

Strengthening the Global Financial System

6. Globalisation has the power to bring immense economic benefits to all countries and people. But the Asian financial crisis has revealed that there are potential weaknesses and vulnerabilities in the global financial system. In particular we are conscious of the serious human and social consequences of such crises when they occur. We therefore see an urgent need to take steps to strengthen the global financial architecture, to reduce the risks of such crises recurring in future and to produce a system that is more robust to shocks when they occur.

7. Previous summits have also dealt with ways of strengthening the global financial system, and this should be seen as a continuing process of reform. It is essential for individual countries to pursue sound economic policies, open markets and good governance, if stability is to be achieved. At the same time we confirm the central role we see for the International Financial Institutions (IFIs) in promoting these sound policies, in helping to prevent failures in future and in responding when crises occur. Their response has been crucial in addressing recent problems and we must find ways to strengthen their role in the future.

8. We welcome and endorse the report by our Finance Ministers on ways to strengthen the global financial architecture. Of their ideas, we attach particular importance to the following:

— **increasing transparency:**

- encouraging IMF members to provide more accurate and accessible financial data, for example, by subscribing to its Special Data Dissemination Standards and identifying publicly those who fail to meet the Standards.
- welcoming the adoption of a code of good practice on transparency in fiscal policy and encouraging its promotion and supporting consideration by the IMF of a similar code of good practice for financial and monetary policy.
- encouraging the IMF to publish more information about its members and their policies, including its concerns about members' policy making and vulnerabilities; and also to publish more information about its own decision making.

— **helping countries throughout the world prepare for global capital flows:**

- providing advice on how best to manage orderly capital account liberalisation and assisting them with the required strengthening of domestic policies and institutions.
- urging the IMF to examine how to monitor effectively capital flows, particularly short term flows, to provide information and promote market stability.

— **strengthening national financial systems:**

- encouraging all countries to adopt and implement the Basle Core Principles on Effective Banking Supervision.
- developing international codes and guidelines for corporate governance and accounting principles.