



Communiqué
Meeting of Finance Ministers and Central Bank Governors, Busan, Republic of Korea
June 5, 2010

1. We, the G20 Finance Ministers and Central Bank Governors, met at a critical juncture to firmly secure the global recovery and address the economic challenges and risks.
2. The global economy continues to recover faster than anticipated, although at an uneven pace across countries and regions. However, the recent volatility in financial markets reminds us that significant challenges remain and underscores the importance of international cooperation. The G20's strong policy response to the crisis has played a pivotal role in restoring growth and we stand ready to safeguard recovery and strengthen prospects for growth and jobs. We welcome the determined actions taken by the European Union, the European Central Bank and the IMF. We will pursue well coordinated economic policies. The recent events highlight the importance of sustainable public finances and the need for our countries to put in place credible, growth-friendly measures, to deliver fiscal sustainability, differentiated for and tailored to national circumstances. Those countries with serious fiscal challenges need to accelerate the pace of consolidation. We welcome the recent announcements by some countries to reduce their deficits in 2010 and strengthen their fiscal frameworks and institutions. Within their capacity, countries will expand domestic sources of growth, while maintaining macroeconomic stability. This will help ensure ongoing recovery. In addition, structural reforms, development policies, particularly supporting the poorest countries, and ongoing efforts to refrain from raising trade and investment barriers and resist protectionist measures are required. Monetary policy will continue to be appropriate to achieve price stability and thereby contribute to the recovery.
3. The Framework for Strong, Sustainable and Balanced Growth is a key mechanism by which we will work together to meet the immediate challenges of supporting the global recovery and achieving our medium-term shared Framework objectives. In order to advance its implementation, we considered the alternative policy scenarios by the IMF, with input from the OECD, ILO and other international organizations, and the interim report by the World Bank, both prepared in accordance with our guidance provided in April. On the basis of these reports, we carried out a consultative mutual assessment process and developed a basket of policy options to achieve stronger, more sustainable and more balanced growth. We will submit these options for consideration by our Leaders at the June 2010 Toronto Summit. To continue successful progress of the Framework, we are refining the country-led, consultative mutual assessment process and the timetable for our work in the lead up to the Seoul Summit.
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.
- agreed the financial sector should make a fair and substantial contribution towards paying for any burdens associated with government interventions, where they occur, to repair the banking system or fund resolution. To that end, recognizing that there is a range of policy approaches, we agreed to develop principles reflecting the need to protect taxpayers, reduce risks from the financial system, protect the flow of credit in good times and bad, taking into account individual country's circumstances and options, and helping promote level playing field. The IMF will deliver their final report at 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.
- recognized the need to work together so as to foster the wide-spread application of the overarching principles of propriety, integrity and transparency in the conduct of international business and finance.

5. We welcomed the agreement on the World Bank's voice reform to increase the voting power of developing and transition countries by 3.13%. We committed to continue moving over time towards equitable voting power, while protecting the smallest poor nations, by arriving at a dynamic formula which primarily reflects countries' evolving economic weight and the World Bank's development mission. We committed to work towards ambitious IDA16 and African Development Fund replenishments. We also welcomed the agreements for substantial capital increases and institutional reforms at the World Bank, Inter American Development Bank, European Bank for Reconstruction and Development, and African Development Bank.

6. We called for an acceleration of the substantial work still needed for the IMF to complete the quota reform by the Seoul Summit and in parallel deliver on other governance reforms, in line with commitments made in Pittsburgh. We underscored our resolve to ensure the IMF has the resources it needs so that it can play its important role in the world economy. We reiterated the urgency of implementing the April 2008 package of IMF quota and voice reforms. We urged all participating countries to swiftly implement the expanded New Arrangements to Borrow (NAB).

7. We encouraged progress on financial safety nets and acknowledged a need for national, regional and multilateral efforts to deal with capital volatility and prevent crisis contagion, as demonstrated by the recent events, and agreed to explore policy options to improve global financial safety nets, based on sound incentives. In line with this effort, we called on the IMF to make rapid progress in reviewing its lending instruments, with a view to developing and upgrading them, as appropriate.

8. We welcomed the significant progress made on financial inclusion with the development of Principles for Innovative Financial Inclusion and stock-taking best practices in SME finance. We call on relevant international standard setting bodies to consider how they can further contribute to encouraging financial inclusion, consistent with their respective mandates. We look forward to tangible deliverables on financial inclusion at the Toronto Summit, including the launch of the SME Finance Challenge. Recognizing the importance of agriculture for growth, poverty reduction and food security, we welcomed the launch of the Global Agriculture and Food Security Program and look forward to further voluntary contributions to the fund. We reaffirmed our support for full cancellation of Haiti's IFIs debts. We look forward to completing this cancellation.

9. We welcome the strategies and timetables provided by many G20 members for rationalizing and phasing out inefficient fossil fuel subsidies that encourage wasteful consumption. We are discussing the final report by the IEA, OPEC, OECD and World Bank on the analysis of the scope of energy subsidies and suggestions for the implementation of the Pittsburgh commitment.

10. We agreed to meet again on October 22-23, 2010 in Gyeongju, Republic of Korea, in advance of the November 2010 Seoul Summit.