 15, 2008, Washington http://www.g20.org/Documents/g20_summit_declaration.pdf