2-002

COMMISSION ÉCONOMIQUE ET MONÉTAIRE
RÉUNION EXTRAORDINAIRE AVEC M. JEAN-CLAUDE TRICHET, PRÉSIDENT DE LA BCE
BRUXELLES, MARDI 11 SEPTEMBRE 2007

2-003

PRÉSIDENCE DE MME PERVENCHE BERÈS

(La réunion est ouverte à 16h00)

2-004

La Présidente – Je vous propose d'accueillir le Président de la Banque centrale européenne, M. Jean-Claude Trichet, qui, pour la première fois dans l'histoire de la Banque centrale, a accepté d'intervenir sur un point précis, à la suite d'un événement particulier, indépendamment du dialogue régulier que nous entretenons avec la Banque centrale.

Je dois dire, Monsieur Trichet, que la dernière fois qu'un événement exceptionnel ayant conduit à des turbulences sur les marchés est intervenu, c'est-à-dire le 11 septembre 2001, le hasard avait voulu que votre prédécesseur, M. Wim Duisenberg, se présente le 12 septembre devant cette commission, dans le cadre du dialogue régulier. Donc, vous êtes vraiment dans une situation de toute première fois.

Vous venez aussi après la réunion du Conseil des gouverneurs et nous étions convenus ensemble que le bon calendrier était sans doute celui-là, pour permettre un dialogue fructueux avec la représentation parlementaire. Au cours de cette réunion du Conseil des gouverneurs, vous avez, en toute indépendance, pris une décision qui était beaucoup commentée et attendue par les observateurs.

Je vous remercie, au nom de l'ensemble des membres de la commission, d'avoir accepté notre invitation. Sans plus tarder, je vous donne la parole et ensuite, vous aurez droit à un jeu de questions-réponses, exercice dont vous êtes coutumier.

2-005

Jean-Claude Trichet, *président de la Banque centrale européenne***. –** Madame la Présidente, Mesdames et Messieurs les membres de la commission économique et monétaire, d'abord je tiens à vous dire quel plaisir j'ai à être là, devant vous, devant la commission du Parlement européen. Nous attachons énormément de prix à avoir des relations aussi confiantes que possible avec vous. Je crois que, du côté de la Banque centrale européenne, les différentes réunions que nous avons, les différentes auditions dans notre jargon, ont toujours été pour nous très stimulantes grâce aux questions que vous posez.

Laissez-moi vous dire que la crise du marché américain des prêts immobiliers *subprime* et son impact potentiel sur l'Europe ont suscité évidemment un énorme intérêt. Je voudrais, sur ce sujet, d'abord vous donner de plus amples informations concernant les interventions de la Banque centrale européenne en réaction à la volatilité enregistrée sur les marchés financiers. Je voudrais, très rapidement ensuite, évoquer la situation économique et monétaire. Comme vous l'avez dit, il s'agit là de décisions que nous venons de prendre et que j'ai déjà pu annoncer, mais je sais que votre intérêt porte plus particulièrement en ce moment sur l'épisode que nous sommes en train de vivre sur les marchés et j'aborderai ce point.

2-006

Zum Abschluss möchte ich einige vorläufige Schlussfolgerungen aus Sicht der Finanzmarktstabilität ziehen.

2-007

Let me begin by providing you with some further information about the recent events in financial markets and the ECB's interventions. In July and early August, the crisis in the so-called US sub-prime mortgage market intensified and the appetite of investors for risky assets declined. Market volatility increased in all asset classes. Stock prices declined and government bonds benefited from safe-haven investment flows. In this context, several investment funds holding asset-backed securities suspended withdrawals. A number of European banks admitted direct or indirect exposures to the US mortgage market. Yet it is important to remark that the credit losses were not significant enough to materially impact the soundness of core financial institutions.

Initially, the impact was felt in the US dollar money market, where domestic and international banks were raising short-term liquidity in order to cope with the liquidity needs of a number of so-called special vehicles or conduits that had difficulty refinancing themselves on the commercial paper market. On Thursday morning, 9 August, the tensions also spread to the euro money market. These unprecedented circumstances called for commensurate actions. Therefore, as you said, Madam Chairwoman, the ECB injected additional liquidity in the money market in order to restore orderly conditions.

Let me briefly describe our operations in more detail. The first operation was carried out on 9 August. It was a non-regular, overnight operation where the ECB provided liquidity to banks at a fixed rate of 4%, which is the rate of our main refinancing operation, and this liquidity was provided through so-called reverse repurchase agreements. I do not want to elaborate too much on these technicalities, but we had pre-announced that we would fulfil 100% of the bids submitted by banks. This allowed us to gauge the amount of exceptional liquidity needs in the banking system as a whole and to contribute to calming down the overnight money market under these circumstances. I have to say that, as a result of this operation, calm on the very

short-term money markets was restored for the end of the day.

During the three following business days, we conducted similar 24-hour liquidity-providing operations through variable rate tenders with a minimum bid rate, also, of 4%. In the case of those variable rate tenders, counterparties are asked to indicate both the desired amount of money and the interest rate at which they wish to obtain it.

On 14 August, I would say that the conditions on the short-term money market progressively normalised. Let me, nevertheless, draw your attention to one point. In the variety of articles, I had seen the addition of the various liquidity 24-hour operations in which we had engaged. So, the EUR 94.84 billion of 9 August was added – by some – to the EUR 61.05 billion of 10 August and then to the EUR 47.67 billion of 13 August. This is a mistake, of course: we were lending on a 24-hour basis. It is not meant to be an addition – on the contrary, the EUR 94.84 billion diminished the following working day to be only EUR 61 billion, and diminished again the next working day to be only EUR 47.67 billion. I wanted to mention that because we are getting into technicalities, and, I have to say, that is not necessarily very easy to understand, but it is important for me to make the point.

With a view to ensuring orderly conditions on the money market, the ECB allotted significantly larger amounts of liquidity than we would have done in normal circumstances, and we adopted the same approach in the subsequent main refinancing operations of 21 and 28 August, and also at the beginning of September.

I have to say, however, that tensions remained in the money market rates for maturities above one week. In order to support a normalisation in this money market segment, we decided to implement two supplementary, longer-term refinancing operations, the first decision being taken on 21 August and the second in September, both with the usual maturity of three months.

In preparing and deciding upon these various operations, the Eurosystem remained, as usual, in close contact with the other central banks, including in particular, but not exclusively, the Federal Reserve, the Bank of Japan, the Bank of England, the Bank of Canada and the Swiss National Bank – again, it is not an exclusive list. These other central banks also took steps, each within the parameters of their own operational framework. I have to say that, when comparing the steps taken by the various central banks, it is also very necessary to take into account these differences in the operational framework, particularly when comparing the volumes of refinancing in Europe and the volumes of refinancing on the other side of the Atlantic, because we have, in normal times, volumes which are very largely superior for technical reasons, so comparing the extra allocation of refinancing in volume terms would not be the right way to compare.

I would say – and I have said on behalf of the Governing Council – that the Eurosystem has shown, once again, its capacity to react, both promptly and effectively, to these challenges that came at the beginning of August. I would like to note – and it has been observed, of course, by global observers – that we had that capacity to decide and act immediately.

On the monetary policy stance, I shall be extremely brief because, again, I have nothing else to tell you other than what was said last Thursday, and any interpretation of what I would say that would be different to what I said last Thursday would be wrong! So, it is as clear as that.

But let me say that the incoming macroeconomic data that we have had, that the Governing Council has had, confirmed that risks to price stability remain on the upside over the medium term, as identified by both our economic and our monetary analysis.

We have considered that, against this background, our monetary policy stance is still on the accommodative side. At the same time, the financial market volatility and the reappraisal of risk of recent weeks have led to an increase in uncertainty and, given the present high level of uncertainty, the Governing Council has deemed it appropriate to gather additional information and carefully examine all new data before drawing further monetary policy conclusions.

Now let me concentrate on financial stability and observations on what I would call this ‘episode of market correction’.

First of all, let me qualify the current situation: we are experiencing a market correction with a significant reappraisal of risk. I have to say that the possibility of such a market correction has been identified on a number of occasions much earlier and including during hearings here. I have a quotation – I do not want to bore you with a quotation, but it is a quotation of what was told to you, after a question you asked, Madam Chairman, on 20 December 2006. I stand ready to read to you what I told you at the time and it seems to me that it captured this eventuality that we are observing right now.

I had said, in particular, that we were diagnosing a level of risk appreciation in global financial markets that was signalling an under-appreciation of risks in general. This was illustrated in particular, but not exclusively, by the relatively low level of spreads, the low level of risk premiums and the low level of volatility across a wide range of financial markets. In the very first issue of the ECB Financial Stability Review, published as early as December 2004, we had said that a high level of risk appetite was encouraging a search for yield among investors across a wide range of markets and asset classes. This phenomenon went on for several years, together with a very significant degree of innovation and creativity in global financial markets, which was improving financial efficiency but also creating new sources of risk.

As I just said, we are now in a correction phase, which can, as frequently observed in such situations, comprehend episodes of hectic behaviour, a high level of market volatility and elements of over-shooting.

We had seen a distinct possibility that the ongoing deterioration of the creditworthiness of borrowers in the US sub-prime mortgage market could be a trigger for more broad-based market correction. We had said this in our Financial Stability Review, and, again, it was repeated last June.

The most important channel for the propagation of the correction turned out to be the strains – maturity mismatch and other anomalies – placed on the balance sheets of special purpose vehicles and conduits which had funded medium-term positions in asset-backed securities, where sub-prime mortgages were an important element – at least in a number of them – with short-term financing commercial papers. So this mismatch as far as maturity is concerned has played an important role in the transmission of these turbulences. It was clearly the difficulties that these vehicles faced in rolling over their short-term funding that created much of the strains we saw in money markets.

Now, I know, of course, from experience that what you are particularly interested in is the lessons we can draw from the present episode. As we are not yet at the end of it, I would say that at this stage we must be very prudent in drawing definitive conclusions. That said, I believe that there are a number of areas where we know lessons will have to be drawn by the international community and even where, already, orientations for appropriate improvements can be seen.

Let me go over a number of points again – but I do not pretend that I am exclusive, and, again, all this is provisional.

First, over the past decade, we have experienced a tremendous increase in the sophistication of financial instruments. While the positive effect of these innovations has been to allow market participants to better share risk, some negative aspects have been highlighted by the ongoing episode. In particular, the degree of complexity of some products that are designed for the purposes of re-packaging and selling debt instruments has become overwhelming. Although I would be very hesitant to impose limitations – ex ante limitations – on the creativity of market participants in their pursuit of innovation and enhanced efficiency of the financial markets, in my view, instruments and structures that cannot be fully understood – even by those who bear the ultimate responsibility of the level of risk taken by financial institutions – should not be acquired or set up by banks and investors, again, that are lacking sufficient sophistication in the management of the risks.

At the same time, the responsibility of those originating such new products should not be understated, as the current episode has demonstrated that the underlying assumptions in the pricing models for complex instruments are not always robust to changing financial market conditions. Investment banks have become very active in this area and a part of the dramatic increase in derivatives markets and financial leverage that we have witnessed has been favoured by this under-pricing of risk, of which we have repeatedly warned in the recent past.

Second, much attention has been focused on the role played by rating agencies prior to the current market correction. It is true that the very small number of large global rating agencies is a real issue in the present functioning of global finance. Potential conflicts of interest, where they exist, would have to be dealt with, and possible benchmarks for improved behaviour could be worked out. In any case, an important lesson of the current risk re-pricing is that investors must never take the opinions of rating agencies as a substitute for their own credit analysis, due diligence and, I would add, understanding of the very nature of the sophisticated underlying structures.

Third, the current events highlight the importance of further improving financial sector surveillance activity by financial regulators and in the risk management practices of financial institutions. The new Basel II capital accord, which is currently being implemented, will bring substantial benefits, in my view, in this sense. Indeed, as you know, Basel II strongly relies on significantly improved risk management in determining the appropriate capital buffers for banks. Despite these improvements, the degree of sophistication of financial markets calls for constant investment in stress-testing practices in order to ensure that banks are aware of the potential losses they might accrue even in highly unlikely scenarios. The Basel Committee for Banking Supervision, where the relevant authorities are represented, is playing a very important role in this field. Another area where progress could and should be made is the area of liquidity. Appropriate harmonisation of the various national rules and requirements appears to be particularly opportune in the light of the recent events.

Fourth, we have to continue reflecting on how to deal with all non-regulated entities. The main channel of propagation of the present turbulences has been the non-regulated constituency of the so-called conduits and special investment vehicles and not, I have to say, the highly leveraged institutions like hedge funds and private equity funds – at least, this is an observation I am making right now and, as I have said constantly, we have to remain very prudent, very pragmatic, very realistic and observe what is going on. I would say at this stage that we should implement rapidly what has already crystallised in international consensus on hedge funds – namely, I refer to the recommendations of the Financial Stability Forum. I stand ready to respond to your questions on what is the present consensus, which, in my view, we should rapidly implement. And we have to improve substantially our handling of conduits and special vehicles.

Looking forward, some tentative policy implications also can be identified from a financial stability perspective. First, we need to restore confidence as we have a paradox that there is a large number of high-quality assets which investors are currently treating as if they were not creditworthy. Now, it seems to me that the one important reason why we observe such a lack of confidence is because we do not have sufficient transparency. This is an area that we need to look at very carefully to see which measures should be taken to improve transparency. Let me remind you that after the Asian crisis we drew that very conclusion: the absence of sufficient transparency had driven a number of investors and market participants to consider that each particular issuer in Asia was to be treated with extreme caution and fear, because they were not sure of the accuracy of information and data that were displayed. The international community drew the conclusion that it was necessary to increase transparency as regards a number of areas – and this has been done. In my opinion, it contributed to improving the situation, as we see today in the emerging markets and economies constituency. So, again, I would say that confidence and transparency – and the close link that we have between confidence and transparency – is something that is of the essence in the present circumstances.

I am now at your disposal for questions.

(Applause)

2-008
La Présidente. – Monsieur le Président, je crois que dans cet exposé introductif long et précis, vous venez déjà d'anticiper nombre des questions que les membres voudront vous poser. Pour autant, comme vous le savez, il reste beaucoup de questions sur la table et, sans plus tarder, je vais donner la parole, d'abord, à deux membres du groupe PPE. Je vous propose de procéder selon notre usage, c'est-à-dire en respectant un temps de parole d'une minute et demie pour la question et de trois minutes et demie au maximum pour la réponse.

2-009
Alexander Radwan (PPE-DE). – Frau Präsidentin! Eineinhalb Minuten für die Weltfinanzkrise! Zuerst meinen besten Dank dafür, Herr Präsident, dass Sie ins Parlament gekommen sind, und meine Anerkennung, denn die EZB hat einen elementaren Faktor in der Weltfinanz gespielt und das auch deutlich gemacht.

Zu meinen zwei Punkten: Die Punkte, die Sie aufgeführt haben, sind auch Forderungen des Europäischen Parlaments. Wir haben das heute mit Herrn McCreevy und Herrn Almunia diskutiert. Das wäre ein Arbeitsprogramm für die Kommission. Wie bewerten Sie denn die Aktivitäten der Kommission in diesem Bereich, um diesen Herausforderungen entsprechend gerecht zu werden? Rating-Agenturen und Hedgefonds haben wir schon lange auf der Agenda. Wie bewerten Sie das Thema Rating-Agenturen im französischen Modell? Die Banque de France hat ja auch ein entsprechendes Instrumentarium. Sollte man das nicht weiterentwickeln? Wie bewerten Sie die Lang- und Kurzfristigkeit der Kredite in den USA, also die Kurzfristigkeit in den USA, die Langfristigkeit in Europa? Die Kommission unternimmt immer wieder Vorstöße, von der Langfristigkeit in Kontinentaleuropa weg hin zu der Kurzfristigkeit zu kommen. Ich glaube, Amerika zeigt uns, dass das nicht gerade der Königsweg ist.

Die zweite Frage: Wir haben erlebt, dass sowohl die amerikanische Notenbank (Fed) als auch die EZB in ihrer Zinspolitik durchaus bedenken müssen, dass sich das, was in Amerika bei den Risikosteuern bzw. Risikobewertungen aus dem Ruder gelaufen ist, unmittelbar auf die Zinspolitik auswirkt. Wir haben sowohl in Europa, aber noch mehr in Amerika die Tendenz, möglicherweise zu Alan Greenspan zurückzukehren, um durch entsprechende Zinssenkungen Liquidität herzustellen. Wie groß ist mittelfristig der Spielraum der Zentralbanken, um aus diesem Dilemma herauszukommen? Sie sind ja zurzeit vor die Frage gestellt: Mache ich eine Zinspolitik gegen das, was ich für richtig halte, oder nehme ich größere Turbulenzen am Finanzmarkt in Kauf? Wenn ich die jedoch nicht in Kauf nehme, habe ich allerdings entsprechende Reaktionen auf der anderen Seite. Was würden Sie hier erwarten?

2-010
Jean-Claude Trichet, *ECB***. –** Thank you very much indeed for your two questions.

Let me take the second question first; I think it is a very important one. The opinion of the Governing Council is that we have one major responsibility – our primary mandate – which is to deliver price stability. We are credible in the delivery of price stability, and it is because we are credible in the delivery of price stability that we are anchoring inflation expectations in line with our definition in a way that is, I have to say, observed by all observers as being remarkable. I could go on for a long time on this point in comparing the anchoring of inflation expectations in our case and in the case of a number of other economies.

This is something that is essential because it is the primary mandate; it is essential because it also anchors solidly confidence in Europe and in the European economy, and it is very important, particularly in a period of turbulence, because it gives all economic agents a solid basis for their own decisions, despite the turbulence of the market.

Now we have, also, the responsibility – which is totally independent, if I may, from this responsibility of delivering price stability and being credible in this delivery – which is the responsibility to ensure a correct functioning of the money market and, particularly, of the segment of the money market that we influence directly. In this respect, I have to say it is true that, whatever the level of interest rates is – the level can be higher, lower or at the same level, but in any case at the level that we would judge appropriate to deliver price stability in the

medium term – we have to ensure the overall orderly functioning of the money market. I have been very clear since the very beginning, on behalf of the Governing Council, on the fact that these two responsibilities were not to be blurred. We have to face up to both responsibilities, without blurring the first to the profit, if I may, of the second. I repeated that on behalf of the Governing Council after our last decision. Everybody could see that we were taking both responsibilities extremely seriously.

2-011
Peut-être puis-je dire un mot en français, si vous me le permettez, pour répondre à votre question sur les *rating agencies*, les agences de notation. Comme je l'ai dit, je crois qu'une réflexion est nécessaire, pas particulièrement sur les agences de notation, mais sur l'ensemble des institutions, des agents, des entités, qui contribuent dans une mesure importante au fonctionnement de la finance mondiale d'aujourd'hui.

Il est clair que nous avons à réfléchir au nombre de ces agences car nous avons, au niveau mondial, un très petit nombre d'agences de notation, ce qui pose incontestablement un problème dans un système financier mondial tel qu'il est organisé. Nous avons à réfléchir à des questions sérieuses de conflits d'intérêts possibles entre les agences elles-mêmes, leurs clients, les entités qu'elles observent et qui les rémunèrent. Nous devons aussi, je crois, regarder de près le crédit qu'on leur accorde. Ces agences jouent un rôle très important et, comme vous le savez, nous avons toujours considéré qu'elles avaient un rôle très important à jouer, mais en aucun cas ce rôle ne doit être dominant par rapport au sentiment et au jugement que doivent porter les investisseurs qui prennent les risques.

Je n'exclus pas que l'on puisse imaginer d'avoir dans ce domaine des *benchmarks* volontaires de bonne conduite, et vous savez d'ailleurs combien j'étais moi-même attaché à ce que les *hedge funds* et les *highly leveraged institutions* puissent développer des *benchmarks* volontaires de bonne conduite. Cela dit, je crois qu'il faut que l'on ait une discussion ouverte.

2-012
José Manuel García-Margallo y Marfil (PPE-DE). – Señora Presidenta, quisiera plantear dos cuestiones: una relacionada con la política de tipos de interés, otra relacionada con el funcionamiento de los sistemas de supervisión y control.

En el primer caso, soy perfectamente consciente de que no va a decir usted cuál va a ser la política del Banco Central respecto a los tipos de interés, a la luz de los acontecimientos que se nos vienen encima.

Sí sabemos —o sí que creemos saber— que la Reserva Federal va a bajar los tipos el día 18 de septiembre y que lo mismo va a hacer el Banco de Inglaterra, a la vista de la refinanciación del papel comercial que se viene encima.

Mi pregunta es: ¿no cree que la recomendación que tantas veces ha hecho el Parlamento de una mayor transparencia de las decisiones del Banco Central —y me estoy refiriendo a la publicación de actas, al contenido de decisiones y al peso que da a cada uno de los dos pilares en que basa sus decisiones estratégicas — hubiese sido útil para prevenir lo que se nos venía encima?

En segundo lugar, en materia de supervisión y control, ha citado usted Basilea II, *hedge funds*, operaciones fuera de balance, etc. Yo creo que aquí han fallado más cosas.

Yo siempre he sostenido —opinión no siempre compartida por todos mis colegas— que hemos avanzado mucho en materia de liberalización, que hemos avanzado poco en materia de supervisión y control y que hemos avanzado poco en materia de armonización fiscal. Y eso ha tenido las consecuencias que ha tenido y ahora estamos oyendo hablar de transparencia a los primeros ministros de Alemania y Francia.

En cuanto a esta transparencia, ¿qué va a proponer el Banco Central? ¿Cuál va a ser el papel que va a desempeñar este Parlamento? ¿Vamos a remitir esto a esta comisión de sabios que es tanto como decir una comisión nueva fuera o extramuros de las Instituciones que llevamos tanto tiempo tratando el tema?

2-013
Jean-Claude Trichet, *ECB***. –** On transparency, can I again say in front of Parliament that we were the first in the major central bank constituency to embark on real-time explanation immediately after our decisions (since January 1999). The other central banks were not doing that: they were only acting, and then you had to wait five or six weeks before you had any explanation.

We were the first to publish five, six, seven pages of detailed analysis on our diagnosis and on the reason why we had decided to increase rates, leave rates unchanged or decrease rates. We were the first – and we are still the only ones – publishing a six-page diagnosis in real time, immediately after the decision. We are the only ones to have a press conference, where somebody responds to journalists' questions – and, through journalists, market participants – on why we did this or that.

It is true that we do not say who voted for what. We consider it is not opportune in our case. We have a single currency for 13 different countries; next January, for 15 different countries. We consider the pertinent entity is the college, the Governing Council. This is the pertinent entity that takes the decision. Each of us has to explain to the European Parliament – and it is my great privilege – and my colleagues to the upper and lower chambers in their own parliaments what we have done, why we have done it and why it is the decision of the Governing Council. So I draw your attention to the fact that we are not like a number of other countries, which, perhaps, are very satisfied with this vote publication. It

is not appropriate for us. That is the firm conviction of the Governing Council, and I am ready, of course, to continue explaining the reason why we trust that, again, in a single currency area, with 13 different, exemplary democracies functioning in the area, it is not appropriate to display anything but the collegiate decision.

2-014
Peut-être puis-je dire un mot aussi en français sur les *hedge funds*, simplement pour rappeler que la position que nous avons, et que j'ai prise moi-même très visiblement dès le début, vous vous en souvenez peut-être, en disant que cette industrie, et d'ailleurs l'industrie des *highly leveraged* en général doit pouvoir travailler volontairement elle-même sur la meilleure conduite possible à adopter. Cette position a été, je crois, fort heureusement, considérée par la communauté internationale comme opportune et, dans les conclusions recommandées par le *Financial Stability Forum*, nous avons la définition volontaire, par les *highly leveraged institutions,* les *hedge funds* et les *private equities,* de *benchmarks* de bonne conduite: nous leur demandons donc de travailler sur leurs *benchmarks* de bonne conduite.

Nous avons aussi demandé que les *core intermediaries*, c'est-à-dire les banques commerciales qui sont les *prime brokers* de ces *hedge funds,* puissent elles-mêmes améliorer substantiellement leur connaissance des risques qu'elles prennent, le *risk management,* et nous avons demandé à l'ensemble de ceux qui sont les clients en quelque sorte de ces *hedge funds* de renforcer eux-mêmes leur connaissance des risques qui sont pris.

C'est l'état actuel du consensus international. Agissons d'abord sur ces aspects le plus vite possible, et la conclusion que je tirerai des événements actuels est qu'il ne faut pas perdre de temps dans tous ces domaines. Peut-être que certains d'entre vous pensent qu'il faut aller plus loin, mais il faudrait d'abord démontrer qu'on est capable de faire ce qui a déjà été décidé. Il n'est déjà pas si facile d'avoir un consensus mondial et je pense qu'il faut en mettre très rapidement en œuvre les éléments.

2-015
Ieke van den Burg (PSE). – Let me also express the appreciation of my political group for your presence here and also for the initiative that our Chairwoman took to arrange this.

My first question relates to the lessons we should learn from these events. I can imagine that you must be pretty frustrated that you could only take these ex post measures and were not able – even if you have predicted some of the risks – to act ex ante. Would you not think that it is appropriate to have a more important role for the European Central Bank in supervising and in acting in preventing crises like these?

The second issue is related to your analysis about what happened. There you state that these less sophisticated investors were seduced – in fact, had to take risks that they could not oversee – and there you say, 'well, I hesitate to say that we should have ex ante limitations but I hear that there is a case for this'.

The other point is the investment banks. You clearly state that they have become active, had to make these types of products. Should there not also be limitations there, and is it not time that they disclose also the risky positions they have at the moment, as Mr Ackermann has proposed, even if it is in confidence only to some supervisors?

2-016
Jean-Claude Trichet, *ECB***. –** Thank you very much indeed, Madam, for what you said.

On the first question that you asked, I would say that the Treaty is the Treaty, as you know, and we have a decentralised framework as regards banking supervision in Europe and, of course, in the euro area as well. The euro area diagnosis on what is appropriate as regards the relationship between the central banks, on the one hand, and the banking surveillance authorities, on the other, is that a close link is opportune. We know that in Europe you have all possible frameworks: frameworks where the central bank is directly responsible for surveillance, a framework where the central bank has absolutely no responsibility for surveillance, and an intermediary framework. We trust, really, that a framework where there is a close link is appropriate – I do not say that to call for the ECB itself to be massively involved; I am speaking of the system. Do not forget that the ECB is the captain of a team, today, of 14: 13 national central banks and the ECB. I am speaking for the system and thinking of the system.

We are in agreement with the US on that – on the fact that the Central Bank must have a close relationship with banking surveillance – and we are not necessarily in full agreement with a number of European countries that have another view. But, again, what I say is clear and has been made public already; there is nothing spectacular in what I say, but it goes a little in the direction of your question.

On the second point, I go back to what I said on transparency. It is not a magic formula and it is true that some have a good argument in making the point that, in order for the market to function correctly, there is information that must be proprietary, and that you cannot have a market functioning perfectly if absolutely nothing is proprietary – that is, if all information in all domains is permanently available to absolutely anybody. But it is also true that this absence of confidence that we see now is due, for a large part, to the sentiment that there is obscure information, obscure facts and figures that are not communicated. We must draw the conclusion exactly as we did in the Asian crisis.

I will give you only two examples. It is clear that the fact that there is a suspicion that not all financial institutions are displaying their real risk and potential losses creates this sentiment of absence of confidence. We clearly have to improve this situation, because a return to confidence

is absolutely of the essence between the institutions themselves. Another example I would give you is that in some of those asset-backed commercial papers – asset-backed securities – I mentioned, a number of investors came to these instruments on the basis of the rating agency's rating without knowing exactly what were the assets that were backing the commercial paper. The rating agencies knew, but not the ultimate investor, because it was considered the proprietary property of the vehicle in question, of the entity in question. Of course, now that there is a suspicion about everything, the fact that you do not know exactly what is the split of assets that is backing your commercial paper means that you do not invest, and we see clearly that there are limitations precisely for this proprietary information. Those are two examples.

But, again, I am not calling for, I would say, an across-the-board, naive solution. We have to see exactly where we draw the line in displacing the border of transparency in order to be sure that we are not hurt by this absence of confidence that we are observing right now.

2-017
Pervenche Berès (PSE). – Monsieur le Président, je voudrais revenir sur les décisions de politique monétaire que vous avez prises et sur la façon dont la Banque centrale est intervenue pour alimenter le marché. Je crois que vous avez anticipé la question dans votre exposé liminaire en pointant bien les conditions dans lesquelles il fallait évaluer le montant des interventions de la Banque centrale.

Pour autant, on a eu l'impression, en lisant les analyses ici ou là, que, même si vous avez évoqué les stratégies de concertation avec la FED, au fond, il y avait peut-être eu des stratégies différentes et des niveaux de réponse différents. Bien évidemment, à toutes choses égales par ailleurs, on imagine bien que les conditions du marché européen ne sont pas les mêmes que celles du marché américain. Cela dit, comment arbitrez-vous la différence dans le rythme d'utilisation des outils, puisqu'on a l'impression qu'aux États-Unis, on a d'abord pensé à la question du taux et, puis, à celle des liquidités, tandis que du côté européen, c'est sans doute l'inverse qui s'est produit? Et comment répondez-vous à cette impression récurrente - que vous avez, me semble-t-il, cherché à corriger dans votre exposé liminaire - qu'au fond, la Banque centrale serait intervenue avec des montants de liquidités très importants par rapport à ce qui s'est fait du côté de la FED?

Ma deuxième question concerne les jugements qui sont aujourd'hui portés sur les politiques qui ont été menées par M. Greenspan. Beaucoup s'expriment pour dire que, aujourd'hui, finalement, la bulle financière a été créée par la politique mise en œuvre par la FED pendant un certain nombre d'années. Quel jugement portez-vous sur ces analyses et est-ce que vous excluez le risque d'une nouvelle bulle financière?

2-018
Jean-Claude Trichet, *président de la Banque centrale européenne***. –** Madame la Présidente, vous avez beaucoup de questions. Bravo pour la façon dont vous les avez concentrées, je vais essayer d'être aussi concentré dans la réponse.

Comme je l'ai dit, le refinancement, par les Banques centrales concernées, des banques américaines et des banques européennes se fait dans des conditions différentes. Nous avons, aux États-Unis et en Europe, des investissements de la Banque centrale qui ne sont pas les mêmes. Ainsi, le besoin de refinancement est beaucoup plus important de ce côté-ci de l'Atlantique. Un ordre de grandeur: la totalité de nos refinancements, que nous effectuons, si vous voulez, en permanence, pourrait être de 400 milliards d'euros à peu près. C'est un ordre de grandeur. Aux États-Unis, c'est beaucoup moins et c'est pour cela que la comparaison des deux côtés de l'Atlantique ne correspond pas à quelque chose de pertinent.

Deuxièmement, des deux côtés de l'Atlantique, lorsque nous avons eu devant nos yeux un marché monétaire qui ne fonctionnait pas convenablement, nous avons fait ce qu'il fallait, chacun avec nos instruments qui ne sont pas les mêmes, avec des besoins de refinancement qui ne sont pas les mêmes et dans des conditions qui ont été appréciées des deux côtés de l'Atlantique comme étant réactives, comme je l'ai dit, en tout cas pour la partie la plus courte du marché monétaire.

N'attendez pas de moi une critique des décisions prises par les autres Banques centrales. Ce n'est pas comme cela que fonctionne la Banque centrale européenne et son conseil des gouverneurs, ni aucune Banque centrale. Laissez-moi simplement vous dire que le monde ne fonctionnerait pas si nous n'avions pas une confiance mutuelle très grande dans les institutions sœurs de l'autre côté de l'Atlantique, de l'autre côté du Pacifique, de l'autre côté de la Manche. J'ai pu moi-même le constater tout dernièrement, puisqu'il n'y a pas si longtemps, c'était hier, au nom de ce que nous appelons le comité de l'économie mondiale qui réunit les banquiers centraux des pays industrialisés et les banquiers centraux de tous les pays émergents qui sont systémiques - et nous représentons la quasi-totalité de l'économie de la planète -, j'ai pu dire un certain nombre de choses qui correspondaient à ce que nous pensons tous ensemble. Sachez que nous nous réunissons tous les deux mois, nous nous appelons par nos prénoms, nous pouvons échanger des informations avec l'ensemble des collègues de la planète avec une très grande rapidité et, je dois dire, une grande confiance mutuelle. Et je crois que la finance mondiale, l'économie mondiale ne fonctionnerait pas bien du tout si nous n'avions pas ce niveau de confiance.

Vous avez dit: est-ce qu'on peut exclure d'autres épisodes? Je crois qu'il faut bien voir que nous vivons dans des économies de marché, qui ont prouvé par rapport aux autres systèmes imaginables une efficacité absolument prodigieuse s'agissant de créer de la richesse. Mais aussi, dans une économie de marché, on prend des risques et quand on prend de mauvais risques, on est puni. C'est cela la règle. Et on ne peut pas,

d'ailleurs, être récompensé en permanence sans prendre des risques. Il faut en être très conscient. Il ne faut pas imaginer une économie de marché dans laquelle il n'y aurait pas de risques qui sont pris et pas de risques qui se matérialisent. Donc, ce que nous devons faire, c'est identifier en permanence le fonctionnement le meilleur possible d'une économie dans laquelle il y a de temps en temps des risques qui se matérialisent et qui deviennent des sinistres et dans laquelle, effectivement, on préserve le mieux possible la stabilité du système mondial tout en sachant qu'on ne peut pas éliminer tout risque.

C'est pour cela qu'il est très important, en effet, de réfléchir sans cesse aux leçons à tirer. Une des leçons que je vois actuellement, mais je le dis avec beaucoup de prudence parce qu'on n'est jamais trop prudent dans ces matières, est que les pays émergents et les économies émergentes et jusqu'à présent les finances émergentes se comportent très bien, grâce à tous les progrès qui avaient été faits après la crise asiatique, dans une période qui n'est pas facile. Cela donne je crois beaucoup d'arguments à ceux qui disent, de manière aussi réaliste, aussi prudente mais aussi résolue que possible que nous aurons à tirer, au niveau de la communauté mondiale, des leçons de l'épisode présent.

2-019
Wolf Klinz (ALDE). – Frau Präsidentin! Herr Präsident, ich unterstreiche das, was Sie zum Schluss gesagt haben. Mir scheint allerdings, dass das die Theorie ist. In der Praxis sieht das anders aus. Vor ein paar Jahren sind Banken in Schweden und Frankreich gerettet worden. Jetzt ist die IKB in Deutschland gerettet worden. Man bestraft eben nicht die, die zu hohe Risiken eingehen. Vor diesem Hintergrund würde ich gerne wissen, ob das nicht eine Schwäche unseres Systems ist und ob man hier nicht einmal einen Reinigungsprozess durchführen sollte, damit die, die ein zu hohes Risiko eingehen, tatsächlich die Folgen zu tragen haben.

Sie haben die *conduits* angesprochen. Mich würde interessieren, welche Schlussfolgerungen Sie daraus ziehen. Das habe ich nicht ganz verstanden. Sind Sie der Meinung, dass *off-balance sheet entities* untersagt werden sollten und dass sie in Zukunft alle *on-balance sheet* sein sollten? Welche Auswirkungen hat es für die Aufsicht, wenn sie *off-balance sheet* bleiben? Drittens haben Sie, und dazu möchte ich Sie ausdrücklich beglückwünschen, sehr schnell gehandelt und damit sicherlich die Glaubwürdigkeit und Reputation der Zentralbank gestärkt: Sie haben dem Geldmarkt Mittel zu 4 % zugeführt. Die Bank of England hat auch gehandelt. Aber sie hat ihre Zahlungen mit einer Pönale versehen. Wie erklären Sie den Unterschied, und warum hat die britische Bank anders reagiert als Sie?

2-020
Jean-Claude Trichet, *ECB***. –** Thank you very much indeed for your question.

I do not want to elaborate on what happened in a particular case, where a bank had taken enormous risks and had to be rescued, but there are punishments there. I do not want to elaborate, but those who had taken the risk of being the shareholders of these banks are punished; those who were the managers of those banks have been punished. It goes without saying that this is part of the normal functioning of an economy. The rescue operation itself has its counterpart in what the new shareholders are asking the previous managers and holders of the bank.

Our own operations on the money market were, as I said, 24-hour operations at 4%, and then prices that were higher, depending on the tender. We did not bale out anybody: we only ensured that the market was functioning. But the losses which are here – and there will be losses – will have to be faced, with appropriate responsibility being taken, of course. No bailing out: we are not in such an exercise.

As regards the very important question you raised on off-balance-sheet/on-balance-sheet conclusions: as you might have seen, I have said we have to reflect on these conduits and special vehicles which appear to be out of the balance sheet but, in fact, were connected to the commercial banks or sponsoring bank in question because there were back-up lines, credit lines, that could be activated in certain circumstances. Again, I do not want to jump to a too easy solution, but this is an issue that has to be reflected upon and solved. I would not say, already, that there is a very simple solution. The legal relationships are not the same: when you look at a very precise situation, you see a large array of various frameworks, various legal links – some very strong, some much less strong. So, again, let us be pragmatic and let us have a little time to reflect, but it is absolutely clear that we have to improve the situation.

I do not want to comment on the various decisions taken by various central banks. As I said, on both sides of the Atlantic we had to cope with different challenges, with our different instruments and needs, and it is the same on both sides of the Channel. Again, I will trust that all the central banks have done their duty in circumstances that were specially demanding.

2-021
Alain Lipietz (Verts/ALE). – Monsieur le Président, c'est toujours un plaisir de discuter avec vous, mais je crois qu'il faudrait essayer d'aller au cœur du problème. Vous avez tout à fait raison de dire que ce n'est pas à vous de commenter la politique des autres banquiers centraux et qu'il faut une grande confiance entre ces banquiers. Le problème est que leurs comportements différents cachent ou expriment des divergences doctrinales qui concernent tout le monde. Vous dites qu'il faut apprendre auprès de tous et bien apprenons auprès de tous.

La petite musique qui est jouée depuis une semaine est la suivante. Premièrement, la Banque d'Angleterre ne veut pas récompenser le "hasard moral", je ne sais pas comment on traduit en français l'expression *moral hazard*. Deuxièmement, Greenspan avait tort, finalement il a différé trop longtemps la solution du problème de l'accumulation de dettes aux États-Unis et il a permis

l'apparition de bulles. Mon appréciation est tout de même qu'il l'a différée, certes, mais qu'on n'a pas encore inventé la façon d'empêcher des bulles quand on a une politique, comme vous dites, accommodante à l'égard des taux d'intérêt.

Comment envisagez-vous une politique qui soit à la fois assez accommodante pour qu'on puisse faire les investissements d'avenir sans que l'emprunteur puisse aller faire des bulles sur des secteurs qui n'ont aucun intérêt?

2-022
Jean-Claude Trichet, *président de la Banque centrale européenne***. –** D'abord, je répéterai que les différents banquiers centraux ont à faire face à des décisions dans des circonstances qui ne sont pas les mêmes, avec des instruments qui ne sont pas les mêmes et des besoins de refinancement qui ne sont pas les mêmes.

De notre côté, nous considérons, comme je l'ai dit, que c'est un devoir d'assurer la stabilité des prix à moyen terme, comme le traité nous le demande - et c'est d'ailleurs aussi ce que nous demandent nos concitoyens avec beaucoup de force -, et c'est, en même temps, un élément de stabilisation des marchés dans des périodes turbulentes parce que cela donne à tout le monde, à tous les agents économiques, un bon ancrage à moyen terme.

Nous avons aussi la responsabilité de faire fonctionner le marché monétaire dans la partie que nous influençons directement. C'est ce que nous avons fait. Il n'y a aucun élément nous semble-t-il, dans notre conception, et je crois qu'elle est largement partagée, de "hasard moral" dans le fonctionnement normal du marché monétaire au prix que nous fixons, c'est-à-dire au taux d'intérêt que nous considérons comme étant approprié dans une perspective de stabilité à moyen terme.

Votre question, Monsieur Lipietz, est une très bonne question, et, pour nous, si vous voulez, elle constitue toujours un paradoxe. Nous sommes dans un environnement où on nous demande en permanence de baisser les taux. Il est très rare que d'ici vienne la demande: "S'il-vous-plaît, M. Trichet, haussez les taux". Or, bien entendu, les taux ne peuvent pas baisser en permanence. Ils seraient à zéro et on attendrait tranquillement que la catastrophe arrive. Les taux doivent être à leur bon niveau, à un niveau qui permette d'assurer précisément la stabilité. Et la remarque que vous faites est très bonne. Si les taux sont toujours trop bas, alors ça se termine en effet par des difficultés majeures.

Mais je ne partage pas, et je l'ai déjà dit, le sentiment de certains selon lequel on a une explication toute simple pour ce qui vient d'arriver qui serait que les Banques centrales ne se seraient pas bien comportées. Je crois que c'est plus complexe que cela. Nous avons des développements, des éléments, dans l'économie mondiale et dans les économies des pays industrialisés, dans la finance mondiale et dans la finance des pays industrialisés, qui comportent des risques au niveau individuel et des risques aussi au niveau systémique. Nous vivons avec ces risques et nous devons tenter en permanence de les prévenir. C'est ce que nous faisons en permanence. Lorsque nous nous réunissons, les banquiers centraux, tous ensemble à Bâle, c'est précisément pour identifier les risques et tenter de les prévenir. Lorsque je dis moi-même au Parlement européen: voilà les risques que nous identifions en ce moment", et on est en 2004 ou on est en décembre 2006,

2-023
'We should not forget that one of these risks relates to a general reassessment by the financial markets of all risk […], which would obviously have an impact on all of the financial institutions. Progress has […] been made, but there is no room for complacency in this area.',

2-024
ce sont des éléments qui sont entendus et qui conduisent les uns et les autres à essayer de se prémunir contre les risques. Mais je crois, et il faut faire attention, qu'on ne peut pas imaginer une économie moderne, productive de richesses dans le moyen et le long terme, qui ne comporte pas, à un certain moment, la matérialisation de risques.

2-025
Sahra Wagenknecht (GUE/NGL). – Frau Präsidentin! Herr Präsident! Ich wollte noch einmal auf die Frage zurückkommen, wer die Kosten trägt. Es ist ja so, dass wir nach jetzigem Stand eigentlich davon ausgehen müssen, dass ein erheblicher Teil all dieser Wertpapiere, die gehandelt wurden, – vor allem auch die unteren Tranchen – faktisch wertlos sind. Es ist aber trotzdem so, dass Investmentbanker, Hedgefondsmanager und viele andere Beteiligte am Handel mit der heißen Luft im Grunde sehr viel Geld verdient haben. Haben Sie vielleicht doch eine Idee, wie Sie dazu beitragen können, dass diejenigen, die sich beim Aufblasen der Kreditblase eine goldene Nase verdient haben, am Ende, wenn diese Kreditblase platzt, tatsächlich auch die Verluste tragen, und nicht die Allgemeinheit?

Das Grundproblem besteht doch darin, dass die heutige Finanzarchitektur global im Grunde so aufgestellt ist, dass zumindest die ganz großen Player im Spiel eigentlich jedes beliebige Risiko eingehen können, weil sie genau wissen, dass die Zentralbanken und letztlich auch die Politik keinen wirklich globalen Hedgefonds, keine große Investmentbank zusammenbrechen lassen können, weil das eine solche Kettenreaktion auslösen würde, dass das gesamte Finanzsystem in Frage stünde. Aber ist nicht eine solche Konstruktion in sich schon krank und fragwürdig? Dazu würde ich gerne Ihre Meinung wissen. Wir wissen, wie die Federal Reserve immer reagiert hat: Seit 1998 sind taumelnde Hedgefonds und anderes immer wieder auf Kosten der Allgemeinheit herausgeholt worden. Haben Sie das Gefühl, die Dinge wirklich noch im Griff zu haben?

2-026
Jean-Claude Trichet, *ECB***. –** Thank you for your question, which, again, is an important one.

Central banks – certainly not the ECB – do not, and will not, bail out anybody. In any case, we do not have the money to do that. As I said, what we did, and what was very spectacular, was to lend billions of euros on a 24-hour basis with an interest rate. That is what has been done by us. Again, collateral, namely very good assets, were backing this lending operation. That has to be really understood. We were not at all pouring money on bad behaviour, we were lending money against collateral, with an interest rate. This was to permit the market to function correctly and to permit those who behaved properly not to be punished through turbulences on the market by those who behaved improperly. But those who behaved improperly will have to pay the price for their mistakes and errors; that is absolutely clear. I think that is also your message, and I take it as an important one.

2-027
Guntars Krasts (UEN). – Mr President, the majority of questions, already, have concerned this issue, but I just want to ask raise two short questions.

Do you see risks of possible spill-overs of the credit market turmoils and turbulences to the non-credit markets, including currencies and equities, in the euro area and in wider Europe?

A still large number of banks are provided with liquidity based on their collaterised debt obligations (CDOs). At the same time, it can turn out that these CDOs are just a pile of junk. Do you assume that the current liquidity crisis could also be a solvency crisis, which could lead to more drastic market corrections?

2-028
Jean-Claude Trichet, *ECB***. –** Thank you very much for your questions.

The fact that we have in front of us the development of turbulences in a large variety of markets and asset classes is something that we rarely see. Until now, as you said, it is something that has been concentrating on a certain segment of the credit market and particularly, I have to say, on the short-term segment of the credit market, the commercial papers, the asset-backed securities (ABS) in general, as well as the functioning of the money market, when we are on a term segment of the money market – one month, two months, three months. There is a link because it is the same durations that are at stake. We see pretty well why: an absence of confidence in the assets backing the CDOs, absence of confidence in the real risks that are in the hands of the various institutions. When there is not that kind of obscurity or ignorance, we have a reasonable level of confidence, and it is the case of the other market that you mentioned. So, I would draw from these observations even more the conclusion that, again, the sequence of appropriate transparency and the appropriate, I would say, reliable transparency and confidence are very closely associated.

As regards these assets – the CDOs in particular, but all kinds of assets that back the short-term commercial paper – what is striking, really, is that most of these papers are good papers and they are only polluted by ignorance and what has happened on the sub-prime mortgage market. Again, from that observation, I would draw the conclusion that appropriate transparency is very important.

At this stage, I would say that we will see exactly how the liquidity issues that we have to cope with are developing, but I do not want, again, to draw conclusions too rapidly. We do what we have to do; we expect all market participants and institutions to do what they have to do. Taking everything into account it seems to me that, progressively, this episode should drive us back to normal. But I say that with great prudence. We are pragmatic, we are realistic and we all know that such episodes of market correction have aspects of hectic behaviour – overshooting, as I said, a high level of volatility during the market correction itself.

2-029
Gay Mitchell (PPE-DE). – Mr Trichet, you described the packaging and repackaging of debt as 'overwhelming'. Can you anticipate the possible further reaction of the financial markets? For example, from your various sources and information systems, does the ECB know the scale of distressed assets in Europe and on what balance sheets they are sitting?

The turmoil began with supervisory problems relating to the US sub-prime lending market, not all of it housing-related. Given that what happens on the US retail markets often, after some interval, has implications for Europe, what anticipatory action did the ECB take in view of the US trend?

There are lessons to be learned by everybody – financial institutions, regulators, the Central Bank, Parliament, the Commission and the Council. One lesson is that the financial markets are integrated. Every category of financial institution across the EU can have chunks of these US, or other, distressed assets. It has been said that the EU institutions should not address retail banking, the insurance sector, pension funds, hedge funds, investment banking etc. in isolation. Do you agree with that?

2-030
Jean-Claude Trichet, *ECB***. –** All the framework of banking surveillance – and, I have to say, of surveillance authorities in general in the world and in Europe in particular – are working on your first question; by definition, it is their duty. Everything I have seen until now at the level of the network of national responsibilities that are in the European framework has functioned, in my opinion, correctly. We have to be prepared, there also, for lessons to be drawn. One of the lessons to be drawn, in my opinion, is always that the close relationship between banks and surveillance authorities is appropriate, and when we have such a liquidity strain it is clear that the central banks are immediately in the front line, but that we need, of course, the cooperation and the understanding of the framework of the banking surveillance authorities.

So, again, the framework functions, and the exchange of information, it seems to me, is correct. We call permanently for as intimate a cooperation as possible between surveillance authorities.

Your second point concerns observing the trend in the US and what my conclusions for Europe are. Again, you always have to be prudent. One possible response is 'never here – we are much better' and so forth. I have always responded to a number of questions from Members of Parliament on real estate evolutions in a number of economies. We always have to be prudent, and national authorities in Europe have themselves said: let us be cautious, let us be prudent, we observe an increase in outstanding credit which might be too rapid and so forth. I was, myself, happy to say, after a number of decisions that we have taken and that national authorities have taken in the euro area, we see now a slowing-down of the rate of growth of a number of outstanding credits, particularly as regards households.

Your remark on the integration of global finance is, I think, a very good one. It is very impressive to see that a trigger which is in a small portion of the real estate credit market in the United States of America – because the sub-prime is a small portion of the real estate credit market in the US – triggered a phenomenon which we have observed the world over: tensions in the night of 8/9 September in Asia, with skyrocketing interest rates for the US dollar, and the same in Europe, with the spillover on the euro market. So, more than ever, we have to be fully conscious that something which is happening anywhere in the global sphere and global finance can have repercussions through various channels, and we are never sufficiently lucid in identifying the various channels that might function. A number of European banks were more involved in the special vehicle that had, in the assets that were backing their commercial paper, a fraction – even a small fraction – of the sub-prime mortgage market and we see...

2-031
Gay Mitchell (PPE-DE). – Mr Trichet, I thought you might have answered at least one of my three questions. You did not answer any of them and I am very disappointed.

2-032
La Présidente. – Monsieur Mitchell, je suis désolée mais le temps ne nous permet pas de poursuivre ce débat. Vous aurez l'occasion de revenir sur ces questions le 9 octobre, lorsque le Président de la Banque centrale sera parmi nous pour le dialogue régulier.

2-033
Gunnar Hökmark (PPE-DE). – I would like to ask the President of the Central Bank where he thinks we are just now: have we passed the greatest challenges regarding the credit market, or do we have some large challenges ahead of us? Have we passed the peak, or do we still have a long process of minor or major problems? That is my first question, but it is also connected to the second one, which concerns the conditions for the Central Bank regarding interest rates. Is it possible to supply liquidity to the market at the same time as feeling there may be a need to raise interest rates? This is some kind of paradox and I would like to hear how you would handle that.

2-034
Jean-Claude Trichet, *ECB***. –** In answer to the first question, I would say that, again, in our analysis, we are in a market correction, a market correction which has been, I would not say 'pre-announced', but corresponding to a diagnosis which we had made, which I had set out in front of you, which has been made by a number of market participants, which was shared by a large number, I have to say, of CEOs of financial institutions.

As I said, such an episode of market correction always comprehends episodes of hectic behaviour, overshooting, a high level of volatility, and I think it is the best characterisation of the correction in which we are.

As regards interest rates, I have set out to you the fact that we consider – and I made that point very clearly on behalf of the Governing Council – that we have two responsibilities. If we were blurring these responsibilities, and if I was telling you, 'because of the short-term money market turbulences, we put into question our responsibility of delivering price stability in two years' time or in 18 months' time' and then I would warn all market participants, investors and savers – and our fellow citizens, 'you have to be prepared for price stability not to be ensured and inflation expectations not to be anchored' and so forth, we would make the present situation of the markets worse. So, again, not only do I trust that you should not blur the two responsibilities – when I say 'you', I mean *one* should not blur the two responsibilities! – but I really insist on the fact that it is for the sake of financial and economic stability that we must live up to our responsibilities.

2-035
Elisa Ferreira (PSE). – Senhora Presidente, queria colocar-lhe as seguintes questões. A crise estava anunciada e aconteceu e o Banco Central interveio de forma activa e imediata de acordo com o mandato que tem. Hoje, em termos mais estruturais, trouxe-nos um conjunto de propostas de novas acções que são bem-vindas – a pecarem, seria apenas por serem tardias.

Mas há outras consequências desta crise e eu queria que se referisse a elas, que são relativas ao impacto na economia real. Cita frequentemente o apoio dos cidadãos ao objectivo de estabilidade de preços, mas hoje os cidadãos estão mais preocupados com o crescimento da economia e com o desemprego.

O Comissário Almunia acaba de sair daqui e confirmou que esta crise agravou as previsões de crescimento económicas para 2007 e ainda, de forma não quantificada, para 2008. Naturalmente, ela encareceu já

os *spreads* bancários, dificultou o crédito e abalou profundamente a confiança das famílias e das empresas. Por isso, eu agradecia que me respondesse às seguintes questões:

- Primeiro, que iniciativas vai tomar para restabelecer a confiança das famílias, dos investidores privados e dos empresários em relação às condições da sua operação?
- O que é que pode dizer relativamente à alteração das previsões de crescimento que estão aqui no texto para 2007 e 2008?
- Que previsões para a taxa de juro e para a taxa de câmbio em relação, sobretudo, ao dólar?
- E depois uma última questão só para lhe perguntar se não seria altura de rever o mandato do Banco Central, que está excessivamente concentrado apenas na questão da inflação, quando há tantos assuntos que precisavam de ser abordados de uma forma mais organizada e mais abrangente.

2-036
Jean-Claude Trichet, *ECB***. –** Very rapidly, as regards the mandate of the ECB: as you know, it has been given to us by 27 exemplary democracies, and that is all I have to say on that.

As regards the staff projections for this year and next year, the recent staff projections which were incorporating a number of facts until, say, mid-August, but not what has happened since mid-August, led our staff to review down very slightly the previous Eurosystem staff projections for 2007 by only 0.1% and did not lead our staff to modify what we have already said for 2008.

That being said, on behalf of the Governing Council, I have said that uncertainties had augmented and that was the reason why we have taken the decision that you know during our last Governing Council.

Again, uncertainties have augmented but our base line scenario remains a base line scenario where growth in Europe would be around the potential of the Euro area economy. I will not comment on the other markets and certainly not on the exchange market and so forth at this stage.

As regards confidence, I agree with you that confidence is the key word and we trust that what we have been doing and the clear responsibilities that we are identifying as being our primary mandate, on the one hand, and responsibility to have a correct functioning of the money market are elements of confidence.

It seems to me that the economic agents, investors, savers and households in Europe expect the European Central Bank and the Eurosystem to continue to be a solid anchor of confidence. And this, of course, will help the real economy and our fellow citizens.

2-037
Olle Schmidt (ALDE). – My warm congratulations to you, Mr Trichet, and the ECB. In stormy waters you are a solid rock, I must admit!

(Laughter)

In this context, I would like to underline the importance of maintaining the independence of the ECB. I have read your letter to Manuel Lobo Antunes, the Portuguese Secretary of State for European Affairs, on the matter of differentiating the ECB from the other European institutions in the Treaty of the European Union. Am I mistaken, Mr Trichet, if I understand this letter as relating to the ongoing discussion regarding the role of the ECB, an issue not least raised by the French President? What do you believe will happen if Mr Sarkozy is joined by others who are willing to exploit the current situation to push their agendas? Is there – and this is the real question – a real danger that the independence of the ECB will not only continue to be attacked rhetorically but also that the current crisis will result in more substantial actions?

2-038
Jean-Claude Trichet, *ECB***. –** I know to what extent, because I could experience that. The European Parliament and the Commission are attached to our independence, and I would only say that nobody has the slightest doubt that we are fiercely independent and that our credibility depends on this independence that the people of Europe have granted to us.

I draw your attention to the following: if we were not independent and, therefore, credible to deliver over a long period of time the stability that is called upon us, what would be the interest rates that incorporate expectations of inflation? What would be the interest rate on a 10-, 20-, 30- or 50-year basis? Several countries are borrowing on a 50-year basis, including the country you mentioned. What would be our interest rate on a 50-year basis if our credibility was not there?

2-039
La Présidente. – Merci beaucoup, Monsieur le Président, pour cet échange et pour votre participation à nos travaux. Comme vous le savez, notre prochain rendez-vous dans le cadre régulier est prévu le 8 octobre et j'imagine que certaines questions qui n'ont pas été traitées cette fois, notamment celle du taux de change, seront à nouveau évoquées.

(La réunion est levée à 17 h 30).