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Joint Statement by Treasury, Federal Reserve and FDIC

Washington, DC-- The following statement was made by Treasury Secretary Henry M. Paulson, Jr, Federal Reserve Chairman Ben Bernanke and FDIC Chairman Sheila C. Bair:

Today we are taking decisive actions to protect the U.S. economy, to strengthen public confidence in our financial institutions, and to foster the robust functioning of our credit markets. These steps will ensure that the U.S. financial system performs its vital role of providing credit to households and businesses and protecting savings and investments in a manner that promotes strong economic growth in the U.S. and around the world. The overwhelming majority of banks in the United States are strong and well-capitalized. These actions will bolster public confidence in our system to restore and stabilize liquidity necessary to support economic growth.

Last week, the President's Working Group on Financial Markets announced that the U.S. government would deploy all of our tools in a strategic and collaborative manner to address the current instability in our financial markets and mitigate the risks that instability poses for broader economic growth. This past weekend, we and our G7 colleagues committed to a comprehensive global strategy to provide liquidity to markets, to strengthen financial institutions, to prevent failures that pose systemic risk, to protect savers, and to enforce investor protections.

We welcomed the steps announced by our European colleagues this weekend to implement the action plan, and ensure financial institutions in Europe can finance economic growth. Today we are implementing our strategy with three important actions.

First, Treasury is announcing a voluntary capital purchase program. A broad array of financial institutions is eligible to participate in this program by selling preferred shares to the U.S. government on attractive terms that protect the taxpayer. Second, after receiving a recommendation from the boards of the FDIC and the Federal Reserve, and consulting with the President, Secretary Paulson signed the systemic risk exception to the FDIC Act, enabling the FDIC to temporarily guarantee the senior debt of all FDIC-insured institutions and their holding companies, as well as deposits in non-interest bearing deposit transaction accounts. Regulators will implement an enhanced supervisory framework to assure appropriate use of this new guarantee.

We are pleased to announce that nine major financial institutions have already agreed to participate in both the capital purchase program and the FDIC guarantee program. We appreciate that these healthy institutions are taking these steps to strengthen their own positions and to enhance the overall performance of the U.S. economy. By participating in these programs, these institutions, along with thousands of others to come, will have enhanced capacity to perform their vital function of lending to U.S. consumers and businesses and promoting economic growth. They have also committed to continued aggressive actions to prevent unnecessary foreclosures and preserve homeownership.

Third, to further increase access to funding for businesses in all sectors of our economy, the Federal Reserve has announced further details of its Commercial Paper Funding Facility (CPFF) program, which provides a broad backstop for the commercial paper market. Beginning October 27, the CPFF will fund purchases of commercial paper of 3 month maturity from high-quality issuers.

Together these three steps significantly strengthen the capital position and funding ability of U.S. financial institutions, enabling them to perform their role of underpinning overall economic growth. These actions demonstrate to market participants here and around the world the strength of the U.S. government's commitment to take all necessary steps to unlock our credit markets and minimize the impact of the current instability on the overall U.S. economy. The actions taken today are a powerful step toward restoring the health of the global financial system.

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