



**Statement by the International Group of Treasury Associations (IGTA)  
Further Intervention Required to Support Commerce**

Summary:

- restoration of confidence in counterparty risk between banks is essential both in its own right and as a step to wider reopening of long-term markets
- world trade is freezing up because issuance of letters of credit, which rely on the acceptability of bank credit, is in rapid decline
- as financial services regulation is extended in response to recent events it is vital that proper account is taken of the extent to which markets are globally integrated
- actions taken by governmental, financial and other authorities need to recognise that financial services are there to support world business with credit and risk management products.

IGTA welcomes the actions taken by financial and monetary authorities around the world in response to the crisis of confidence in financial institutions now threatening the real economy. However, treasurers, as representatives of non-financial companies, urge these authorities to be mindful of the needs of business, to avoid further unintended harm to the global economy and when appropriate to provide targeted measures to support normal commercial activities.

The continued reluctance of banks to accept other banks as counterparties is an example where the authorities urgently need to exercise influence. The reluctance that we observe is as much a behavioural problem as one of credit risk. IGTA believes that government action can make an important contribution over and above that already provided by direct support for the financial sector.

Interbank and wider wholesale money markets need to be restored to more normal working and thereby encourage banks to be less restrictive in providing working capital finance to non-financial companies. World trade is freezing up specifically because of a dramatic decline in the volume of trade related letters of credit issuance, an activity that depends upon banks' confidence in the credit risks associated with transactions involving other banks. Restoration of confidence in this area would help restore normality in other areas such as the non-financial commercial paper market.

More stable shorter-term markets are also an essential step in the direction of reopening the public markets for longer-term corporate debt. IGTA members are already aware that long term investors are under pressure to invest as soon as shorter-term markets become fully functional.

IGTA believes that, given recent events, the regulatory boundaries need review and appropriate regulation should be extended to all financial services that can pose systemic risk to financial markets. Because of the inherent integration of markets around the world it is vital that this is done with due reflection to avoid unintended consequences in relatively obscure or unconsidered parts of the market.

As this process gets underway in the coming weeks and months, IGTA urges that the key role of financial services and markets in supporting the world's business with credit and risk management products is not overlooked. IGTA would hope to see further progress made by the end of the G20 meeting in November.

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