Communiqué
Meeting of G20 Finance Ministers and Central Bank Governors
Cairns, 20-21 September 2014

1. We welcome the stronger economic conditions in some key economies, although growth in the global economy is uneven and remains below the pace required to adequately generate much needed jobs. Downside risks persist, including in financial markets and from geopolitical tensions. The global economy still faces persistent weaknesses in demand, and supply side constraints hamper growth. We need strong, sustainable and balanced growth and robust financial sectors to safeguard our economies from these risks and put people into jobs. We are united and determined in our response to these challenges.

2. Chief amongst our response is our Sydney declaration to develop new measures that aim to lift our collective GDP by more than 2 per cent by 2018 above the trajectory implied by policies in place at the time of the St Petersburg Summit in 2013. Structural reforms will be important in this regard. We have developed a set of new concrete measures that will facilitate growth, increase and foster better quality investment, lift employment and participation, enhance trade and promote competition. Preliminary analysis by IMF-OECD indicates these measures will lift our collective GDP by an additional 1.8 per cent through to 2018, including from important positive spillovers. These measures, along with macroeconomic policies, are designed to lift global growth and contribute to rebalancing global demand. Implementation of these measures is also essential to foster private sector growth, to give our citizens more opportunities to improve their living standards. In the lead up to the Brisbane Summit, we will continue to identify a series of additional measures to meet our collective growth ambition. We will hold each other to account in implementing these policy commitments.

3. Monetary policy in advanced economies continues to support the economic recovery, and should address, in a timely manner, deflationary pressures where needed, consistent with central banks' mandates. We are looking to achieve broad-based and robust growth and this will facilitate the eventual normalisation of monetary policy in advanced economies. We will continue to clearly communicate our actions in a timely way and be mindful of impacts on the global economy as policy settings are recalibrated. We are mindful of the potential for a build-up of excessive risk in financial markets, particularly in an environment of low interest rates and low asset price volatility. We will monitor these risks and continue to strengthen macroeconomic, structural, and financial policy frameworks, and other complementary measures, as the best response to managing risks, and meet our G20 exchange rate commitments. We will also ensure the continued effectiveness of global safety nets.

4. We will continue to implement our fiscal strategies flexibly to take into account near-term economic conditions, so as to support economic growth and job creation, while putting debt as a share of GDP on a sustainable path. We agree to consider changes in the composition and quality of government expenditure and tax to enhance the contribution of our fiscal strategies to growth.

5. Investment is critical to boosting demand and lifting growth. Today we have agreed to a Global Infrastructure Initiative to increase quality investment, particularly in infrastructure. The Initiative will seek to implement the multi-year infrastructure agenda, including through developing a knowledge sharing platform, addressing data gaps and developing a consolidated database of infrastructure projects, connected to national databases, to help match potential investors with projects. The Initiative will also include key measures in our growth strategies to improve investment climates, which are central to our efforts to attract private sector participation. In implementing our growth strategies, we will seek to support quality public and private investment, including by optimising the use of the public balance sheet while maintaining appropriate risk controls. We encourage the World Bank Group and regional and national development banks to continue to optimise balance sheet utilisation. The implementation mechanism for the Initiative will be announced by our Leaders in November and will make best use of existing capabilities and institutions. To support the Initiative, we have agreed on a set of voluntary Leading Practices to promote and prioritise quality investment, particularly in infrastructure, and will develop effective approaches for their implementation, including through model documentation. This will complement our continuing work to facilitate long-term financing from institutional investors, including through implementation of the agreed G20/OECD principles, and voluntary use of new effective approaches and the related checklist. Furthermore, work is currently underway to improve the

transparency and functioning of securitisation markets which will promote financing, including for SMEs. We welcome the work of the World Bank Group to develop the Global Infrastructure Facility which provides a platform for collaboration between development banks and the private sector to lift quality infrastructure investment in emerging markets and developing economies.

6. We have delivered key aspects of the core commitments we made in the wake of the financial crisis in 2008 to build a stronger and more resilient financial system which underpins growth in the global economy. Banks are now generally better capitalised and stronger liquidity arrangements are being put in place. For the Brisbane Summit, work is underway on a plan that will increase consistency in banks' application of the strengthened Basel III rules on capital. We have identified global banks and insurers that are so large, complex and interconnected that their failure could cause significant economic and financial sector disruption, and potentially result in serious taxpayer losses. We have set stronger capital requirements for global systemically important banks. We welcome the substantial progress made to date in defining the terms and conditions of a proposal for addressing the too-big-to-fail issue through additional loss absorbing capacity that would further protect taxpayers if these banks fail. We welcome the FSB's statement that it will be in a position to deliver a proposal in time for the Brisbane Summit. The proposal will be subject to public consultation and a quantitative impact assessment and further refinement before any final measure is agreed. By the Brisbane Summit, the FSB will deliver the remaining core elements of its shadow banking framework and will update the Roadmap agreed in 2013 to support continued monitoring and actions to address potential systemic risks in this area. Our reforms to the over the counter (OTC) derivatives market will reduce systemic risks and increase transparency. We call on regulatory authorities to make further concrete progress in implementing these OTC derivatives reforms as agreed. We encourage jurisdictions to defer to each other when it is justified, in line with the St Petersburg Declaration.

7. Beyond 2014, it is important that we finalise remaining elements of the policy framework and fully implement agreed financial regulatory reforms, while remaining alert to new risks. We welcome the FSB's plans, commencing in 2015, to prepare a consolidated annual report on the implementation of the reforms and their effects. We also welcome the FSB and international standard setting bodies' plans to publish in 2015 information summarising their respective processes for policy development and implementation reviews. We look forward to the completion by the Brisbane Summit of the FSB's review of the structure of its representation that responds to the increasingly important role of emerging markets in the global economy and the financial system, and ensures the FSB's work is informed by the best expertise in national jurisdictions, while maintaining the FSB's effectiveness.

8. We are strongly committed to a global response to cross-border tax avoidance and evasion so that the tax system supports growth-enhancing fiscal strategies and economic resilience. Today, we welcome the significant progress achieved towards the completion of our two-year G20/OECD Base Erosion and Profit Shifting (BEPS) Action Plan and commit to finalising all action items in 2015. We endorse the finalised global Common Reporting Standard for automatic exchange of tax information on a reciprocal basis which will provide a step-change in our ability to tackle and deter cross-border tax evasion. We will begin exchanging information automatically between each other and with other countries by 2017 or end-2018, subject to the completion of necessary legislative procedures. We call on all financial centres to make this commitment by the time of the Global Forum meeting in Berlin, to be reported at the Brisbane Summit, and support efforts to monitor global implementation of the new global standard. We support further coordination and collaboration by our tax authorities on their compliance activities on entities and individuals involved in cross-border tax arrangements. We welcome progress so far, and encourage further steps by G20 countries to deliver the St Petersburg commitment to lead by example in meeting the Financial Action Task Force standards on beneficial ownership. We will continue to take practical steps to assist developing countries preserve and grow their revenue bases and stand ready to help those that wish to participate in automatic information exchange. We are deepening developing country engagement in tackling BEPS issues and ensuring that their concerns are addressed.

9. IMF quota and governance reform remains a key priority for the G20 and we are committed to maintaining a strong and adequately resourced IMF. We continue to urge the US to ratify the reforms agreed to in 2010 by year-end and reaffirm our Leaders' agreement in St Petersburg and our agreement in April 2014.

10. We are concerned about the human cost of the Ebola epidemic, and the potentially serious impacts on growth and stability in the affected countries and wider region and we underscore the importance of a coordinated international response.

Annex
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Reports received

We welcome the delivery of the following reports ahead of the G20 Finance Ministers and Central Bank Governors meeting, September 2014, which support our agreements:

- *IMF Surveillance Note*, September 2014.
- *Growth Friendly Fiscal Policy*, IMF Note, September 2014.
- *Quantifying the Impact of G-20 Members' Growth Strategies*, OECD/IMF report, September 2014.
- *Budget Institutions in G20 Countries*, IMF Note, September 2014.
- *A set of Leading Practices on Promoting and Prioritising Quality Investment*, September 2014.
- *Prioritizing Projects to Enhance Development Impact*, World Bank Group, June 2014.
- *G20/OECD Report on Effective Approaches to Support Implementation of the G20/OECD High-Level Principles on Long-Term Investment Financing by Institutional Investors*, report to G20 Finance Ministers and Central Bank Governors, September 2014.
- *G20/OECD Checklist on Long-Term Investment Financing Strategies and Institutional Investors*, September 2014.
- *G20/OECD High Level Round Table on Institutional Investors and Long Term Investment – Discussion Summary*, Organised Under the Aegis of the G20 Australian Presidency, the OECD and the Singapore Ministry of Finance, June 2014.
- *Information Update on MDB Exposure Exchange Arrangements*, World Bank Group report, August 2014.
- *Global Infrastructure Facility: Update for G20*, World Bank Group, September 2014.
- *Report on infrastructure agenda and response to the assessments of project preparation facilities in Asia and Africa*, G20 Development Working Group, September 2014.
- *Financial Reforms – Completing the job and looking ahead*, Financial Stability Board Chairman's letter to G20 Finance Ministers and Central Bank Governors, September 2014.
- *Part I – Base Erosion and Profit Shifting, Automatic Exchange of Information and Tax and Development, Part II – Global Forum on Transparency and Exchange of Information for Tax Purposes*, OECD Secretary-General Report to the G20 Finance Ministers and Central Bank Governors, September 2014.
- *G20 Common Reporting Standard Implementation Plan*, September 2014.
- *G20 Response to 2014 Reports on Base Erosion and Profit Shifting and Automatic Exchange of Tax Information for Developing Economies*, G20 Development Working Group, September 2014.
    - Two other reports which support our agreement on tax and development can be found at http://www.g20.org/official_resources.
- *Financial Action Task Force Progress Report to the G20*, September 2014.

In addition, we welcome the delivery of the *Climate Finance Study Group: Report to Ministers*, September 2014, and take note of a number of reports that were produced in response to the G20's specific requests.

These reports can be found at at http://www.g20.org/official_resources. We thank the international organisations for their efforts.

Issues for further action

We ask the IMF to work with the OECD, in consultation with other relevant international organisations, to analyse the implications of the tax policy mix and composition of government expenditure for growth outcomes.

We look forward to the results of the G20/OECD Checklist on Long-Term Investment Financing Strategies and Institutional Investors voluntary aggregation exercise by our first meeting in 2015. We ask the G20/OECD Task Force on institutional investors to deliver the rest of the effective approaches to implement the G20/OECD High-Level Principles on Long Term Investment Financing by Institutional Investors by the 2015 Summit.

We ask the IMF, OECD and World Bank Group to work with other relevant international organisations to identify where advances can be made with financing instruments which could further promote financing for SMEs and infrastructure.

We look forward to the final report of the BCBS-IOSCO Task Force on Securitisation Markets which aims to identify the factors that may be hindering the development of sustainable securitisation markets.

We look forward to a report in the second half of 2015 from the IMF and FSB on the Data Gaps Initiative highlighting the progress made and including a proposal for a second phase of the initiative.

We ask the IMF, FSB and BIS to take forward the work on data gaps on foreign currency exposures described in their respective submissions, building as far as possible on existing statistical and data initiatives, and report back to us in one year.

We look forward to the FSB's second consultative document jointly prepared with IOSCO on the proposed assessment methodologies for non-bank non-insurer global systemically important financial institutions around the end of 2014.

We look forward to upcoming discussions around the International Capital Market Association's proposal on possible means to reinforce collective action clauses in sovereign bonds, given the challenges litigation poses to the predictable and orderly resolution of sovereign debt restructuring processes. This proposal and related issues will be discussed at the IMF.

We ask the OECD, IMF, UN, and World Bank Group to build on its current engagement with developing countries and develop a new structured dialogue process, with clear avenues for developing countries to work together and directly input in the G20/OECD Base Erosion and Profit Shifting project by the Leaders' Summit in November.

We call on the OECD, IMF, UN, World Bank Group and regional tax administration forums where appropriate and where they are in a position to do so, to work together to develop toolkits to assist developing economies implement Base Erosion and Profit Shifting action items.

We ask the IMF, OECD, UN and World Bank Group to prepare in 2015 options on efficient and effective use of tax incentives in low income countries.

We ask the OECD and World Bank Group to explore ways to support ongoing efforts to improve the availability of quality transfer pricing comparability data for developing economies.

We look forward to the report from the Global Forum on Transparency and the Exchange of Information for Tax Purposes to G20 Leaders in November, which will include:

- progress made by jurisdictions in relation to the exchange of information on request;
- how the Financial Action Task Force's work on beneficial ownership has been incorporated into the Global Forum's standards; and
- a detailed report on the status of commitments by Global Forum members to implement the Common Reporting Standard for automatic exchange of information for tax purposes.

We ask the Global Forum to report back by the second half of 2015 on progress made by its members in signing the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

We request the Global Forum work with international and regional organisations (particularly the World Bank Group) to implement the proposed Automatic Exchange of Information roadmap pilot.

We ask the OECD to work with all G20 members to propose possible tougher incentives and implementation processes, to deal with those countries which fail to respect Global Forum standards on exchange of tax information on request. The OECD should report back to us on progress at the first meeting of Finance Ministers and Central Bank Governors in 2015.

We ask the Climate Finance Study Group to continue their work in 2015.