



Communiqué

G20 Finance Ministers and Central Bank Governors Meeting Baden-Baden, Germany, 17-18 March 2017

1. We met at a time when the global economic recovery is progressing. But the pace of growth is still weaker than desirable and downside risks for the global economy remain. We reaffirm our commitment to international economic and financial cooperation. We reiterate our determination to use all policy tools - monetary, fiscal and structural - individually and collectively to achieve our goal of strong, sustainable, balanced and inclusive growth, while enhancing economic and financial resilience. Monetary policy will continue to support economic activity and ensure price stability, consistent with central banks' mandate, but monetary policy alone cannot lead to balanced growth. Fiscal policy should be used flexibly and be growth-friendly, prioritise high-quality investment, and support reforms that would provide opportunities and promote inclusiveness, while ensuring debt as a share of GDP is on a sustainable path. We emphasise that our structural reform and fiscal strategies are important components to supporting our common growth objectives and will continue to explore policy options tailored to country circumstances in line with the Enhanced Structural Reform Agenda. We reiterate that excess volatility and disorderly movements in exchange rates can have adverse implications for economic and financial stability. We will consult closely on exchange markets. We reaffirm our previous exchange rate commitments, including that we will refrain from competitive devaluations and we will not target our exchange rates for competitive purposes. We will carefully calibrate and clearly communicate our macroeconomic and structural policy actions to reduce policy uncertainty, minimise negative spillovers and promote transparency. We are working to strengthen the contribution of trade to our economies. We will strive to reduce excessive global imbalances, promote greater inclusiveness and fairness and reduce inequality in our pursuit of economic growth. We agree on a set of principles to foster economic resilience which provides an indicative menu to be considered in the update of G20 countries growth strategies under the Hamburg Action Plan. We take note of the work on inclusive growth within the Framework Working Group.
2. We will deepen as well as broaden international economic and financial cooperation with African countries to foster sustainable and inclusive growth in line with the African Union's (AU) Agenda 2063. We launched the initiative "Compact with Africa" aimed at fostering private investment including in infrastructure. The initiative is demand-driven and respects country-specific circumstances and priorities. The initiative provides modules of good practices and instruments that could be applied in tailor-made investment compacts being implemented through the commitment of multiple stakeholders, such as individual African countries, International Financial Institutions (IFIs) and bilateral partners. We welcome the report by the African Development Bank (AfDB), International Monetary Fund (IMF) and World Bank Group (WBG) and other contributors for the Compact. We support the intention of Côte d'Ivoire, Morocco, Rwanda, Senegal, Tunisia, the AfDB, IMF and WBG, and interested bilateral partners to work on investment

compacts and develop strong investment climates. We encourage the private sector to take advantage of the investment opportunities provided and invite other African countries, IOs and interested bilateral partners to join the investment compacts. We will support continuity of this work and its coherence with other initiatives.

3. We remain committed to further strengthening the international financial architecture and the global financial safety net with a strong, quota-based and adequately resourced IMF at its centre. We support the efforts by the IMF to further enhance the effectiveness of its lending toolkit in line with its mandate, including possible new instruments. We are working towards the completion of the 15th General Review of Quotas, including a new quota formula by the Spring Meetings of 2019 and no later than the Annual Meetings of 2019. We continue with our efforts to achieve a more effective cooperation between the IMF and regional financing arrangements, respecting their mandates. With a view to ensuring debt sustainability, we welcome Operational Guidelines for Sustainable Financing reflecting responsibilities of borrowers and lenders. The Compass for GDP-linked Bonds provides an overview of important aspects of this instrument. Given scarce public resources and the key role of the private sector for sustainable economic development, we welcome the work by Multilateral Development Banks (MDBs) on mobilising private capital. We call on MDBs to finalise Joint Principles by our next meeting and develop Ambitions on Crowding-in Private Finance by the Leaders Summit in July 2017. We look forward to the joint MDBs' reports on the implementation of the MDBs Balance Sheet Optimisation Action Plan, the MDBs' Joint Declaration of Aspirations on Actions to support Infrastructure Investment and an update on the Global Infrastructure Connectivity Alliance by the time of the Leaders Summit in July 2017. We invite the MDBs to take further measures in support of these initiatives. We welcome the Principles for Effective Coordination between the IMF and MDBs in case of Countries requesting Financing while facing Macroeconomic Vulnerabilities. We welcome the International Development Association (IDA18) replenishment that, among other goals, will double support to fragile states and emphasise private sector development.
4. We recognise the importance and benefits of open capital markets and of improving the system underpinning international capital flows while continuing to enhance the monitoring of capital flows and management of risks stemming from excessive capital flow volatility. To support this goal, we look forward to the IMF's and other IFIs' further work in this area, including on macroprudential policies. A number of non-OECD G20 members have declared their intention to join the OECD Code of Liberalisation of Capital Movements starting already the process of adherence this year. We welcome the current review of the Code, including work on appropriate flexibility, while maintaining the Code's current strength and broad scope. Those G20 countries that have not yet adhered to the Code are encouraged to participate voluntarily in the current review and to consider adhering to the Code, taking into consideration country-specific circumstances.
5. An open and resilient financial system is crucial to supporting sustainable growth and development. To this end, we reiterate our commitment to support the timely, full and consistent implementation and finalisation of the agreed G20 financial sector reform agenda. We endorse the Financial Stability Board (FSB) policy recommendations to address structural vulnerabilities from asset management activities, ask the International Organization of Securities Commissions (IOSCO) to develop concrete measures for their timely operationalisation and ask the FSB to report on the progress of this work by the Leaders Summit in July 2017. We will continue to closely monitor, and if necessary, address emerging risks, in particular those that are systemic, and vulnerabilities in the financial system, including those associated with shadow banking or other

market-based finance activities. We ask the FSB to present by the Leaders Summit in July 2017 its assessment of the adequacy of the monitoring and policy tools available to address such risks from shadow banking and whether there is need for any further policy attention. We also look forward to the FSB's comprehensive review of the implementation and effects of the reforms to over-the-counter (OTC) derivatives markets and call on G20 members to complete the full, timely and consistent implementation of the OTC derivatives reforms where they have not already done so. We welcome the progress by the Committee on Payments and Market Infrastructures (CPMI), IOSCO and FSB towards developing guidance to enhance the resilience, recovery and resolvability of Central Counterparties (CCPs) and look forward to their publication by the time of the Leaders Summit in July 2017 as well as plans for any follow-on work as needed. We confirm our support for the Basel Committee on Banking Supervision's (BCBS) work to finalise the Basel III framework without further significantly increasing overall capital requirements across the banking sector, while promoting a level playing field. We reiterate the importance of progress under the work plan to address misconduct risks in the financial sector and look forward to the report from the FSB by the time of the Leaders Summit in July 2017. We will continue to enhance our monitoring of implementation and effects of reforms to ensure their consistency with our overall objectives, including by addressing any material unintended consequences. We look forward to the FSB's third annual report. We also welcome the FSB work to develop a structured framework for the post-implementation evaluation of the effects of the G20 financial regulatory reforms and we look forward to the framework, after an early public consultation of its main elements, being presented by the time of the Leaders Summit in July 2017 and published. We welcome the OECD Methodology for Assessing the Implementation of the G20/OECD Principles of Corporate Governance.

6. To ensure that we will reap the benefits and opportunities that digital innovation offers, while potential risks are appropriately managed, we encourage all countries to closely monitor developments in digital finance, including consideration of cross-border issues, both in their own jurisdictions and in cooperation with the FSB and other international organisations and standard setting bodies. We welcome the FSB work on the identification, from a financial stability perspective, of key regulatory issues associated with technologically enabled financial innovation (FinTech).
7. The malicious use of Information and Communication Technologies (ICT) could disrupt financial services crucial to both national and international financial systems, undermine security and confidence and endanger financial stability. We will promote the resilience of financial services and institutions in G20 jurisdictions against the malicious use of ICT, including from countries outside the G20. With the aim of enhancing our cross-border cooperation, we ask the FSB, as a first step, to perform a stock-taking of existing relevant released regulations and supervisory practices in our jurisdictions, as well as of existing international guidance, including to identify effective practices. The FSB should inform about the progress of this work by the Leaders Summit in July 2017 and deliver a stock-take report by October 2017.
8. We support the work of the Global Partnership for Financial Inclusion (GPFI) to advance financial inclusion, especially of vulnerable groups, and Small and Medium-sized Enterprises' (SMEs) participation in sustainable global value chains. We encourage an adequate coverage of opportunities and challenges of digital financial inclusion in the updated G20 Financial Inclusion Action Plan. We encourage G20 and non-G20 countries to take steps to implement the G20 High-Level Principles for Digital Financial Inclusion. We emphasise the importance of enhancing financial literacy and consumer protection given the sophistication of financial markets and

increased access to financial products in a digital world and welcome related OECD/INFE work. We welcome the progress made on the implementation of the G20 Action Plan on SME Financing and commit to further significant progress in improving the environment for SME Financing while continuing to encourage non-G20 countries to join this effort.

9. We will continue our work for a globally fair and modern international tax system. We remain committed to a timely, consistent and widespread implementation of the Base Erosion and Profit Shifting (BEPS) package, welcome the growing membership of the Inclusive Framework on BEPS and encourage all relevant and interested countries and jurisdictions to join. We ask the OECD to report back on the progress of BEPS implementation, including on all the four minimum standards, by the Leaders Summit in July 2017. We look forward to the first signing round on 7 June 2017 of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS and to the first automatic exchange of financial account information under the OECD Common Reporting Standard (CRS), which will commence in September 2017. We call on all jurisdictions to sign and ratify the multilateral Convention on Mutual Administrative Assistance in Tax Matters and urge all relevant jurisdictions including financial centres which have not yet done so to commit without delay to implementing the CRS and to take all necessary actions, including putting in place domestic legislation, in order to start exchanges under the CRS at the latest by September 2018. Furthermore, we look forward to the OECD's preparation of a list by the Leaders Summit in July 2017 of those jurisdictions that have not yet sufficiently progressed towards a satisfactory level of implementation of the agreed international standards on tax transparency. Defensive measures will be considered against listed jurisdictions. We continue to support targeted assistance to developing countries in building their tax capacity, following in particular the principles of the Addis Tax Initiative, and support the work of the Platform for Collaboration on Tax, which will deliver a progress update by mid-2017.
10. We welcome the international cooperation on pro-growth tax policies and the work on tax and inclusive growth and tax certainty conducted by the OECD and the IMF. We acknowledge the report on Tax Certainty submitted to us and encourage jurisdictions to consider voluntarily the practical tools for enhanced tax certainty as proposed in that report, including with respect to dispute prevention and dispute resolution to be implemented within domestic legal frameworks and international tax treaties. We ask the OECD and the IMF to assess progress in enhancing tax certainty in 2018. As part of the BEPS project, we have undertaken a discussion on the implications of digitalisation for taxation in the OECD Task Force on the Digital Economy (TFDE). We will further work on this issue through the TFDE and ask for an interim report by the IMF and WBG Spring Meetings 2018.
11. As an important tool in our fight against corruption, tax evasion, terrorist financing and money laundering, we will advance transparency of legal persons and legal arrangements via the effective implementation of international standards and the availability of beneficial ownership information in the domestic and cross-border context. In this regard, we welcome the work by the Financial Action Task Force (FATF) and the Global Forum on Transparency and Exchange of Information for Tax Purposes. We look forward to a progress report from the OECD on its work in complementary tax areas relating to beneficial ownership by the time of the Leaders Summit in July 2017.
12. We welcome the progress report and the 2017 work plan under the FSB-coordinated action plan to assess and address the decline in correspondent banking, so as to support remittances, financial inclusion, trade and openness. We welcome the publication of Guidance on Correspondent

Banking Services by the FATF which will also support the provision of remittance services. We look forward to further work towards clarifying regulatory expectations, as appropriate. To further improve the environment for remittances, we support progress made by the GPMI with regard to facilitating remittances, including by promoting actions and policies that could lower their costs. We look forward to an update of National Remittances Plans by the end of 2017. Furthermore, we welcome joint efforts of FATF, FSB and GPMI to clarify in a dialogue with the private sector any specific issues relating to remittance providers, including their access to banking services, and report back to us on it by July 2017. We also ask all relevant stakeholders, including IOs, to continue to support countries in building domestic capacity to improve the supervisory environment for remittances and correspondent banking, notably through technical assistance.

13. We reaffirm our commitment to tackle all sources, techniques and channels of terrorist financing and our call for swift and effective implementation of the FATF standards worldwide. We welcome and support the ongoing work to strengthen the institutional basis, governance and capacity of the FATF and ask the FATF for an update on the work by the FATF members by the Leaders Summit in July 2017. We call on all member states to ensure that the FATF has the necessary resources and support to effectively fulfil its mandate.
14. We reaffirm our commitment to rationalise and phase out, over the medium term, inefficient fossil fuel subsidies that encourage wasteful consumption, recognising the need to support the poor. Furthermore, we encourage all G20 countries which have not yet done so, to initiate as soon as feasible a peer review of inefficient fossil fuel subsidies that encourage wasteful consumption.
15. We welcome the recommendations of the Inter Agency Group on Economic and Financial Statistics (IAG) for sharing and accessibility of granular data. We look forward to the joint report of the FSB and IMF on the overall progress of the Data Gaps Initiative by our meeting in Washington, D.C. in October 2017. We also welcome the work of the IMF in consultation with the FSB and the Bank for International Settlements (BIS) to promote information sharing by compiling a publicly available macroprudential policy database, building on the IMF's existing infrastructure.