

U.S. DEPARTMENT OF THE TREASURY

Press Center

President's Working Group Issues Policy Statement To Improve Future State of Financial Markets

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Washington -The President's Working Group on Financial Markets issued a policy statement today with recommendations to improve the future state of U.S. and global financial markets. The statement offers the group's insight on causes of recent market issues and next steps for mitigating systemic risk, restoring investor confidence, and facilitating stable economic growth.

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"The President's Working Group on Financial Markets has been reviewing policy issues to help reduce the likelihood that mistakes of the past are repeated. We have completed the assessment phase of our review, and are moving forward to focus on implementation," said Secretary Henry M. Paulson, Jr., chairman of the PWG, which includes the Treasury Department, the Federal Reserve, the Securities and Exchange Commission and the Commodity Futures Trading Commission. "I believe today's recommendations, when implemented, will strengthen market discipline, enhance risk management and improve the efficiency and stability of our capital markets."

"The recommendations set out in the Working Group's statement constitute an appropriate and effective response to the deficiencies in our financial framework that contributed to the current turmoil in financial markets. I strongly support them," said Federal Reserve Board Chairman Ben S. Bernanke.

SEC Chairman Christopher Cox said, "Several of the recommendations in today's Policy Statement fall within the purview of the SEC, including in particular those concerning the role of credit rating agencies. Congress has recently given the SEC new authority to address issues including conflicts of interest and the lack of competition in this industry-and we will use that authority to help restore investor confidence and healthy capital formation in our markets."

"These recommendations are a critical step in strengthening the US financial markets. The CFTC will continue to work with the other PWG members to implement the recommendations," said CFTC Acting Chairman Walt Lukken.

The PWG, working with the Office of the Comptroller of the Currency and the Federal Reserve Bank of New York, issued the statement to help enable market participants and regulators to better deal with the complexity that has resulted from market innovation. The recommendations offer steps to improve market transparency and disclosure, risk awareness and risk management, capital management and regulatory policies and market infrastructure for products such as over-the-counter derivatives. The statement focuses on changes needed from financial regulators and all market participants, including mortgage originators and brokers, financial institutions, issuers of securitized products, credit rating agencies and investors. The statement also discusses the challenges presented by securitization and over-the-counter derivatives.

"The OCC strongly supports the conclusions of the PWC policy statement and views it as an important step toward restoring stability in US markets," said Comptroller of the Currency John C. Dugan. "We are already pursuing implementation of its recommendations in the largest US banks that we supervise, and look forward to working with the other PWG participants on the wider reform agenda."

[President Bush called on the PWG](#) in August 2007 to review the underlying causes of the recent market issues. Members of the group have frequently discussed the causes of the recent turmoil, including: lax underwriting standards for mortgages, particularly for subprime mortgages; an erosion of market discipline in the securitization process; flaws in credit rating agencies' assessments of some complex structured credit products; risk management weaknesses at global financial institutions; and regulatory policies that failed to mitigate risk management weaknesses.

The PWG will work with foreign regulators, finance ministries, and central banks through the international Financial Stability Forum and other venues to address these challenges globally.

The PWG is committed to progress toward implementation of the recommendations. Members will issue a progress statement in the fourth quarter of 2008 and consider whether further steps are needed to address weaknesses in financial markets, institutions and related supervisory policies.

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REPORTS

- [Policy Statement of the President's Working Group on Financial Markets](#)