

## **G-20Y Summit Statement Toronto, April 15-18 2010**

### **PREAMBLE**

1. We, the young business leaders and young financial experts, of the G-20 countries held an initial meeting in Toronto on April 15-18 2010. We are determined to enhance our cooperation to reproduce the unprecedented period of worldwide economic growth of the last 60 years.
2. We, the young business leaders and young financial experts, need stability and growth on a mid and long term horizon, which is much longer than the current political leaders' horizon. We cannot afford to bear a new crisis as the current financial and economic crisis. If the current crisis is badly managed, young business leaders will be the first to pay the bill.
3. We acknowledge that the G-20 has shown its usefulness in providing effective responses to the financial and economic crisis.
4. The decisions made during the G-20 Summit, or the absence thereof, impact the immediate future, but also the mid and long term economic and environmental situation. The G-20Y Summit, representing a voice of independent young business leaders and young financial experts, is willing to have a closer connection with the G-20 Summit of world leaders.
5. As the young business leaders and young financial experts from the G-20 countries, we believe the G-20Y Summit is an indispensable and effective forum for addressing the economic and environmental challenges of the next decades.
6. We strongly believe in the need for G-20 countries to carefully implement the measures adopted during the G-20 Summit and to support the adoption of these measures worldwide.
7. We, the young business leaders and young financial experts, developed a set of recommendation on the 4 topics of the G-20Y Summit agenda, namely: Moving Towards an Inclusive Governance of the International Financial Architecture, Strengthening Financial Stability and the International Financial Regulatory System, Responding to Environmental Challenges and Responsible Entrepreneurship for Inclusive Development and Fighting Poverty.
8. We also ask the governments of G-20 countries to take into consideration and be inspired by the G-20Y Summit recommendations.
9. Where applicable to our business environment, we commit ourselves to implement the G-20Y Summit recommendations carefully.



## **Moving Towards an Inclusive Governance of the International Financial Architecture**

10. **International Governance.** The G-20Y Summit considers that greater harmonisation in international financial regulation and greater integration between existing economic and financial institutions, which paves the way for a world economic government, is needed.

11. When increasing the presence and share of emerging countries and developing countries in international institutions, the environmental behaviour of these countries must be factored. Generally, every time the share of countries in international institutions is subject to a new allocation, environmental responsibility must weigh in this new allocation.

12. **Increasing the legitimacy of G-20 and financial institutions:** We must take into account the increasing influence of rapidly developing economies in general, also taking into consideration low-income countries, and this fact should be reflected by the participation of these countries in the management of major international financial institutions.

13. Given that low income countries are under-represented in the G-20 Summit, we believe that they should be present on a rotational basis, as active observers of the G-20 Summit but not signatories of the G-20 communiqué. The G-20Y Summit makes a pledge that it will itself implement this recommendation as early as the next G-20Y Summit.

14. **The future of International Monetary System:** A single world reserve currency has had a counter-productive effect on economic stability and on the issue of global imbalances. We thus propose to have a new international system of reserve currencies, not solely based on the US dollar.

## **Strengthening Financial Stability and the International Financial Regulatory System**

15. **De-risking of financial institutions (“Too big to fail” issue).** The risk of financial institutions’ failure needs to be mitigated with special attention to institutions which have a systemic relevance. We question whether there are economies of scale for financial conglomerates (financial institutions acting in different sectors like lending, asset management, principal trading, hedge funds). However, we believe financial conglomerates pose a threat to financial stability. Since the failure of a large financial institution may have severe consequences on both the financial sector and the real economy, we recommend:

- a. The segregation and ring fencing of the funding of different lines of business. This would prevent deposits from financing riskier activities like principal investment and trading in derivatives for example.
- b. Banking regulators should develop and implement a model to strengthen the capital requirements of financial institutions based on the proposals issued by the Basel



- c. Committee on Banking Supervision in December 2009. This process should be carefully phased in over a reasonable period of time.
- d. To scale the regulation, supervision and capital requirements should be based on quantitative aspects such as total assets, and on qualitative aspects, by reflecting the risks of the specific activities financial institutions are involved in.

**16. The role of the Financial Stability Board (FSB).** The authority of the FSB and its responsibilities and interaction with national financial authorities should be expanded. The FSB should be granted the status of a supranational supervisory body and its operations and activities aimed at increasing global financial stability should be strengthened, both in fact and appearance. We therefore recommend:

- e. The FSB in cooperation with the IMF should contemplate establishing a global system of liquidity support for the financial system based on best practices from various countries. This could entail assisting countries which comply with internationally contemplated frameworks for regulation and standards and limiting assistance to countries who do not comply.
- f. FSB should establish in cooperation with the IMF a comprehensive system for the detection and early prevention of financial instability by ensuring monitoring of the financial sector and by taking into consideration international trade imbalances into their evaluations.
- g. The FSB should develop and monitor on a global basis a system requiring a minimum level of insurance deposits to protect investors.

**17. Alignment and global adoption of international standards.** International standards should be aligned and adopted and there is a need to implement a system to ensure adherence and consistent application of those standards. In particular we recommend:

- h. The core standards and principles of the Basel Committee of Banking Supervision, the International Association of Insurance Supervisors, and the International Organization of Securities Commissions (IOSCO) should be revised and aligned in accordance with and based on the issues identified in the *Review of the Differentiated Nature and Scope of Financial Regulation* released by the Joint Forum (January 2010).
- i. Compensation of executives and directors (for example stock compensation, bonuses, and variable compensation) should be based on long term profitability and growth and not on short-term metrics. We believe that the *Principles for Sound Compensation Practices* and their *Implementation Standards* need to be globally implemented.



- j. International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) should be adopted. In order to ensure comparability and consistent application and communication of financial information at a global level, there should be no regional or jurisdictional variations of IFRS. The International Organization of Securities Commissions (IOSCO) should play a key role in ensuring consistency in application and interpretation of IFRS.

**18. Tax incentives and issues around unregulated activities.** Financial institutions have a large responsibility and some of them contributed during the course of the financial crisis to a significant increase in the debt of governments in some countries. We recommend:

- k. Tax incentives for large financial institutions may help to avoid too much risk-taking. The level and magnitude of incentives could be determined at country levels.
- l. The market infrastructure for derivative financial instruments in the *Over The Counter Markets* (OTC) need to get improved in order to establish trust between market participants.
- m. Mortgage origination underwriting practices need to be subject to minimum requirements. There should be a minimum global framework being developed which should serve as a basis for implementation at the national level.

## **Responding to Environmental Challenges**

19. The environment knows no borders; human behaviour and lifestyle choices have led to a perilous imbalance. Increasing concerns over the probable impact of climate change compels us to acknowledge our differences and unite as a global community. We suggest embracing and developing initiatives in the key areas of communication, regulation and cooperation amongst all stakeholders.

**20. Communication: Raising Global Awareness.** Information policies are vital to educating and engaging citizens from an early age. It is essential to encourage a lifetime of environmental awareness through:

- Incorporation of environmental issues into all levels of school curricula
- Competitive incentives for young entrepreneurs
- Government funding for art and culture in support of environmental awareness
- National media content regulations mandating environmental practices

**21. Green Governance: Implementing National Policies.** A unified approach enables enforcement of responsible conduct. Harmonizing regulation and policy across nations helps to build a common international framework and develop consistent standards. We suggest:

- To elaborate International Code of Conduct for businesses, including internationally agreed-upon policies defining crimes against the environment



- To establish an International Court of Justice for Environment
- To develop and introduce a notions of environmental accounting and auditing

22. **Stakeholder Collaboration: Building Accountability.** It is necessary to create a green lobby amongst all major stakeholders by encouraging greater collaboration between government, businesses, academia and consumers through tangible and actionable incentives. We propose:

- To create an international network of think tanks on climate issues with representatives of all stakeholders
- To introduce tax credits for innovative green entrepreneurs to develop socially responsible businesses
- To create an International Environmental Fund to finance cross-border projects

### 23. **G-20Y Summit Key Initiatives:**

- **G-20Y Summit Prize** in recognition of continued efforts in tackling environmental challenges domestically or internationally
- **Eco Expo**, that unites all stakeholders to showcase cutting-edge and sustainable environmental solutions and functions as a springboard for G-20Y Summit prize nominations
- **Chief Environmental Officer (CEnO).** Consider requiring corporate boards to include a CEnO, whose primary function is environmental compliance

24. Through these recommendations, our goal is to raise awareness, implement strong frameworks and build accountable relationships.

25. There is after all no Planet B.

### **Responsible Entrepreneurship for Inclusive Development and Fighting Poverty**

26. We, the young business leaders and young financial experts of the G-20 countries, believe that entrepreneurship is a sustainable way to fight poverty and reduce inequality. It provides opportunities for the citizens of the world to provide solutions, to obtain the income necessary to live a worthy life, to create jobs and to improve the well-being of societies in general.

27. Therefore, we urge the leaders of the G-20 countries to pay attention to the issues inhibiting entrepreneurship in their countries and the world. We call upon our leaders to implement transparent, rigorous and effective public policies to reduce market failures and obstacles faced by entrepreneurs.



28. Entrepreneurs face considerable barriers in taking their ideas to market, obtaining funding and attracting investors, and being employers who hire and grow workforces of the future. These are aggravated by improper regulation, corruption, ineffective public policies, lack of coordination with sub-national governments, protectionism, a low reward/risk ratio and education systems that do not foster positive attitudes towards entrepreneurship.

29. As young representatives of the world's largest 20 economies, we recommend the leaders of our countries to commit to the following general guidelines while considering their national identities and customs:

30. Improve regulations to start, register and maintain a business. Regulations should be transparent and accessible to everyone. They should be enforced in an equal and proper manner. All citizens and entrepreneurs should be treated equitably.

31. Countries should improve their competitive framework in order to reduce the barriers faced by entrepreneurs caused by monopolies and the lack of competition.

32. National and sub-national governments ought to implement public policies and support innovative cross-sector partnerships to promote entrepreneurship, help small and medium companies obtain finance and resources necessary to grow.

33. Develop high quality educational systems so that youth have the necessary skills to become entrepreneurs and, in turn, a powerful source of competitive business.

34. Enforce the rule of law and property rights so that entrepreneurs and investors have certainty and confidence that their resources and ideas will be protected.

35. Implement measures that encourage appropriate reward/risk balances between financial investors and entrepreneurs so that national and international investors are willing to fund and finance endeavors and entrepreneurs retain appropriate stake in their innovation.

36. Identify measures that encourage the reduction of protectionism so the entrepreneurs from any country can take advantage of a globalized economy.

37. Promote initiatives that identify and target populations from the base of the G-20 income pyramid to ensure that they benefit from obtaining and supplying the goods and services needed to improve their standard of living in their local countries.

38. Incorporate ethics, corporate responsibility and entrepreneurial values as important and main-stream ingredients of business and general education at every level.

39. Embed financial education into the core curriculum at every level so that generations are increasingly financially literate.



International Youth  
Diplomacy League



40. We urge the leaders of the G-20 countries, their national and sub-national governments to take these ideas into account in their meeting in Toronto, as well as any other commitments to improve the entrepreneurship environment.

41. As young business leaders and young financial experts, we recognize our own role in shaping and leading the future. We commit to fostering the values and aspirations expressed above, to sharing the successes in our own businesses and countries with each other and to serving as role models for future entrepreneurs who support sustainable and inclusive development.

42. We expect our countries' governments to incorporate responsible entrepreneurship as one of their main priorities. We feel that in order to support the other G-20Y Summit initiatives focused on international architecture, financial stability and environmental sustainability will be enhanced within a more supportive global entrepreneurial framework. The ideas, innovation and know-how of citizens across the income pyramid must be given the opportunity to contribute to solving the world's problems.

43. Today we designated the G20Y Summit as the premier forum for G-20 countries young business leaders and young financial experts international economic cooperation. We agreed to have the next G-20Y Summit in France in 2011 and to meet annually thereafter.