

REFORM OF THE INTERNATIONAL MONETARY SYSTEM

Having together recognized the shortcomings of the current international monetary system (IMS), the G20 countries agreed to launch multifaceted IMS reform.

1) INCREASE THE BENEFITS FROM FINANCIAL INTEGRATION AND RESILIENCE AGAINST VOLATILE CAPITAL FLOWS TO FOSTER GROWTH AND DEVELOPMENT

The G20 has adopted a reference framework to better manage capital flows: It recognizes that measures to manage or monitor capital flows can be legitimate, as they complement sound macroeconomic policies and can be put into action when capital flows are particularly high and volatile. They must not be used to postpone necessary adjustment measures. It is also requested that they be subject to regular assessment. Finally, the countries whose economic policies influence the scope or destination of capital flows must take account of that in their policymaking.

The G20 has also adopted an action plan for the development of local-currency bond markets, which help to reduce countries' external vulnerabilities.

2) REFLECT THE SHIFTING ECONOMIC BALANCES AND THE EMERGENCE OF NEW INTERNATIONAL CURRENCIES

The G20 countries committed to adopting flexible exchange rate regimes more quickly so that exchange rates can reflect the market fundamentals, which would enable a slower accumulation of foreign exchange reserves.

The objective is to add new currencies to the Special Drawing Rights (SDR, a reserve asset created by the IMF) basket by 2015 in order to ensure that the composition of the SDR accurately reflects the weight of the different currencies in the international system. The IMF must clarify the eligibility criteria for the SDR basket so that it may be expanded as soon as new currencies meet these criteria.

3) IMPROVE THE IMF'S RESPONSE CAPACITY AND SURVEILLANCE

See dedicated information sheet

Building a more stable and resilient IMS is a long-term endeavour. The G20 commits to continue working to ensure systemic stability in the global economy and an appropriate transition towards an IMS which better reflects the increased weight of emerging market economies. The G20 will continue its work in 2012.