COMMUNIQUÉ

G7 Finance Ministers and Central Banks' Governors Meeting

Bari, Italy, May 12-13, 2017

1. Global recovery is gaining momentum, yet growth remains moderate and GDP is still below potential in many countries, with the balance of risks tilted to the downside. At the same time, longer-term potential growth rates also remain subdued. Against this backdrop, we reiterate our commitment to international economic and financial cooperation and we remain determined to use all policy tools - monetary, fiscal and structural - individually and collectively to achieve our goal of strong, sustainable, balanced and inclusive growth. Monetary policy should continue to support economic activity and ensure price stability, consistently with central banks' mandate. We concur that fiscal policy should be used flexibly to strengthen growth and job creation, while also enhancing inclusiveness and ensuring debt as a share of GDP is on a sustainable path. In doing so, we agree on the importance of improving the quality of public finance, including by prioritising high quality investment. We remain committed to advancing structural reforms to boost, productivity and potential output and we support reforms that promote inclusiveness. We are determined to enhance the implementation of structural reforms, and we will ensure these are appropriately coordinated with macroeconomic policies. We reaffirm our existing G7 exchange rate commitments to market determined exchange rates and to consult closely in regard to actions in foreign exchange markets. We reaffirm that our fiscal and monetary policies have been and will remain oriented towards meeting our respective domestic objectives using domestic instruments and we will not target exchange rates for competitive purposes. We underscore the importance of all countries refraining from competitive devaluation. We reiterate that excess volatility and disorderly movements in exchange rates can have adverse implications for economic and financial stability. We will carefully calibrate and clearly communicate our macroeconomic and structural policy

actions to support domestic growth, reduce policy uncertainty, minimize negative spillovers and promote transparency. We will strive to reduce excessive global imbalances and in a way that supports global growth. We are working to strengthen the contribution of trade to our economies.

2. Technological change and global integration have made an important contribution to raising living standards across the world over recent decades. We will work to enable our economies and communities to adjust to the pace of change today, so that the global economy works for everyone. We recognise that the global economy is facing a prolonged period of modest growth and high and rising inequalities, notably within many countries and affecting in particular middle and lower income earners. Excessive inequality, also at the global level, undermines confidence and limits future growth potential. Furthermore, inequality may contribute to regional disparities and undermine intergenerational mobility, while jeopardizing social cohesion and putting stress on institutions. The OECD report "A Fiscal Approach for Inclusive Growth in G7 Countries" provides guidance on the development of an inclusive growth agenda in our economies.

3. We are committed to ensuring that growth is inclusive, job-rich and benefits all segments of our societies. We will work to lift actual and potential growth, while ensuring that the fruits of economic growth are shared more widely. We agreed on the Bari Policy Agenda, which provides a framework to foster inclusive growth through a broad menu of policy options. We see value in combining pro-inclusive growth fiscal policy including through the enhancement of the quality of public finances with structural policies to safeguard macroeconomic stability and create an enabling environment for broad-based growth. We recognise the importance of integrating equity objectives into policy-making. In this context, the IMF report "Gender Budgeting in G7 countries" provides guidance on how to promote gender equality throughout the budgetary process. We will consider to take into account the Bari Policy Agenda in our G20 growth strategies.

4. We recognise the critical role that the MDBs play in supporting developing countries to deliver the 2030 agenda for sustainable development. To fulfill this role, the IFI system as a whole must make the best possible use of capital and donor contributions, within their mandates, to collectively achieve long-term development impact. This will also bolster

consensus and political support in our countries around multilateral development assistance. Against this background, we discussed how the MDBs can scale up their impact, make better use of their balance sheets, adhere to the highest standards in transparency and accountability, mobilize greater amounts of truly additional private finance, better align their approaches and practices in areas where harmonization can increase their collective impact, support domestic resources mobilization, and complement the work of the IMF. We have, in particular, considered how the MDBs could improve their effectiveness and efficiency through better coordination and collaboration, and how they could report results and track their capacity to deliver, both collectively and individually in a comparable way.

5. Our intent is to help shaping coherent positions across the governing bodies of the various MDBs and encourage these institutions to act as a system of complementary actors. We call on the MDBs to work together on developing a common framework on the concept of value for money, including harmonized metrics and a joint reporting format to capture key dimensions of economic efficiency and effectiveness, portfolio quality, and the additionality of their investments with the private sector.

6. We are strongly committed to further reinforce tools and instruments at our disposal to effectively counter terrorist financing. To this end, we are committed to enhance information sharing, domestically and internationally, among relevant authorities and strengthen cooperation with the private sector. Our Financial Intelligence Units will continue to work together, share best practices and identify areas to improve international cooperation and the implementation of international standards, including possible improvements in domestic regulation and practices, in the context of our different national frameworks. We strongly support the work of the Financial Action Task Force (FATF) and the Egmont Group of Financial Intelligence Units in improving the implementation of international standards and sharing best practices on these issues.

7. We promote and support a robust implementation of sanctions adopted by the Security Council as a strategic tool for peace and global security. We will employ financial sanctions against terrorists and their supporters in a targeted and effective manner, and we will strengthen G7 co-operation on these sanctions. In particular, we commit, where possible,

to co-sponsoring proposed UN listings, considering domestically designating G7 agreed listings, and strengthening our capacity to make, and respond to, requests from G7 members to freeze terrorist assets. Together, this will help ensure a stronger, more coordinated G7 approach to financial sanctions.

8. Furthermore, we recall the need to both promote financial inclusion and mitigate terrorism financing and money laundering risks within the Money and Value Transfer Services (MVTS) sector. To safeguard the legitimate behaviour of relevant stakeholders, and protect the international financial system from abuse, including by terrorists and terrorist groups, we should continue to improve the effective supervision and monitoring of the MVTS sector including their agents, on a risk-based approach. We agree that criminal and administrative sanctions should be applied for violations of law and effectively implemented. We recognise that conducting regular reporting or maintaining updated information relating to the admission of agents into the MVTS sector are good practices to share.

9. We recognise that vulnerabilities in the antiquities sector can pose challenges in terms of money laundering and terrorist financing, including with respect to Free Ports and Free Trade Zones. We encourage FATF and countries to better understand ML/TF vulnerabilities associated with Free Ports and Free Trade Zones and implement adequate measures to address them.

10. In addition to enhancing our own efforts to combat illicit finance, we should also collaborate to strengthen the effective implementation of the AML/CFT regime in the FATF global network. To that end, in consultation with the IMF, the WB and UNODC, we will work together to coordinate and improve the delivery of technical assistance, and ask our AML/CFT financial experts to report back at our next meeting.

11. We welcome the IMF's Financial Sector Stability Fund (FSSF), a new capacity development initiative aimed at strengthening financial sector stability in low and lower middle income countries, which will help foster greater integrity, inclusion and deepening in the financial system, as well as the ongoing work supported by the IMF's AML/CFT Topical Trust Funds.

12. We welcome and support the ongoing work to strengthen the institutional basis, governance and capacity of the FATF. We call on all member states to ensure that the FATF has the necessary resources and support to effectively fulfil its mandate.

13. Given the importance of tackling the illicit flows linked to modern slavery, migrant smuggling and human trafficking, we call on FATF to continue to work in this area, including by updating its typologies and risk indicators.

14. In light of the increasing digitalisation of financial services and the evolving cyber threats landscape, it is important to pursue effective approaches for assessment of cyber security at the financial firm and sector level as well. We recognise that the development of common and shared practices to help timely detection of vulnerabilities in the financial system is a key element for enhancing the cyber resilience of single financial institutions and the financial sector as a whole. Given the rapidly evolving nature of cyber risks, effective cyber security assessment requires that current assessment approaches should be enhanced and be complemented by practices that are tailored to bolster cyber resilience, including regular cyber exercises and simulations as well as consideration of how to most effectively leverage penetration tests. To this end, we mandate the G7 Cyber Expert Group (G7 CEG) to develop a set of high level and non-binding fundamental elements for effective assessment of cybersecurity by October 2017. Highly aware of the cross-border and cross-sector relevance of cyber-threats, we task the G7 CEG to advance work on the third party risks and the coordination with other critical sectors. Furthermore, we encourage international coordination and knowledge sharing. Since its inception in 2015, the G7 Cyber Expert Group has developed a high degree of mutual sharing and trust with a diverse membership providing a unique platform for international coordination on cyber security. Finally, the G7-CEG should explore other issues of interest related with cyber security as directed and prioritised by G7 Finance Ministers and Central Banks Governors.

15. We recognise that cyber incidents represent a growing threat for our economies and that appropriate economy-wide policy responses are needed. No point of cyberspace can be absolutely secure as long as cyber threats persist in the surrounding environment; our drive to strengthen the financial system against cyber attacks can achieve maximum results only

if accompanied by measures that reduce the level of insecurity in cyberspace as a whole. In turn, economy-wide policies must be based on reliable, impartial, comprehensive and widely accessible data. We therefore call on the International Organizations and governmental institutions in partnership with the private sector to enhance sharing of cyber security information. Definitions, collection methodologies and data sharing, when appropriate, should be coordinated and consistent across countries and sectors, so that results are comparable. Sharing national experiences and best practices among all stakeholders on optimal cybersecurity legislation or relevant regulatory initiatives would be highly beneficial. Finally, we are following the development of a cyber insurance market and welcome the ongoing work by OECD with inputs from its members and the OECD report "Supporting an Effective Cyber Insurance Market".

16. We remain committed to work for globally fair and modern tax systems and to achieve a global level playing field for all engaged in economic activities. To this end, timely, consistent and widespread implementation of the G20/OECD BEPS (Base Erosion and Profit Shifting) package is crucial. We encourage all relevant and interested countries and jurisdictions to commit to implement the BEPS package and join the G20/OECD Inclusive Framework on BEPS. We look forward to the first signing on 7th June 2017 of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS. We recognise the importance of monitoring and evaluating the developments related to the digitalization of the economy, and, depending on conclusions of the work by the OECD Task Force on the Digital Economy (TFDE), developing policy options, as appropriate, to address related tax challenges with a consistent approach. In this context, we look forward to the interim report of the OECD TFDE in 2018. We support the work of the OECD and the IMF on Tax Certainty.

17. Reaffirming our goal to enhance tax transparency at the global level, we join the G20 call on all jurisdictions to sign and ratify the multilateral Convention on Mutual Administrative Assistance in Tax Matters and urge all relevant countries and jurisdictions, including all financial centres which have not yet done so to commit without delay to implementing the Common Reporting Standard (CRS) on automatic exchange of financial account information which will commence in September 2017 and to take all necessary actions, including putting in place domestic legislation, in order to start exchanges under the CRS

by September 2018 at the latest. We expect sufficient progress from jurisdictions that do not have yet a satisfactory level of implementation of the agreed international standards on tax transparency and look forward to the OECD's preparation of a list of non-cooperative jurisdictions with respect to tax transparency, which will guide our work on defensive measures against listed jurisdictions. We welcome the work by the FATF and the Global Forum on Transparency and Exchange of Information for Tax Purposes to improve the implementation of the international standards on availability of beneficial ownership information as well as the OECD work in complementary tax areas related to beneficial ownership.

18. The "Bari Declaration on fighting tax crimes and other illicit financial flows" reflects our determination to use a holistic approach to fighting against tax and financial crime based on effective interagency and international cooperation. We support initiatives on discussing possible ways to address arrangements designed to circumvent reporting under the CRS or aimed at providing beneficial owners with the shelter of non-transparent structures, considering also model mandatory disclosure rules.

19. We reaffirm that strengthening the capacity of developing countries to mobilise domestic resources is critical to the achievement of the global 2030 Agenda for Sustainable Development. Improving the capacity in tax policy and administration is also crucial for a global level playing field. To this purpose, we remain committed to the principles of the Addis Tax Initiative and we support the work of the Platform for Collaboration on Tax, acknowledging its key role in deepening collaboration between the international organisations and enhancing effective external support in building tax capacity. We will continue to support targeted assistance to developing countries in building their tax capacity. We also welcome new initiatives in the area of tackling tax and financial crime, like the establishment by the OECD of the Africa Academy for Tax and Financial Crime Investigation in Kenya.

Bari, May 13, 2017