THE BROOKINGS INSTITUTION

THE SHAPE OF E.U. FINANCIAL REGULATION AND ITS IMPACT ON THE UNITED STATES AND EUROPE

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Welcome:

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Featured Speaker:

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PROCEEDINGS

MR. ELLIOTT: Welcome everyone. I appreciate your punctuality as well. This is one of the rare events when we're actually starting exactly on time as far as I can tell. Thank you for joining us here at Brookings here today.

I'm Doug Elliott. I'm a Fellow in the Initiative on Business and Public Policy. It's my privilege to introduce once of the most important leaders in the European Union, Michel Barnier. He is the Commissioner of the European Union with responsibility for the internal European Market and for the services industry. His importance is apparent when one considers that just half of his mission, harmonizing the internal market within Europe, was the original core mission of the predecessor organizations that became the European Union. In addition to that, his oversight of the services industry means that he is the lead in the European Union on financial services reform, and for someone like him who focuses on the financial sector, I have to say it is literally impossible to believe he's only been doing this for 16 months. I checked the math four or five times. The reason it's hard to believe is because in that time he has had a tremendous impact on the debate and on the financial services legislation and regulation going through in Europe and an influence around the world in this area.

Perhaps I shouldn't be surprised. He's accumulated quite an impressive resume over the years. It's always humbling to introduce people like him I'm afraid. He's always been a masterful politician. He started as a Regional Counselor in Savoy at the tender age of 22. He was President of the Savoy Regional Council at the age of 31. He was elected repeatedly to the French Parliament, both the Assembly and the Senate. And he has held many of the most important cabinet positions in the Government of

France including at various times Minister of the Environment, Minister of European Affairs, Foreign Minister and Minister of Agriculture and Fisheries.

At the European Union level he has been elected to the European Parliament and he has been the Commissioner for Regional Policy and for the Reform of European Institutions prior obviously to his present position. However, the hardest thing he ever did in his career may have been quite early when he organized the 1992 Winter Olympics in Albertville.

I can vouch from personal experience that Commissioner Barnier is a keen political analyst in addition to being an effect minister and E.U. Commissioner. That political insight has served him well in negotiating the hard-fought and complex reforms and financial regulation that are coming out of Brussels. And as you'll see, it helps to shape his overall view of the future of the E.U. as well. Please welcome Commissioner Michel Barnier.

COMMISSIONER BARNIER: Good morning to all of you. Thank you very much, Doug, for your kind words. Thank you for having mentioned this very unusual experience for a politician for having organizing the Winter Olympic Games in 1992. Ten years for 16 days. I was not alone. There were two co-chairman at that time, with Jean-Claude Killy who was a very famous triple Gold Medalist. And it is unusual too for a politician to organize the games and certainly also to be reelected after. Perhaps I want to -- that the French always late and always -- because yesterday and today are days off in Europe and yet I'm here hard at work like you this morning. That's the reason I want to thank you and to say that it is a real privilege for me to talk to you this morning. And Brookings, Doug, is one of the most influential think tanks. I am well aware of your efforts to study and discuss E.U.-U.S. regulatory developments and relationships. This transatlantic dialogue is essential and that is why I come often to the United States. This is my third visit as European Commissioner in just over a year and I will return next month.

I joined the European Commission in February 2010. Since then I have spent most of my time on one priority, reforming Europe's financial system, building a solid foundation for the future so that financial markets, and we need financial markets, are at the service of the real economy and at the same time to be at the service of growth and human progress. Ladies and gentlemen, let me share with you some ambitions.

First, the European Union must tackle the Eurozone crisis. Note that I did not say crisis of the euro, but crisis of some countries in the Eurozone. You will have followed the developments in Greece, Ireland and Portugal. I will not deny that it is a challenge, but we are making real progress. We have built a strong solidarity between Eurozone members. We are putting in place a much stronger macroeconomic surveillance framework, increased economic policy coordination, stricter economic governance and fundamental fiscal and structural reforms. Yes, we are facing a difficult test, but I am convinced that the Eurozone will emerge stronger than before.

So what I want to pass on to you is a message of optimism or at least of determination. European leaders stand strong. They are united to defend Europe's common currency, its common rules and its values. But work on economic governance is one piece of the puzzle. The other piece is my main responsibility, financial regulatory reform.

So where is Europe on financial regulatory reform? I see many comments from the United States about our regulatory work, not all positive than can be expected, but it means that you are paying attention to what we are doing and this was not the case 5 years ago. It's a change for the better. Our financial systems are interconnected and our economies are interlinked. What happens in Europe matters to the United States, and what happens in the United States matters to Europe. We have no alternative but to work together finding common solutions. It should not be too difficult. We are both following the G-20 roadmap. The E.U. and the United States have played leading roles in shaping the future of the global financial system putting the global economy back on track toward sustainable growth and job creation, and it is only right. We are still the two largest financial markets and now we have to fully implement what has been agreed. Ladies and gentlemen, the world is watching. It's time to deliver on our regulatory promises.

As Europe and the United States move to the final phase of implementation, the focus turns to the technical details and in financial regulations technical details matter. This is sometimes difficult and it is not always easy to understand legislative processes of the other country, especially when in Europe there is not one country, but 27 countries, 27 nations. We are not and we want not to be a federal state. We are not one nation. We are not one people, but 27 nations and 27 peoples and sometimes it could be interesting to use one or two minutes to explain how we are working about what and who is the Commissioner, because we are not a federal state but a community of 27 states pooling their policies, pooling part of their sovereignty together. I do recognize our institutions are a little bit complex and difficult to understand. For instance, there is no one in the European framework who is president or prime minister. There are two houses, the houses of the states, what we call the Council of Ministers and several Councils of Ministers for each policy and outside the councils there are also citizens which is the European Parliament. And in the middle we have a very unusual and specific institution which is called the European Commission which works like a collective body as a prime minister. We are collectively, the 27 Commissioners, the Prime Ministers of all of Europe and I can say in a certain sense that I'm just one-twenty-seventh of the European Prime Ministers and we are in charge of proposals to the two houses I just mentioned. This is why our continuing dialogue at the technical level between the states in Europe is so important.

Let me mention in brief four issues on technical levels. First: derivatives. The first area where we need consistency is regulation of derivatives. We all agreed in the G-20 about clearing and reporting. In Europe we are reaching the final stages of our legislation. We are at the last few meters of the pipeline process in the European Parliamentary Council. Here in the U.S., regulators are consulting and drafting and implementing rules -- incoherence and inconsistency between our rules will have certainly negative consequences for our markets. The financial system is by nature global. Differences could lead to global arbitrage. Trades may move where rules are laxer, and this will put us all at risk. We must make sure our rules are the same on important issues, scope and conditions for clearing, collateral and capital requirements and importantly the recognition of each other's central counterparties and trade repositories.

I have heard calls here in the United States that the Dodd-Frank implementation should be postponed or weakened. Delay is not the answer. Europe is committed, we will deliver and I call on the United States to do the same. In Europe I hear fears about extraterritorial effects of Dodd-Frank. I know that that is not the intention, but you will understand, ladies and gentlemen, that Europe cannot be and will not be naïve. Equality and reciprocity are not only justified, they are also necessary. We need common rules to ensure market safety, soundness and access, no divergence that will cause confusion and conflict.

My second point is the implementation of Basel III for banks. The Commission will shortly adopt a proposal for all E.U. banks regardless of their size. We will stick closely to what has been agreed in Basel. To be precise, it will be applied to 8,232 European banks, 8,000, compared to 20 in the U.S. I call on other jurisdictions to do the same in time to meet our G-20 commitments. It's the right thing to do. We must have a global level playing field. I can assure you that E.U. regulators will not accept a global regulatory race to the bottom. That would not restore confidence in the banking system.

And the word confidence brings me to my third point, accounting standards. I am confident that the United States will deliver on its promises to bring true converge in the area of financial reporting. The benefits of one global financial accounting system clearly compensates for the -- costs involved. We have been working on this issue for a long time, a very long time, and frankly speaking, the patience of Europe is reaching its limits.

My fourth and final point today concerns crisis management and bank resolution. We do not have a European FDIC, so we have looked carefully at your impressive system. This autumn I will put forward a proposal to create a European framework to manage banking crises. This may perhaps be the most important reform during my mandate at a European Commissioner and I have always been convinced not only for ecology that I was in charge of a long time before, but also in the world of financial services, that it is better and cheaper to prevent than to have to repair. Also -- to taxpayers' money is simply no longer an option. The governments can't afford it and our citizens will rightly not accept it. Banks of every size must allowed to fail but without bringing the world financial system with them. Bankers, shareholders and creditors must understand that they will carry the cost of a failure and only this can generate greater responsibility. One small final point where I also hope to see change on your side in the United States is compensation for bankers. We in Europe are the only ones if I'm correctly informed that have put binding rules on bonuses in place. I hope the situation will change to stop encouraging excessive risk taking. Let us be aware, ladies and gentlemen, that certain compensations and certain bonuses are simply beyond our citizens' comprehension and mine too.

When I speak in Europe I often say that we need more Europe, not less, because the European Union and its single market is our main asset to ensure financial stability, sustainable growth and job creation. The E.U. single market is also our main safeguard against populism, protectionism and disintegration -- we are going on the polls in some elections in Europe. In the single market we are united but not uniform. Together we can build a financial system for our children and grandchildren on equal terms based on mutual trust. And as Gandhi one said, "We must be the world we want to change."

Finally, I want to thank you for your attention and perhaps to end by a little political and personal note. On May 9 which is in Europe Day, the anniversary of the great speech of Schuman in Paris creating the first Community for Coal and Steel and the first step of the unique market, the Common Market, 60 years ago. I gave a speech in Germany at Humboldt University where I set out personally my vision for Europe. I strongly believe that Europe needs the United States and I strongly believe that the United States needs a strong Europe. I believe in a strong Europe where Europe is an active partner and not just a spectator. It is in the USA's interest for Europe to be strong, to be a global power. That means the economy, the currency, the foreign policy and also defense policy. The E.U. can only be a credible and useful ally if it's first a global power. A Europe which is politically and militarily weak is a weak ally. That is why the transatlantic relationship is so important at all levels and across all sectors, not only the financial sector but all the others I just right now told, defense and foreign policy in the same spirit. And that is why I will continue working to improve and strengthen that relationship in everything that I do. I want to thank you for your attention and now I am ready to answer questions. If you don't mind, it could be easier for me to be more precise to switch to French and to be helped by the interpreter. Thank you for your attention.

MR. ELLIOTT: Thank you. I'm sorry we didn't actually get enough chairs for everyone here. I'm pleased by the turnout. Thank you, Commissioner for that. Again as the Commissioner mentioned, while you've heard he has very good English, the things he says carry great weight.

COMMISSIONER BARNIER: I'm not so sure.

MR. ELLIOTT: What he says carries great weight so there are certain instances in which he's prefer to speak his native language and make sure he gets the subtleties right.

COMMISSIONER BARNIER: Could be a free French lesson for all of you.

MR. ELLIOTT: That could be, and we could use it by the way. I do have about 200 words of French, but only two of them are verbs and that turns out to be an issue.

Let me start by asking you a few questions if I may. One is, as I know you are well aware, there has been a certain amount of controversy I think perhaps manufactured in the press about a letter that you wrote to Secretary Geithner and the response of the Treasury Department in which is was perceived that you might be criticizing the pace of reform in the U.S. But let me ask you the more general question which you eluded to yourself which is the U.S. and the E.U. have very different processes of creating laws and regulations. What is your view about the relative progress on the two sides of the Atlantic on financial reform? And perhaps you could talk a little bit about how you see the institutional structures affecting how that happens.

COMMISSIONER BARNIER: Everybody knows where this crisis comes from and how it happened and why it grew and grew with running the risks of dragging with it all the economies in the world. It was a crisis of supervision which failed in many countries, a liquidity crisis, a crisis of governance at a certain number of banks and I will not forget the irresponsible and insane behavior of a certain number of bankers. I wouldn't even mention the absence of any moral or ethics.

That's what all the leaders in the world in the framework of the G-20 have decided to correct. In London, Washington, Pittsburgh and Seoul, four meetings where commitments have been taken by the President of the United States, the Europeans, the Chinese President and a few others and now we have to do what we have decided to do. I said earlier that another crisis if it were not anticipated or badly managed would be totally devastating. Taxpayers can no longer afford it and citizens will not accept it. So I have no criticism to address on the way other partners are doing their own things. I'd just like to inform of what we are doing on the European side, that's like on a regular basis, without mentioning the exchanges by mail or experts coming or going. I went to China and I'm going back to India in order to check on things and also to say what I mean.

Of course we have to do things in a different manner because our economies don't look alike and our institutions are not the same. So I accept some differences and differences have to be accepted, but things have to be done. We should check that there is no underlap and no overlap. I have two or three examples to tell you about what I'm talking about with this risk. I think Americans went faster than we did and they did better in terms of the instability of commodity prices, and I think we went farther than other regions in the world in terms of compensation so we can avoid these underlaps as I call it. As to the derivatives that I mentioned earlier which is a huge case, you are talking about world exchanges to the tune of about $600 trillion for which there was not a whole lot of control, information or even transparency. We're going to impose recording and standardization and transparency on people who don't like light a whole lot always. But this is the G-20's commitment. There I want to avoid the underlap.

On extraterritoriality, on clearinghouses, on trade repositories, I think we should avoid to try to outdo each other, outcompete each other and that would be very negative I think for everybody. I'm in the state of mind of having a regular connection and work with the American authorities and a constructive one, with the American Secretary, with the American congress people and the American regulators. And I understood very well that each one of the different sectors that I just mentioned has its own responsibility. It's the same thing in Europe. We work in the spirit of mutual trust without being naïve.

MR. ELLIOTT: Thank you. And speaking as a former investment banker, thank you for not commenting on the morality of bankers.

COMMISSIONER BARNIER: I didn't mention all the bankers. I said a certain number of bankers.

MR. ELLIOTT: Fair enough. You mentioned China and India and that brings a question I was going to answer anyway which is in the grand scheme of things, it does seem that cooperation has been very good across the Atlantic. A concern many have including myself is that the Asian powers including China have seen the crisis as one in which we, the U.S. and Europe, blew up the world and was not really their concern so much except suffering from some of the effects, but I think we all agree that it's important that a global system be coordinated with them. How do you ensure that they play an active role in these consultations and that we come to a common conclusion?

COMMISSIONER BARNIER: For me the priority is very clearly the solidity and the sincerity of the transatlantic relationship and not only for financial questions, not only because right now 80 percent of all financial transactions are transatlantic actions. It's not going to last. But for political reasons. Don't forget that a European Commissioner is not a supertechnocrat. I'm a politician, and I've always been very impressed and enthused by the quality and the constant renewal of this relationship between the U.S. and Europe and I was already in that frame of mind when I was French Foreign Minister.

But its relationship has to be solid, sincere, renewed and it cannot be arrogant toward the rest of the world. For instance, I think that we should pay more attention to all of these new powers that no longer ask our permission to do things, and I'll mention China, India and Brazil. Of course, China wants to have a dialogue with other leaders in the world. They want to have a balanced dialogue with the United States but also they are dialoguing with Europe. The only advantage is for us to speak together to the Chinese at least on some points because sometimes we have differences. For instance, talking to the Chinese about the implementation of the G-20 agenda and show by example which we are doing, I think that that's a necessary attitude for us. The financial structure of the Chinese economy and of their banks is by nature different. But I've noticed for instance their commitment to set up different agencies for supervision and the decisions they are taking, they are on the right way in China right now. The second point in our dialogue with China is the question of opening their markets and if we are in a relationship of trusting and opening, we should try to limit the temptations to be protectionists. We reviewed with the Chinese Finance Minister and the Chair of the Central Bank in China and we had a very precise discussion with them. For instance, the possibility for E.U. companies or American companies to invest in Chinese companies above a certain threshold. For instance, the capacity for our insurance companies to bring insurance products to Chinese citizens, for instance, auto insurance or life insurance which is not possible right now. Also for the capacity for our own financial companies to -- bonds for instance. So the Chinese have ambitions of course. They are not only the second largest power in the world, they also have military ambitions, they want to turn Shanghai into one of the largest financial capitals in the world, but also they are interested in opening so I think we can do lots of things with them.

I remember a Chinese ambassador, a respected Chinese ambassador, who told me back in Paris when I was a young minister in the last century -- he said don’t forget, Mr. Minister, that in China time doesn’t have the same measure and the same dimension. He takes longer than elsewhere.

Knowing that and respecting that, I have trust in their movement, in their opening, and this economic opening of the Chinese has consequences on another very important topic, which is monetary instability. And it's one of the points on the G20 agenda that's one of the most difficult points on the agenda, but I think we each have to assume our own responsibilities.

And I recommend that you shouldn't forget India in this international dialogue. In a few years, they'll have more inhabitants than China.

MR. ELLIOTT: Okay, thank you. How do you respond to critics of the much increased financial regulation who argue that these will create large costs on the economy, that the banks will find it hard to operate, will make fewer loans, will charge a lot more for them?

MR. BARNIER: I have a rather brutal answer to that question. What causes a lot of damage to our economy is the crisis, is the absence of rules. Nobody should have a short memory. Perhaps some bankers think that the crisis is over -- their crisis. Theirs may be over, but it's not over for the citizens -- neither the budgetary consequences when I look at the deficits in some of our countries nor the political consequences. As public authorities, we are not allowed to have a short memory. Never. But of course we shouldn't conclude that we can do anything we want either. And we are not going to do that to settle accounts or by pure ideology either.

So, according to the G20, we are building an intelligent regulation and efficient supervision. So, at least I'm speaking for the European authorities. We take great care in building legislations that are solid, concrete, and well calibrated. Before any proposal, we have long, useful, and detailed public consultations, we do impact studies, macro and micro economic. I'm not doing regulations for the sake of it. I'm trying to do useful regulations.

I'll tell you, my conviction is that if we manage to do that, we in Europe and you in the U.S. -- we're going to be able to create a very healthy and solid future for our economies. I don't think it's in the interest of the financial industry or great financial cities like London, which remains the largest financial place in Europe. Suddenly the interest is to work on unhealthy basis or to work on sand.

MR. ELLIOTT: Okay, let me ask you a slightly more technical question, which is, I'd be curious about your views about the proposals to more actively use macroprudential policy, and this will be a new term for much of the audience, so let me briefly explain what that is. The idea is that we try to manage booms and indeed bubbles in the financial economy by tightening safety margins in the banking industry when things are in a bubble condition, loosening them up again when we come back out of that. I'd be curious as to your thoughts.

MR. BARNIER: Many lessons can be drawn and must be drawn from this crisis, which is not over with. I can add a few, but, I mean, I said in my speech that there is an interdependency in our economies. If somebody's doing something wrong or too weak, it can be negative for all of us.

The other lesson is what you're saying, is that there's a link between the financial industry and the economy of course. That's why we are giving ourselves tools and toolboxes in order to face and to anticipate potential problems. That's why, for instance, we created the European Council among systemic risks, which have come a few days after the ones that you created -- a few weeks. This is where we're going to do a permanent review of macroprudential situations.

And we're going to do some technical work. For instance, we could ask, for example, supervisors to have more important measures, for instance, buffers, as it has been done in some countries, if need be.

MR. ELLIOTT: Okay, thank you.

There's another question I wanted to ask you, but since I want to turn to the audience let me just briefly mention that one of the handouts is a very interesting, thoughtful speech by the commissioner about the future of the EU and how to make it feel more relevant to the ordinary citizens dealing with the gap between the elite perceptions and the European Union and ordinary citizens. So, I know that would be a long answer.

MR. BARNIER: If you take the time to read this speech -- thank you -- before, you must know my personal convictions and I work personally this feature, which is not always fact for the British and so. I take two weekends to write this speech personally.

MR. ELLIOTT: Absolutely. It was clear from the speech that you feel strongly about it, so it doesn't surprise me that you wrote it yourself.

MR. BARNIER: What motivated the speech is the growing populism that you see in Europe now. We don't have lessons to give anybody, because we are witnesses to the same growing populism all over the world. What worries me about that is that along with populism, you see an increase in protectionism among more nationalistic reflexes. And behind the protectionism you have a huge danger for Europe, for instance, which is built on exactly the opposite, which is a single market, and also a huge danger for world relations, including relations between Europe and the U.S. And I don't want to be a spectator to just the rise of populism in the world. I mean, people who vote like that -- 23 percent in France for Madam Le Pen; 20 percent in Finland -- these people are intelligent. They know why they vote like this. We have to understand that and let them know that this is not the right way to go.

MR. ELLIOTT: Okay, sorry, I didn't actually mean to slip that in as a question, but let's turn now to the audience.

David -- and please wait for the microphones and please identify yourselves, and finally please keep it as a question. I reserve the right to cut you off is there's no question coming.

Okay, please, you and then the white-haired fellow a little bit --

MR. HEDERMAN: Bill Hederman from Deloitte. I had a question related to derivatives. I was called from the energy industry to build back the confidence in the energy markets during the Enron crisis, and I look now at the derivatives reform, and one of the major causes of delay, I believe, in the U.S. is the issue about end users and how to treat large energy companies and so forth. I was wondering how Europe intends to deal with the end users and risk management.

MR. BARNIER: Our intention, which is in the text that is now pending in the European parliament, is to treat derivatives globally with simple rules having to do with transparency, recording, and standardization. And I know that it is not only energy companies or energy end users, sir, who are using derivatives in a very legitimate way in order to protect themselves, to hedge themselves against risk concerning volatility in terms of currency for instance. And some industrial companies are using derivatives just like banks do it, not only -- not really to protect themselves but to realize the financial operation. So, I cannot predict the outcome of the vote in the European parliament, but if you look at the text -- and of course I cannot tell you what's going to be the end form, because there could be amendments both at a council or in the parliament. But we have made the distinction between these two users of derivatives. We have planned a clear exemption for energetic companies -- energy companies or industrial companies that are using derivatives in order to hedge themselves but not in case they are using it for financial operations.

MR. ELLIOTT: Okay, David, and please identify yourself and your institution.

MR. HENDLER: Yeah, David Hendler, CreditSights, New York City. Question about level playing field. I've been observing mild deliberations for the last 20-odd years and, you know, a level playing field is always a major goal especially from the European standpoint. I'm wondering if instead of a macroprudential way towards getting to a level playing that Europe has to do more what the U.S. is doing and impose more loss absorbency to the capital structure. Dodd-Frank prohibits taxpayer bailouts explicitly, and in Title II of Dodd-Frank you have orderly liquidation authority carried out by the FDIC. Isn't a better way to get a level playing field to enforce market discipline and put the market investor base more at risk for the poor investing decisions that we make rather than having the regulatory bodies try to forward-see or forecast things that are difficult to forecast from one committee or body?

MR. BARNIER: We could have a debate on that, and at least there's already a debate on how to draw lessons from the crisis and what are the right prudential tools. Personally, I don't believe that there is only a single answer to that. I think that the capitalization answer is necessary. And that's clearly the implementation both in the letter and in the spirits of the Basel agreements.

And, by the way, Basel didn't start this week. We are already at Basel II. Let's not forget that Basel II needs to be implemented, and we in Europe -- we've already implemented Basel II, which explains the notable but explainable difference in the level of capitalization between Europe and the U.S. And I'm waiting in all trust the time when the United States is going to implement Basel -- with great patience. (Laughter) But beyond this capitalization tool, I think there are other measures that are just as useful and necessary.

On the European side we're working on a more complete toolbox. First, the European supervision that we have just created, it's a huge progress.

Until now, we had 27 regulators, 27 supervision systems sitting next to each other. And now we've just created three European radar screens topped with a European control power -- bank, insurance, markets, and a systemic risk council with real power. It's not easy. We're going to see it when it starts working. But we have made progress for (inaudible) provision.

MR. BARNIER: I think we have to improve also the internal supervision and governance within each corporation. I think when we talk about governance, there's a very important point, which is diversity in order to improve governance. If there were more women leading banks, we'd have less problems. And I'm sincere when I say that. So, we'll do what we need to do in order to increase diversity, including in corporations that are in this (inaudible).

And as I told you, in September I'm going to present a program of resolutions for banks. And I said it's probably going to be the most important of all the proposals I'm going to make in the five years of my term in order to have the prevention tools and to have the necessary funds paid by the banks for the banks in case of an organized bankruptcy procedure.

MR. HENDLER: One little follow-up. Any commentary on -- in Europe a lot of jurisdictions have senior debt pari passu with retail deposits, terms of loss absorbency to senior debt. What are your views on that?

MR. ELLIOTT: We may be getting a little technical here, and we're going to get very few other questions. But let me also add congratulations. You waited at least 50 minutes before mentioning you did Basel II and we didn't. (Laughter)

MR. BARNIER: So, you can see that French people are not so arrogant. (Laughter)

MR. ELLIOTT: Yes, sorry, it would be a little yellow piece of paper there.

MR. KEROVSKY: Yes, my name is Pere Kerovsky. Europe is there -- is what it is because of a lot of willingness to take risks, and in fact partisan songs often include "God make us daring," and Pope John Paul II asked us to fish in deep waters, not settle for the (inaudible). But the last 20 years we have had bank regulations that are based on perceived risk and that have introduced a risk adverseness into the system, obviously a crisis that detonated in triple A-rated land and sovereign is not a crisis because of excessive risk taking but because of excessive adverseness of risk. You still are going the same route. Does this mean, really, that Europe has called it quits? Has capitulated and doesn't want to really go forward because they're giving up their willingness to take the risks needed?

MR. BARNIER: I was amused by your first reference to fishing in deep water. I was a fisher's minister (laughter), so I'm very interested in that. There's less and less fish in deep waters, you know that. Watch out.

Don't count on me to say it's business as usual. It's not possible. Perhaps it is what certain bankers wish or -- but it's no longer possible for citizens. We are not there to prevent risk-taking. We're there to prevent excessive risk-taking. The payers are not the ones who are taking risk; it's the taxpayers. When I see how compensations and bonuses have been calculated with riskier and riskier systems since the riskier the more paid you were, I think it's one of the reasons of the crisis, and you know it. Who paid in the end? Taxpayers here and elsewhere. But we're not there to prevent risk-taking. Everybody has to assume the risk responsibilities and pay the price, and we have to know who is doing what.

I don't see how a general system, which is not there yet, in food transparency would prevent risk-taking, but I think we should take risk, and I take risk in my planning, but those who take risks must be ready to accept that it is well known and then assume the responsibility.

I think there are some speculations, what I would call hyper-speculations, against countries, against currencies, against hungry nations for instance. I mean, if you look at speculation against agriculture commodities, I mean, we need light -- we need to shed light on that.

MR. ELLIOTT: I am sorry. The commissioner has another obligation now, so we're going to have to cut it off. I know there were many other questions. My goal is to bring him back.

MR. BARNIER: I feel good here.

MR. ELLIOTT: Anyway, thank you very much, Commissioner.

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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