



Press release

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The Federal Government spokesperson, Ulrich Wilhelm, announces:

Federal Chancellery

Chair's Summary of the Berlin G 20 Preparatory Summit

Today the EU leaders participating at the G 20 summit in London on 2 April met in Berlin to coordinate their position. The outcome of today's meeting will contribute to the debate of the European Council on 19/20 March in Brussels.

Today's discussion is summarized by the chair, Chancellor Angela Merkel, as follows:

A) Renewing global financial market regulation is a priority

We are making good progress towards creating a new global financial market architecture. At the Summit of Heads of State and Government in Washington on 15 November 2008, the Group of Twenty (G20) states pledged to undertake concrete reforms. We welcome the fact that the work of the Finance Ministers on this is progressing according to plan. We reaffirm our determination to implement the joint decisions of 15 November swiftly and completely. It will be crucial after 2 April to maintain the pressure to implement these measures consistently and comprehensively. Today in Berlin we propose that the International Monetary Fund (IMF) and the Financial Stability Forum (FSF) be charged with monitoring and promoting the implementation of the international recommendations on putting the Action Plan into practice and with reporting back to G20 countries.

Transparency and accountability on the part of all financial market participants are indispensable for the stability of the global financial markets. We have therefore today underscored once again our conviction that all financial markets, products and participants must be subject to appropriate oversight or regulation, without exception and regardless of their country of domicile. This is especially true for those private pools of capital, including hedge funds, that may present a systemic risk. Therefore we call for appropriate oversight or regulation of these sectors in order to prevent excessive risk-taking. We also agreed that credit rating agencies should be subject to mandatory registration and oversight.

In our opinion, the following elements are of particular importance for the future global financial market framework, so we will strongly advocate them at the London Summit:

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- The promotion of systemic stability in the global financial markets including by mitigating the pro-cyclical effects of regulatory measures in order to constrain the amplifying impact of financial market fluctuations on the real economy. Therefore we have today agreed on advocating reforms to ensure that banks build additional buffers of resources in good times, and we encourage the working groups and institutions active in this field (FSF, Basel Committee on Banking Supervision, EU-Commission) to submit appropriate recommendations as soon as possible.
- Definitive actions against tax havens and uncooperative jurisdictions. According to objective criteria to be based on ongoing work in relevant international institutions, a list of uncooperative jurisdictions and a toolbox of sanctions must be devised as soon as possible. These sanctions would cover non-cooperation in exchanging information on tax evasion with other supervisors or authorities.. This also holds for prudential information or information related to activities to fight money laundering and financing of terrorism. The Financial Action Task Force (FATF), OECD and FSF should submit proposals in their respective fields to the G20 Finance Ministers meeting in March, for review at the London Summit.
- The development of an effective early warning system by the IMF and FSF, working in close cooperation. We welcome the steps taken so far to improve cooperation, especially those pertaining to the conduct of an early warning exercise. The IMF and FSF should present concrete proposals based on this exercise to the IMF Committee and the G20 prior to the IMF Spring Meeting. The results of the early warning exercise should in future be submitted to the IMFC and the G20 and published in a joint report.
- The adoption of principles on compensation practices to prevent bonus payments that contribute to excessive risk-taking. We share misgivings about current compensation practices and agree that financial institutions must adopt sound incentives, which are transparent and closely linked to sustainable and long-term results. We therefore call on the FSF to adopt such principles before the London Summit.

Recognizing the need to press forward with strengthening our financial systems for the future, we have committed ourselves to engage in a debate in London with the aim of agreeing on a broad charter of principles for financial regulation as a contribution to developing of a charter for sustainable economic activity.

B) Short-term crisis management has to address distortions in competition

Many governments and central banks have already taken resolute actions stabilizing financial markets. However, the situation remains fraught and



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participants' confidence in the markets has not yet been restored. We firmly uphold our commitment to continue to assist systemically-important financial institutions. This assurance limits the future risks for the international financial markets and produces important external benefits, at home and abroad. We must also devote our best efforts to securing credit flows from banks to firms and households.

There has not been a worldwide recession of the scale we are seeing today for several decades. Europe has responded to this challenge quickly and with determination in line with the common framework decided by the European Council in December 2008. Almost all Member States have adopted comprehensive fiscal, monetary and structural measures to support the economy and to secure growth and employment. As these measures take effect over the coming months they will tangibly support growth. We should work together to review the impact and effectiveness of the measures we have taken. It is our common understanding that we will come out of this crisis strengthened only if we proceed to implement structural reforms and focus on public spending that improves growth prospects.

We commit ourselves to implementing our stimulus measures and our financial rescue plans in a manner that limits distortions to competition to an absolute minimum. In this vein, the G20 should work out common principles for such measures, so that national economies do not obtain any undue unilateral advantages. Concerning financial markets, we in the EU need common principles for dealing with impaired assets not least in order to limit the burden on public finances and to set international standards early on.

C) Ensuring sustainable economic policy

It is our firm intention to return to the path of a sustainable budgetary policy as soon as possible. We must ensure that public finances are sound in the long term also as a prerequisite for the enduring effectiveness of our current measures. In order to lastingly guarantee stable economic and social development at global level and to prevent future crises, we need a framework borne by states and international organizations, which is based on market forces but prevents excess, and which ultimately leads to the establishment of a global governance structure. We will actively support discussions on a new charter for sustainable economic activity at the London Summit and we favourably take note of the fact that the work on its first building block - a set of common principles and standards on propriety, integrity, and transparency of economic and financial activity - has already been started within the G8-process..

Free trade and openness to cross-border investment are important preconditions for ensuring that economic momentum is sustainable and regained on a global scale. The first priority is to achieve a breakthrough in the Do-



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ha Round of WTO negotiations in the coming months to safeguard the global economy against protectionism. At the London Summit leaders should send a powerful message to this effect. Given the current difficult state of the global economy, all countries have a duty to resist protectionist tendencies and to work towards a tangible further opening of world trade. We commit ourselves today not to take any action violating this principle and support the WTO in its efforts to establish a monitoring system. We also undertake to address the trade finance shortage which significantly impedes international trade.

Global efforts to fight climate change must not be neglected because of the economic and financial crisis. This year's UN Climate Change Conference in Copenhagen must agree on the global efforts needed to curb climate change. We will contribute to this goal in London.

The financial crisis and the global economic downturn have had far-reaching effects, especially on developing countries. It is more important than ever for the international community to remain committed to its poverty reduction goals and in particular the implementation of the Millennium Development Goals. We also reiterate the importance of avoiding measures that exacerbate the contraction of worldwide capital flows, including to developing countries, as agreed at the Washington Summit. We will strongly advocate these issues at the London Summit.

D) Improving international cooperation – strengthening international institutions

The international financial institutions have an important role to play in the current financial and economic crisis. We have a shared interest in ensuring emerging and developing markets continue to contribute to global demand, and in protecting the poor and vulnerable. To this end the international financial institutions must be endowed with adequate resources.

The resources needed to address the impact of the economic crisis and the credit crunch on emerging markets and developing countries - in particular prevent capital account crises, recapitalize banking systems and facilitate infrastructure packages - are greater than those currently available to the international financial institutions.

We thus have agreed today to support doubling the funds available to the IMF. The IMF must be in a position to help its members swiftly and flexibly when they experience difficulties with respect to their balance of payments and accessing capital markets. We should consider options to reform the IMF's lending instruments to strengthen their ability to meet the needs of their members during these difficult times, and to respond to crises in the future.

We call on the World Bank and regional development banks to use their current instruments quickly and flexibly and to introduce new instruments



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where existing ones do not suffice. We welcome the readiness of the World Bank Group and the European Bank for Reconstruction and Development to significantly extend their lending practices making maximum use of their capital to sustain resource flows to emerging market and developing countries given the curtailing of private sector flows. The Multilateral Development Banks should move quickly to fill financing needs for sustainable investment where private capital markets are not functioning well, and to aid members in strengthening their banking and wider financial systems. We noted in particular the risks to the banking sectors in some central and eastern European countries.

We agreed to work with the IMF and World Bank on a clear process and timetable for reforming the governance of these institutions to reflect the changing nature of the world economy and to make them more responsive to future challenges.

We should strengthen in particular the remit of the IMF and FSF to provide effective surveillance of global economic risks and early warning systems to prevent a recurrence of crises in the future.

The establishment of supervisory colleges for cross border financial institutions is a key element for improving international cooperation on financial oversight. Significant progress has already been achieved on this front; we encourage all countries to commit themselves to establish such colleges and in particular to make active use of them as soon as possible.

We strongly support the enlargement and strengthening of the FSF to include major financial and economic actors and call for this measure to be implemented swiftly in good time before the London Summit.