

U.S. DEPARTMENT OF THE TREASURY

Press Center



Plenary Remarks by Assistant Secretary for International Affairs Clay Lowery at the Annual International Monetary Fund and World Bank Meetings

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Washington – Chairman, Governors, Mr. Strauss-Kahn, Mr. Zoellick. I welcome all of you to Washington.

In the last few days, we have witnessed some of the most extraordinary events in our careers as finance officials. The strains and stresses in global financial markets have deepened, posing a great challenge to the global economic and financial system.

Yet, these very stresses underscore the reality of why we come together annually. Since last Friday, Washington has been the staging ground for meetings of the G7 and G20 Finance Ministers, the International Monetary and Financial Committee and the World Bank Development Committee. The Financial Stability Forum and the IMF hosted a high-level meeting on global financial turmoil.

We have all united with determination and with the singular focus of overcoming the world's financial turmoil. We have exchanged views, shared experiences and set out an action plan. We have done so because we know that the problems we face are global, because the world economy and financial markets are more inter-connected than ever before, because we value multilateralism, and because the answer to overcoming challenges is international partnership, cooperation, and collaboration.

We must all act decisively, individually and collectively, according to our needs, to secure stability and growth for the world economic and financial order. None of us can afford to go it alone and each of us has our part to play. And we must remember that notwithstanding the temptation to resort to isolationism in the face of the current turmoil, we all benefit from free, open, competitive and soundly regulated financial markets.

The housing correction in the United States and the lack of confidence in mortgage assets has undermined investor confidence at home and abroad. It is profoundly affecting American families and businesses.

We have tackled this challenge vigorously and head-on.

We have acted boldly to provide liquidity to markets. The United States has created a number of innovative funding facilities to maintain the functioning of inter-bank markets, guarantee money market mutual funds, and we have extended dollar swap lines throughout the world.

We have worked vigilantly to strengthen our financial institutions. A number of significant institutional problems were addressed on a case-by-case basis over the last six months. This approach, while necessary, was not sufficient.

Thus, we adopted a systemic approach on a significant scale, to get at the underlying causes of the turmoil. With our new authority under the Emergency Economic Stability Act, the Treasury is empowered to use up to \$700 billion to purchase capital in financial institutions, to purchase or insure mortgage assets, and to purchase any other troubled assets that the Treasury and the Federal Reserve deem necessary to promote financial market stability.

We have also taken steps to ensure the integrity of our financial markets and penalize fraud and market manipulation. And we have also protected our retail savers by temporarily increasing deposit insurance, and thus buttressing stability.

Every step of the way, we have worked in lockstep with the international community. Last Wednesday many of the world's major central banks cut official interest rates in unison with the Fed. Our colleagues in Europe have nationalized or rescued specific financial institutions to restore confidence. They joined us in combating market abuse and they too have worked to create a more unified deposit insurance system.

Let me assure all of you that the United States will remain vigilant and committed to working with our global partners to take further action as needed to restore confidence in our markets.

That is why Treasury welcomes the initiatives taken by European nations as part of the G7 action plan to strengthen their financial system and address funding issues for their financial institutions.

We in the United States are also moving forward on actions under the G7 Action Plan announced Friday to improve availability of funding for our banks.

One other area where we will continue our strong work with the international community is to build a new regulatory framework for the future to limit the chances that yesterday's mistakes will be repeated tomorrow. The President's Working Group on Financial Markets has taken important steps to improve market transparency and disclosure, risk awareness and management, capital and regulatory policies, practices regarding the use of credit ratings and market infrastructure for over-the-counter derivatives products. Our work has been undertaken in conjunction with the Financial Stability Forum and the IMF from day one.

The path ahead of us remains arduous. The current difficulties will not end tomorrow and even as confidence is restored, recovery will be slow. But as a student of financial history, I have little doubt that the vigorous actions we are taking and our partnership - so readily symbolized by this gathering -- will overcome the challenges we face and we will in time emerge stronger.

Thank you.

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