



# The OECD Code of Liberalisation of Capital Movements: Update on Developments

OECD Report to G20 Finance Ministers and Central Bank Governors

July 2018



**This document responds to the request by G20 Finance Ministers and Central Bank Governors at their March 2018 meeting in Buenos Aires for the OECD to provide a note on developments on the OECD Code of Liberalisation of Capital Movements.**

**Adherence by G20 countries to the OECD Code is progressing.** The March 2017 G20 Finance and Central Bank Governors communiqué encourages G20 countries that have not yet adhered to "consider adhering to the Code, taking into consideration country-specific circumstances". Three non-OECD G20 countries have since applied for adherence to the Code and the adherence process is underway, with the first peer reviews of applicants' positions under the Code commencing in fall 2018. Seminars on the Code have been held in two other non-OECD G20 countries in the first half of 2018. Five non-G20 countries are also in the process of adherence.

**Adherence to the Code supports the effective implementation of the G20 Coherent Conclusions** calling for capital flow management measures to be "transparent, properly communicated, and targeted to specific risks identified" and for "multilateral surveillance to assess both their individual impact and aggregate spill-over effects". By adhering to the binding Code with the same rights and responsibilities as OECD countries and by meeting its high standards, new Adherents will bring their G20 commitments to the next level and reinforce their role and reputation as responsible international actors while also enjoying the benefit of the protection of the Code against potential discrimination by other Adherents.

**Cooperation between the IMF and the OECD has continued.** While the OECD Code as a set of mutual rights and obligations agreed by governments and the IMF's Institutional View as a framework for staff policy advice to countries are distinct in nature and purpose, both approaches assist countries in ensuring that measures are not more restrictive or maintained longer than necessary. The 2016 [IMF-OECD joint note](#) to Finance Ministers and Central Bank Governors on co-operation on approaches to macro-prudential and capital flow management measures remains valid, including on the need of "being mindful of the rights and obligations of the country under international agreements it may have entered into, including the IMF's Articles of Agreement and the OECD Code". The IMF and OECD are continuing their co-operation, through the Advisory Task Force on the OECD Codes and bilateral discussions, including on the articulation within each institution between staff advice and relevant binding rules.

**The Review of the Code has now entered its decision-making phase** and is progressing in the following key areas, with a view toward the drafting of amendments to the Code and/or the User's Guide, as appropriate:

- *Developing understandings on the treatment of measures with stated prudential objectives.* The vast majority of macro-prudential measures fall outside the scope of the

Code. The general view is that there is no presumption that currency-based measures such as Basel-inspired LCR and NSFR differentiated by currency and currency-differentiated reserve requirements, which are maintained or have recently been introduced by Adherents, should be considered capital flow restrictions under the Code. The treatment of other measures is still under consideration. Discussions have further clarified that reciprocity agreements among countries for macro-prudential measures should fall outside the scope of the Code; such agreements go a long way in addressing the issue of leakages without the need to recourse to capital controls, and the Code's disciplines on the latter add a further incentive to countries to cooperate on macro-prudential approaches. For unfamiliar or untested measures that may be adopted by an Adherent in the future and raise questions from other Adherents, a case-by-case assessment appeared to be the preferred approach.

- *Strengthening co-operation with other international organisations.* The discussion on the governance of the Code has revealed broad support for formalising the possibility to elicit inputs from relevant international organisations, particularly the IMF, to assist in informing Adherents' deliberations and decisions. Detailed proposals are being elaborated in consultation with the concerned international organisations.
- *Improving governance and strengthening implementation.* Discussions have shown a widely shared interest in strengthening notification requirements, clarifying the process of assessment of measures, and in enhancing transparency by, as a rule, making final reports and recommendations on Adherents' positions under the Codes available to the public. There is broad recognition of the need to make the use of capital flow surge and other vulnerability indicators more structured and even-handed to inform Adherents' assessment of invocations of the Code's derogation clause.
- *Timeline for completion of the Review.* While the general intention is to complete the review by spring 2019, progress will depend on concluding discussions of pending issues.

**All G20 members are invited to continue to participate actively in the discussions of the Advisory Task Force on the Codes (ATFC).** The ATFC provides a multilateral platform for countries, including non-adhering G20 countries, to share experiences of capital flow management and discuss issues related to global financial integration. At the April 2018 meeting, two non-OECD G20 countries presented their respective approaches to capital flows for discussion. While the OECD Secretariat responds to enquiries on the Code in the context of G20 meetings, participation in ATFC provides an effective venue for non-adhering G20 countries to engage directly on the Code with the countries themselves that are party to the agreement and ultimately responsible for its development and implementation. The next meeting of the ATFC is scheduled for 29/30 October 2018 in Paris.

Find the OECD Code of Liberalisation of Capital Movements online at  
[www.oecd.org/investment/codes.htm](http://www.oecd.org/investment/codes.htm)

