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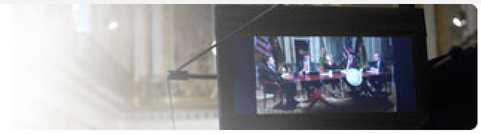

Statement by Secretary Henry M. Paulson, Jr. Following Meeting of the G7 Finance Ministers and Central Bank Governors

10/10/2008

HP-1194

Washington, DC-- At today's meeting of the G7 Finance Ministers and Central Bank Governors, we finalized an aggressive action plan to address the turmoil in global financial markets and the stresses on our financial institutions. This action plan provides a coherent framework that will direct our individual and collective policy steps to provide liquidity to markets, strengthen financial institutions, protect savers, and enforce investor protections.

The G7 is compelled to robust international partnership and cooperation. Never has it been more essential to find collective solutions to ensure stable and efficient financial markets and restore the health of the world economy.

Global financial market conditions are severely strained. In the United States, our economy has been facing a prolonged period of uncertainty and our financial markets are experiencing unprecedented and extraordinary challenges. A root cause of this situation is the housing correction and a lack of confidence in mortgage assets, as well as a lack of confidence in many of the financial institutions that hold these assets. We are squarely focused on the immediate need to stabilize our financial markets, and recognize that investor confidence is critical to restore liquidity and enhance the stability of our financial system.

As recent developments have demonstrated, the market turmoil is a global event. Governments around the world have taken actions to address financial market developments, and international cooperation and coordination has been robust. It is critical for governments to continue to take individual and collective actions to provide much-needed liquidity, strengthen financial institutions, enhance market stability, and develop a comprehensive regulatory response. We must continue to closely coordinate our actions and work within a common framework so that the action of one country does not come at the expense of others or the stability of the system as a whole.

Central banks from around the world have acted together to provide additional liquidity for financial institutions, taking the necessary steps to support the global economy. The Federal Reserve has established swap lines with nine central banks to reduce pressures in global short-term U.S. dollar markets. Additionally, the U.S. Treasury implemented a temporary guaranty program for the U.S. money market mutual fund industry.

Here in the United States, the members of the President's Working Group on Financial Markets (PWG) made it clear that we will coordinate the use of our existing and new authorities to restore market confidence. Other countries are considering appropriate programs given their national circumstances, and we pledge to stay in close contact as they move forward with their plans.

I briefed my colleagues on the work we are pursuing to implement swiftly and thoughtfully the new financial rescue package. We are developing strategies to use the authority to purchase and insure mortgage assets and to purchase equity in financial institutions, as deemed necessary to promote financial market stability. As we develop plans to purchase equity, as in the approach we are taking to broad mortgage asset purchases, we are working to develop a standardized program that is open to a broad array of financial institutions. Such a program would be designed to encourage the raising of new private capital to complement public capital. Consistent with the legislation, any equity the government purchases through a broadly available equity program would be on a non-voting basis, except with respect to the market standard terms to protect our rights as investors.

Securities regulators around the world have taken measures to enhance market stability by addressing market abuse. Here in the United States, we have taken steps to protect the savings of the American people by increasing deposit insurance limits, and the European Union member states have raised individual deposit limits to an EU-wide minimum.

The G7 and others are working together through the Financial Stability Forum (FSF) to ensure a comprehensive, international regulatory response to the financial market turmoil. FSF Chairman Mario Draghi reported to us on the good progress that has been made in improving prudential supervision and regulation, increasing disclosure and transparency, and enhancing accounting frameworks. I am committed to making sure this work continues. We are also committed to tackling the next steps laid out by Chairman Draghi to be done by the end of this year and our ambitious agenda for 2009.

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