



For Immediate Release
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Flaherty Must Address Credit Crunch, says Liberal Finance Critic

MARKHAM – Finance Minister Jim Flaherty must take action to address the recent increase in the cost of debt, known as the “credit crunch,” and ensure Canada’s capital markets are functioning properly, Liberal Finance Critic John McCallum said today.

“One of the most important jobs of any Finance Minister is ensuring that the country’s capital markets are working as they should,” said Mr. McCallum. “Yet while a cloud of uncertainty persists in Canada’s credit markets, with fallout continuing to take its toll on corporate borrowers and Canadian financial markets generally, Jim Flaherty continues to be missing in action.”

Following the crisis in the sub-prime mortgage market in the U.S., and a prolonged period of low interest rates in the wake of 9/11, global markets are now facing rising debt costs and corporations are having a harder time securing credit. This credit crunch is already making it more difficult – and more expensive – for average Canadians to secure mortgage and personal loans.

Mr. McCallum noted that recently central bankers and other key players have called for serious and urgent reform of Canada’s regulatory framework for structured, derivative and securitized investment products but there has been complete silence from the federal government.

“Jim Flaherty either hasn’t really noticed or doesn’t really care that the credit crunch has frozen more than \$30 billion of non-bank commercial paper for over four months now,” said Mr. McCallum. “Canadians want to know that their government is working to help protect their pension funds and to keep their mortgage rates low, not just sitting on the sidelines with its fingers crossed, hoping for the best.”

Last Friday the Pan-Canadian Investors Committee failed to come to an agreement on a definitive resolution to the crisis afflicting the Asset Backed Commercial Paper market. The committee did, however, agree to extend

negotiations.

“Investors and the major banks are working hard to ensure that this crisis doesn’t worsen but there is also a role for the government to play,” said Mr. McCallum.

“Instead of rolling up his sleeves to confront this clear and pressing danger to billions of dollars of Canadian investment wealth, the Finance Minister is nowhere to be seen. He has completely abdicated his responsibility to help drive a private-sector solution and utterly failed to take the steps necessary to prevent a widening or repeat of this continuing and profound domestic financial market failure.”

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