

G20 Agenda towards a More Stable and Resilient

International Financial Architecture

A stable and resilient international financial architecture is a key element to foster strong, sustainable and balanced growth, as well as financial stability. Building on the work over the course of 2016, we set out the following G20 Agenda towards a more stable and resilient international financial architecture.

1. The G20 supports the ongoing work towards a clearer understanding of trends in capital flows and stocks, and of international exposures. In this view:

(i) The G20 underlines the importance of enhancing data collection to better identify currency and maturity mismatches as well as improving the analytical framework for the understanding of the dynamic and drivers of capital flows.

(ii) The G20 strongly supports the second phase of the Data Gaps Initiative. Identified gaps should be addressed on securities statistics, sectoral accounts, foreign exposures (International Investment Position - IIP), International Banking Statistics, CPIS (Coordinated Portfolio Investment Survey), Government Finance Statistics and Cross-border exposures of non-bank corporations and their affiliates abroad (including their foreign currency assets and hedging instruments), and financial accounts and balance sheets including from-whom-to-whom information more generally. Since any enhancement in data collection will have cost implication, some prioritization may be required.

(iii) The G20 will focus on data collection, processing and reporting regarding the currency composition of the international investment positions. In the same vein, countries should consider providing the optional or encouraged items related to the BIS International Banking Statistics and the IMF Coordinated Portfolio Investment Survey datasets. G20 countries should also be encouraged to ensure good progress on the reporting of statistics on debt by remaining maturity.

2. The G20 calls for enhanced surveillance and monitoring of emerging and cross-border risks. In this view:

(i) The G20 looks forward to complement the existing IMF-FSB bi-annual Early Warning Exercises and BIS Global Liquidity and Early Warning Indicators by having more regular thorough discussions among G20 Finance Ministers and Central Bank Governors on emerging risks related to capital flows, global liquidity, spillover and spillback effects, building on existing work¹ and on the IMF Surveillance Note.

(ii) The G20 looks forward to countries and international organizations sharing their experience of national and multilateral early warning systems and frameworks, including their methodology, on a voluntary basis.

(iii) G20 members commit to undergo Article IV Consultations annually, and reiterate

¹IMF-FSB EWE, the Vulnerability Exercise (VE), the IMF Global Financial Stability Report, World Economic Outlook, Fiscal Monitor, SCAV report from the FSB, assessment of the global liquidity by the BIS, Article IV consultations etc.

their commitment to undergo FSAPs each five years, and to publish the results of the staff consultations.

(iv) The G20 calls on all countries to participate in COFER.

3. The G20 underlines that the G20 2011 Coherent conclusions for the management of capital flows drawing on country experiences and the IMF's institutional view on capital flows are still relevant to the current situation. In this view:

(i) The G20 supports further work on country experiences in handling capital flows to draw lessons and identify areas that merit further analysis.

(ii) The G20 supports the ongoing IMF work on capital flows and on bringing together work on capital flows management and macroprudential policies to inform financial and macroeconomic risk management, taking into account country circumstances.

(iii) The G20 supports enhanced dialogue between the IMF, FSB, BIS and OECD, within their respective areas of expertise related to capital flows and financial stability risks.

4. The G20 reaffirms its support to the ongoing work to further strengthen the GFSN, with the IMF at its center, including through more effective cooperation between the IMF and regional financing arrangements.

5. The G20 reaffirms its commitment to a strong, quota-based and adequately resourced IMF. The G20 supports an IMF fully equipped to fulfill its responsibilities in this very uncertain financial and economic time.

6. The G20 reaffirms its support to the ongoing work to improve the IMF toolkit as part of the strengthening of the international financial architecture. In particular, the G20 calls on the IMF to further work by the end of 2016 on:

(i) precautionary instruments, including ways to improve coverage, and reinforce their attractiveness to potential borrowers such as by reducing perceived political stigma, while reviewing IMF scoring and ensuring that the proper incentives for sound policies and for timely exit are in place

(ii) support to commodity exporting countries facing severe and persistent commodity price shocks, to assist them in their adjustment

(iii) the review of current practices in regard to blending resources between the General Resources Account and the Poverty Reduction and Growth Trust (PRGT)

(iv) a policy signaling instrument covering emerging markets and advanced economies

(v) assistance for countries facing non-financial shocks such as the refugee crisis

The G20 welcomes the new contributions and bilateral loan resources pledged to the PRGT, and calls on additional contributors to participate.

7. The G20 calls for more effective cooperation between the IMF and RFAs. In this view:

- (i) The G20 calls on RFAs and IOs to further develop channels to share information and experiences.
- (ii) The G20 welcomes the upcoming CMIM-IMF joint test run, and call on RFAs whose cooperation capacity with the IMF has not been tested yet to consider organizing a test run with the IMF.
- (iii) The G20 looks forward to the IMF drawing lessons jointly with the countries involved in the CMIM-IMF joint test run and other test runs, and share them in the context of broader experiences of cooperation, taking into account their different characteristics and mandates.

8. The G20 looks forward to the completion of the 15th General Review of Quotas, including a new quota formula, by the 2017 Annual Meetings. Any realignment under the 15th review in quota shares is expected to result in increased shares for dynamic economies in line with their relative positions in the world economy, and hence likely in the share of emerging market and developing countries as a whole, while protecting the voting share of the poorest.

G20 members commit to work expeditiously to build consensus on the quota review and quota formula to meet this timetable.

9. The G20 underlines the importance of promoting sound and sustainable financing practices. In this view:

- (i) The G20 underlines the risks posed by a possible buildup of sovereign debt in some countries, notably low-income countries, against the backdrop of a sharp drop in commodity prices and tightening in financial conditions, and calls for monitoring these risks.
- (ii) The G20 supports the ongoing review of the Debt Sustainability Framework for low-income countries and call in particular for a better evaluation and recording of contingent liabilities, more in depth analysis of domestic public debt, integration of market risk analysis, and greater granularity in the DSA results.
- (iii) Building on the Addis Ababa Action Agenda, the G20 will further discuss ways to promote sound and sustainable financing practices including through inclusive discussions with low-income countries.
- (iv) Building on their current effort, the G20 calls on the WB and the IMF to explore further options for an enhanced and coordinated effort on technical assistance tailored to debtor countries and challenges, and ask them to report back to G20 Finance Ministers and Central Bank Governors in 2017.

10. The G20 supports the continued incorporation of the enhanced collective action and pari passu clauses into sovereign bonds. It underlines the importance of dialogue between creditors and borrowers, and their timely engagement in the case of build-up of risks associated with repayment of sovereign debt obligations.

The G20 affirms that the Paris Club, as the principal international forum for restructuring official bilateral debt, should keep pace with the changing landscape of official financing. The G20 welcomes the admission of the Republic of Korea to the Paris Club and supports the ongoing work of the Paris Club towards the broader inclusion of emerging creditors. The G20 supports the Paris Club's discussion of a range of sovereign debt issues. In addition, the G20 calls for further work to improve debt restructuring processes. In this view:

- (i) The G20 asks the IMF to explore and report on the cost and feasibility of the incorporation of the enhanced clauses in the existing stock of debt.
- (ii) The G20 will examine and discuss additional measures taken by some jurisdictions to smooth the sovereign debt restructuring processes.

11. The G20 supports further work to explore state contingent debt instruments as a way to balance sustainability and stability. In this view:

- (i) The G20 calls for further analysis of the technicalities, opportunities, and challenges of state-contingent debt instruments, including GDP-linked bonds.
- (ii) The G20 asks the IMF, working with interested members, to report back on these issues to G20 Finance Ministers and Central Bank Governors in 2017.
- (iii) The G20 supports recent efforts, notably in developing countries, to implement contingent debt instruments or features, in particular with regards to natural disasters.

12. The G20 supports the examination of broader use of SDR. In this view:

- (i) The G20 supports the publication of some international financial institutions' and countries' accounts and statistics in SDR, and will study the benefits and possible ways of broader reporting in SDR.
- (ii) The G20 calls on the IMF to assess the recent developments regarding SDR, and in particular the potential issuance of SDR denominated bonds, and report to G20 Finance Ministers and Central Bank Governors in 2017.

13. The G20 underlines that well developed local currency bond markets (LCBM) play an important role in improving the resilience of the domestic economy and financial system. The G20 welcomes the progress achieved since the launch of the G20 Action Plan to Support the Development of Local Currency Bonds Markets in 2011. It calls on the World Bank and IMF, working with Regional Development Banks, OECD and other IOs as appropriate, to continue developing actions and policy recommendations in support of the development of local currency bonds markets, taking into account country circumstances.