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RESTORING MOMENTUM IN TRANSATLANTIC COOPERATION ON

FINANCIAL REFORM

A DISCUSSION WITH E.U. COMMISSIONER MICHEL BARNIER

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Welcome and Moderator:

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Remarks:

MICHEL BARNIER
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P R O C E E D I N G S

MR. ELLIOTT: Good morning, everyone. I appreciate you coming in so early. The commissioner is meeting with the Treasury secretary later so we had to start at an early moment. So thank you all for being here.

And thank you for filling the room by the way. I am extremely impressed that we could manage this in the middle of July.

My name is Doug Elliott. I am a fellow in Economic Studies here at the Brookings Institution, and I have the honor today of introducing Commissioner Michel Barnier for are turn visit to Brookings.

Before I do introduce him, I'd like to thank David Escoffier and the Global Financial Markets Association for suggesting this event and for their encouragement along the way. And of course, we're even more grateful to the commissioner for making time for us and for his staff in facilitating that.

I will keep my introduction short since his next appointment is with the Treasury secretary. We have distributed his bio so you have more details available to you.

The commissioner's career is an impressive one. He was a regional counselor --

SPEAKER: Be short, please.

MR. ELLIOTT: This will be short. Don't worry. Don't worry.

(Laughter)

MR. ELLIOT: But please, I do have to say something about it.

All right. I'll skip his time in Savoy then, but I do want to mention he was co-president of the successful 1992 Winter Olympics, because I know he is very proud of that. At the national level in France, he was minister for the Environment, minister of

Agriculture and Fisheries, minister of European Affairs, and minister of Foreign Affairs. At the European Commission level, or say the European level, he has been a member of the European Parliament, and this is his second time as a commissioner. The European Union, he was commissioner for regional policy and the reform of European institutions, and currently, he is the commissioner responsible for the European Union's internal market and services. And his current job puts him in charge of financial services regulation at the Commission, which is the topic on which he will principally speak today.

The commissioner will make prepared remarks in English and then will answer some questions from me and from the audience. During the Q&A session he will have an interpreter available if he chooses to answer in French on any of the questions.

When we finish, I will request that you remain seated while the commissioner leaves the room in order to allow him to proceed to his rather important next appointment.

So with that, let me turn it over to the commissioner. Thank you again, and please take the podium, Commissioner.

MR. BARNIER: Good morning to all of you. Let me first thank the Brookings Institute, Doug, for hosting this conference and also the GFME for organizing this breakfast meeting which I just came in this building. I had the pleasure to meet a fat cat (laughter) with a sign "Barnier is a deregulator." The first time it made me very comfortable and reassured me. Europe is on the other side of the Atlantic and lots of people are saying exactly the opposite.

But let me come back to our topic. And I would also like to thank each of you and Senator Gregg and some of the people for being here today.

Ladies and gentlemen, the ancient Mesopotamians invented derivatives or swaps as you call them in 1714. They did not know that swaps would one day bring the global financial system to its knees. Later, the Greek philosopher Aristotle wrote his book on politics. In ancient Greece, olive merchants earn their fortunes on their swap deals. But Aristotle couldn't know that one day swaps would cost his country dearly and take its toll on Europe's GDP. And never could we predict that Europe and the U.S. would spend years sorting out how to regulate cross-border swaps.

Our discussions became more concrete one year ago when CFTC chairman Gary Gensler published his proposals. Europe and the U.S. share the same commitment and the same goals in this area. There were agreed three and a half years ago when the leaders of the G20 nations met in Pittsburgh. They agreed to an ambitious global regulatory reform of the swaps markets. They set out to do three things.

One: clearing. To reduce risk in our financial firms and system by clearing old standardized swaps through central counterparties.

Two: transparency. To shed light on this opaque market and report all trades to trade repositories. We need to know where risk is building up in the system. We need to know.

Three: trading. We appropriate to move standardized swaps to venues to increase market transparency. Europe has rapidly implemented those regulatory reforms. In doing so, we managed to break records. Our law called EMIR European Market Infrastructure Regulation was adopted within 24 months. It has been in force since last August and a second set of technical rules was adopted six months later that became law in March. Our reporting requirements will apply after December, our clearing rules in six months time. Agreement has now been reached by our finance ministers and our mandatory trading rules. It is fair to say, I think, that we are moving fast in regulatory reforms and the reasons why are when so often -- I used to come often. This is my eighth visit in three years in your country just to say where we are and to understand where you are also. Our rules are also robust, often even identical to those in the U.S. In some respects, they are even more tough.

So regulatory reform in Europe has been swift and solid, but it will under-reach its full potential if our rules work seamlessly with similar laws beyond our borders. Swaps are truly international trades. They are not bound by geographical borders, and the same applies to swaps regulations in the U.S. Cross-border regulations are of critical concern. Regulators spent two years discussing the international patchwork of local rules and how it could work together so that all trades would be regulated in broadly similar ways, whoever agreed to a trade and wherever it was booked.

Uncoordinated efforts to regulate these markets are like squeezing a bar of soap with wet hands. It slips from our hands. Trades will be rebooked, markets will fragment, the G20 reform objectives will not be met. That is why the last week's agreements with the CFTC are so important. It resolves so many issues for cross-border trades. The agreement with Gary Gensler is fundamental, and it is why I appreciate so much everything Gary has done to make it possible. The CFTC regulates the majority of swap trades here in the U.S. and the majority of global swaps between the U.S. and Europe. Our negotiations have been long and sometimes difficult but together with the European Securities and Markets Authority have been closed continuous and collaborative as you would expect from good partners and friends. And as an old African proverb says, "If you want to go fast, go alone; if you want to go far, go together." We took the right road together and we followed a common path together.

The key elements of our package of common steps for rules for cross-border swaps responds to the problem of two rules -- EMIR on one side, Dodd-Frank on the other side -- covering the same trade.

We have agreed on five important elements. First: inaugural territorial scope. Firms should be subject to only one set of rules.

Two, more mutual recognition or shifted through compliance as you call it here. We have established that our rules are essentially identical in important areas. This means that we will allow firms from the U.S. and E.U. to choose which rules to apply to a trade, EMIR, or Dodd-Frank.

Three: a transitional regime for some European central clearing parties. This will prevent them from being forced to close down clearing U.S. trades.

Four, European trading venues will have a wider and longer exception from U.S. trading rules. This bridges the gap until new European method rules, which deal with swap trading, has been adopted, and I hope to reach a final agreement on MiFID before the end of this year for the European Parliament on the one side and the European Council of Ministers on the other side before the end of this year.

Fifth, we have taken measures to avoid regulatory arbitrage between our rules. We are closing loopholes. We will make sure trades between branches or government authorities will be regulated.

We have achieved a lot. Some work is still needed, for instance, on margin requirements for TPPs. But the most important message is that Europe and the United States are leading by example. We invite other countries to join this approach so we can make sure G20 commitments are applied sensibly and vigorously to cross-border swaps. It is only by full implementation of G20 commitments that countries will have standards that are of high quality and comparable. This is essential for regulators and supervisors to have the necessary confidence in each other and for international business to flourish. If regulators cannot have confidence in the standards applied by their colleagues abroad, markets end up fragmented.

This brings me to transatlantic trade in general. As you know, we launched our E.U.-U.S. trade renegotiation last week. They are about growth and leadership. Growth in terms of our economies and jobs for our citizens. Leadership, because we can't find solutions to trade problems that we can't find in military distributions. Those solutions will carry weight because they would apply to half of the world economy. They would form a good basis for future global distributions when the time is ripe.

The E.U. is committed to including financial service regulations, as well as financial market access in its growth and leadership agenda, and our discussions and recent agreement on swaps is the best example why the regulation of financial services must be included in our common interest. The real barriers to E.U.-U.S. trade investment are in the details of regulatory policy -- the rules, processes, and procedures of regulations. Our discussions on swaps have shown that regulatory barriers can block trade outright, make it too expensive to be viable, fragment global markets, or just act as a drag on overall economic efficiency, and raise costs for Main Street companies, not just for Wall Street banks. They are the barriers of the future for world trade relations. We agree dealing with financial regulation is complex and politically sensitive on both sides of the Atlantic, but it protects our economies from risks to the citizens and financial security.

But the stark reality is that our financial sectors know no borders. They are intertwined and interdependent. This is the fundamental lesson of the financial crisis. The agreement on swaps is a huge achievement. I am not sure -- to be sincere, I am not sure that it is the model to be followed again. It is proof that we need pre-agreed framework to discuss and resolve these issues on time; a framework that gives legal certainty and process; a framework that will avoid brinkmanship and uncertainty in our financial markets. We still face difficult discussions on banking, investment terms, and in other areas. Our agreement in swaps proves that we can trust each other. We have passed the test case, if I may say. Now, we must demonstrate joint leadership and raise the bar in tomorrow's world of financial regulations.

Thank you very much for your attention.

(Applause)

MR. ELLIOTT: Thank you very much, Commissioner. We'll just get the microphones on here.

And let me congratulate you as well. You have described yourself as a politician before, so I can use the term. It's one of the shortest speeches I've heard by a politician. Thank you for that.

MR. BARNIER: It is very important for a politician and when you are 62 to keep a margin of progress.

MR. ELLIOTT: Well, it's an inspiration to us all. Hopefully, it will be an inspiration on the question period.

MR. BARNIER: But don't forget, ladies and gentlemen, the commissioner in Europe is not super technocrats about trade. We are politicians and we need to act as politicians for the general interest of Europe; for the 28 countries that for one of them we are politicians and we need to act as politicians.

MR. ELLIOT: Absolutely. So I am going to take the moderator's privilege of asking you a couple questions and then we'll switch to the audience.

My first one is a broad question. It seemed to many observers, such as myself, that cooperation in transatlantic financial reform has bogged down to a considerable extent compared to where it was a couple of years ago. The momentum felt that it was declining. Do you agree with that? And if so, what do you think were the causes and how can we reinvigorate this?

MR. BARNIER: I will speak French. I need to give proof of the cultural diversity we need to maintain but also to be precise and concrete.

I think our responsibility as politicians and responsible leaders is not to have a short memory. And we have to remember that the financial crisis that was born here and then was propagated all over Europe has very precise roots. It has been going on for five or six years now. And it explains why, I mean, this length of time that efforts are waning and people are getting tired and people are saying, well, okay, now it's business as usual. Our responsibility is both not to have too short a memory and also to realize that we can't afford to have another crisis like this one ever again. Neither financially nor politically. Look at what's going on in Europe and what's happening right now with the rise of populism, and populism bears in itself protectionism. If we can't find the right words and if we can't take the right actions to stave off this protectionist wave, I mean, then it's going to be too late and it's no longer -- we will no longer talk about getting together or whatever. I mean, it is going to be totally folding up on ourselves on both sides of the Atlantic. That's why as the commissioner I was in favor of this great work for this transatlantic discussion both for trade and investment.

But I remember clearly the words of President Obama the day before we launched this agreement as a global partnership. President Obama said we need to build these relations -- the key words were fair and free trade. Fair and free. Free and fair. The two words are important.

MR. ELLIOT: Speaking of the transatlantic trade and investment pact as you mentioned earlier, do you think there is still a realistic chance of including financial services broadly as my colleague Martin Bailey and I have called for?

MR. BARNIER: It's not only a question of chance; it is a question of interest, common interest. Seventy percent of financial transactions in the entire world are between Europeans and Americans.

This is not forever. I mean, Asian places are going to be growing. But that's the situation right now. How can you promote a free and fair relationship between us on both sides of the Atlantic with all the synergy that it implies if we don't have an agenda for common regulations between us?

This is not a question of doing it besides or outside of the G20 but it is a question of strengthening the G20 between the two main partners, the U.S. and Europeans. That's why this agreement on derivatives is so important.

MR. ELLIOTT: I think you've done an excellent job of restating why we should want this. Unfortunately, the U.S. official position at this point seems to be not to include financial services broadly. Do you think you'll be able to persuade us?

MR. BARNIER: Yes. Because the American people are intelligent. They are not naïve either, which is a proof of their intelligence. And Europeans are trying to be as intelligent, too, for the times. We will try not to be naïve either anymore. So I think it's clearly in our interest. How can you try to conclude an agreement, for instance, on access to financial markets if you don't have a level playing field? It's impossible and it won't work. So it's in both our interests to do that within the time allotted to the transactions and the discussions. It's going to take a certain time to get there. But I look at what the U.S. authorities are doing with the Dodd-Frank Act, which is in general the implementation of the G20 decisions.

You will find this document outside in the hall and I hope you can read it tonight. These are the 28 laws and regulations that I've introduced in Europe for the last three years for each market, each product, and each sector. So that you understand, these 28 laws are the single rulebook for all 28 member states in Europe. And as I said in London on Friday, there are no two different single rule books. There is not one for financial markets and one for the rest of the economy. There is only one book. That's the banking union there. The implementation of the very same rules for the Euro zone and there we have a systemic interdependence which is much larger because of the common currency. So for the Euro zone it is implemented in a more federal way and a much more integrated way. And this is the banking union which is a real revolution for the banking sector. All the 6,000 banks of the Euro zone are going to be supervised in a very coherent way by the European Central Bank. I proposed it, it was voted on, it was decided, and it's going to be operational next year. And what I introduced last week as the second part of the banking union is the resolution authority.

MR. ELLIOTT: Well, I do hope that we're as intelligent as you describe us and that we do in the end --

MR. BARNIER: I'm sure.

MR. ELLIOTT: Surety is a good thing.

The last question I want to ask you before turning it to the audience, stepping back you were also commissioner for the reform of the European political institutions.

MR. BARNIER: Ongoing process.

MR. ELLIOT: Exactly. Something of real concern to me and many others you touched on which is there are elections next year for the European parliament. There's a real possibility of a very large contingent of parliamentarians who are quite populist in the sense that they are suspicious of the European institutions themselves. What is your view of how that will change the ability of Europe to do what it needs to do?

MR. BARNIER: The European project has been built over the last 60 years on exactly the opposite of protectionism. Between us. Since we are creating a single market and I'm responsible for it, 500 million consumers and 22 million companies. Never forget that we came from very far. We came from 28 countries, 28 nations, 24 national languages, 28 different rules for fiscal loans and inspiration and so on, and we have to merge, to mutualize, to pool without merging everybody. We are creating a united Europe, not a uniform Europe. One way to fight against populism, which is actually nationalism, is to really explain to the people that we are not building a nation; we are building a community of nations. And that's what should be understood on this side of the Atlantic. We cannot merge our nations. We do not want to merge all our nations. We have to fully respect national identities, all the while doing more and more things together in a common interest. And perhaps to do a few things less than we are doing now when the European level is not as indispensible as we thought it was. That's why I'm listening closely to David Cameron in the UK when he says we should put everything on the table and see what should be carried out at the European level and what should not be carried out there but more at the national level.

And also what we have to fight against is the crisis because the reason of this nationalist wave is the crisis which wants to go back on a national level for short-term gain. We have been taking the right decisions for the last two years and they are very hard to take because we've had many, many years of negligence sometimes in the budgets of many of our nations in Europe. So individually for any country that has accumulated too much debt and also at the European level, I think we have taken the right decision.

But a few things need to change, not necessarily at the level of the institutions even though we can streamline, for instance, the representation of Europe and also at the head of Europe and be streamlined. And some policies can be changed also. For instance, our industrial policy or our defense policy. The reason is not to protect ourselves even if we said we don't want to be naïve. We shouldn't do any protectionism. The idea is to invest together. I have been very interested in defense policy and that for a long, long time. Next week with my colleagues in Brussels I'm going to present a communiqué on the defense policy at the European level. And it's the same idea. It's a common security, a common defense with our allies in the United States whose interest it is to have a stronger ally.

But the nationalists will not necessarily win nor the populous if we know where to walk in the middle of the road and be firm in our pronouncements and in our choices and proposing up changes.

MR. ELLIOTT: What is the French? I'm searching for (speaking in French). I certainly hope this does work out well.

I'd love to ask you hours more of questions but that wouldn't be fair to the rest of the group here.

So let me turn it over to you for your questions. I just have a few ground rules. One, please wait till the microphone comes to you so everyone can hear. Second, please make it a question and not just put a question mark at the end but an actual question if you could. Try not to ask multiple questions, and please at the beginning identify who you are and if you're affiliated with an institution, what institution. So thank you for that.

So, sir.

SPEAKER: Thank you. My name is Terry Terasawa from Bank of Tokyo Mitsubishi UFJ.

I was wondering if I could have your opinion or views for the new prudential rule on foreign financial institutions in the US that FRBE is trying to implement in coming years.

MR. BARNIER: On that point I see exactly what you see yourself.

I think this proposal of legislation must evolve. The Federal Reserve had a consultation on this very question. We explain clearly what a deep concern it is for us as it is for Japan, Canada, and other U.S. partners. We don't wish for any discrimination in the banking sector. We want very strong, clear rules that are applied in a coherent way in the whole sector.

I don't want to be forced to do exactly the same thing on my side in Europe. But I wouldn't hesitate if I had to. So I want to avoid it. That's why I work with such passion and with such confidence with the United States in order to reach a level playing field. But this is one of the points that we have to discuss ahead of us in the substitute compliance in financial regulations.

MR. ELLIOTT: By the way, thank you. That was going to be my fourth question, so I'm glad someone else asked it.

Yes, sir. Over here.

MR. HUNG: thank you very much, Commissioner. It's Nicholas Hung of Full Consulting.

You mentioned banking. You mentioned important derivatives, but you didn't mention insurance, and I know it's an important part but it's not really part of the financial markets regulatory dialogue. So what future do you see for further cooperation and insurance? And also in the context of the TPP negotiations? Thank you.

MR. BARNIER: There shouldn't be any misunderstanding. I mean, the insurance sector, just like the pension fund sector, is very important, both to the U.S. and the E.U.

We also have a dialogue with the United States about a level playing field in terms of insurance and especially in terms of taxing insurance. I don't see why we shouldn't come to an agreement as to a level playing field in the insurance sector either. And although it is not exactly the same thing as what we have achieved. Until now I'm convinced that both insurance, and its true also for pension funds, are one of the levers for the long-term success of investment and for the success also of the TPP that we are negotiating.

If you look carefully, each line if you refer to a public debate I launched a few weeks ago on long-term investments for the economy. And my goal, my personal wish in the next two weeks or months, is to go from this repairing or preventing regulations. We need to implement following the G20 commitment lessons of the crisis to another kind of regulation, more proactive and more dynamic for growth. And if I am right, the pension funds, the insurance company, and banks in Europe -- don't forget the banks in Europe finance 70 percent of the economy, not 25 percent like your country -- 70 percent. These three sectors are key sectors for the long-term investment and they are the key sector to succeed in this long-term investment movement.

MR. ELLIOTT: Okay. Next question.

MR. WHITEMAN: Thank you very much, Commissioner. Christopher Whiteman from the Institute of International Finance.

First of all, congratulations on your achievement, but you quite rightly said that in the future we should kind of move to a slightly better framework for doing these things. And I was kind of interested what kind of framework you had in mind. Are we talking about a kind of bilateral framework between the E.U. and U.S. or are we talking about kind of multilateral framework involving FSB, IOSCO, or others? Thanks.

MR. BARNIER: When you talk about financial markets, you are talking about markets that are working pretty freely across the entire world. And as I was saying earlier, important financial cities in Asia are raising and very fast -- Hong Kong, Tokyo, Singapore, and others. And also, I forgot to mention Brazil. But it is clear that if you want a very solid agreement and if you want for it to be long lasting and have any worth it has to be carried out in the spirit of the G20, in the spirit of the financial stability board.

But reality today is that 70 percent of exchanges and financial transactions are between with the U.S. and the European Union. So, on the one hand we have to be all together and implement what has already been decided by the G20 and that's what we are doing. And I had the opportunity to meet President Putin in Russia because of the Russian presidency and we discussed, we took stock of where we are at in terms of the implementation of what has already been decided. It's a question of the very credibility of the G20 to do exactly what it has decided to do. So if we are working together, both Europeans and Americans to prevent arbitration, arbitrage overlap, underlap it is not to do it against the G20; we do it besides the G20 in order to strengthen the G20.

MR. ELLIOTT: Next, the young woman there. You in the black, exactly.

MS. ST. LEWIS: Thank you. My name is Melinda St. Lewis. I work with Public Citizen, a consumer organization in the United States. And I wanted to begin by agreeing that consumer protection organizations agree that it is important to have a short memory around the financial crisis, and for that reason worked very hard on both sides of the Atlantic and the United States that Dodd-Frank legislation has been the key cornerstone of that reregulation of the financial sector with the Volcker rule and other rules being very important to that. And given some of the comments that you've made repeatedly, including around focusing on the Volcker rule and you've made your position known about the fed rules as well on foreign banking institutions and your intention to include those in the TPP or the TAFTA negotiations, there is concern that the transatlantic consumer dialogue has prioritize the TPP negotiations partially and because of those comments and the concern that Wall Street institutions, as well as others, have been trying to water down the rulemaking in the United States around Dodd-Frank, and our concern that the TPP negotiations could be used as a backdoor way to do that, Senator Warren, Senator Brown have done --

MR. ELLIOT: Is there a question mark coming?

MS. ST. LEWIS: Exactly. Sure. I'm getting there.

And so I understand that you're saying that you don't intend to undermine regulation, but outside observers, including some of those banks who support going after the Volcker rule or these other types of regulations are concerned or do believe that this is a way that the TPP negotiations could go after that.

So the question is could you clarify that?

MR. BARNIER: It was not so long, yeah?

MR. ELLIOTT: I just wanted a question.

MR. BARNIER: Some comments are useful, too. Huh?

All these rules, be it the Dodd-Frank or our own regulation agenda, are made so that it doesn't happen again, doesn't restart and that consumers are protected along with citizens and taxpayers. If you look at these rules and details you will see that they are rules and laws on the European side that protect exactly people who are saving their money and invest that money and small investors. And banks' clients. A few weeks ago I presented a rule about the basic protection of small bank accounts and the transparency of these bank accounts -- banking mobility, which is very difficult in Europe. And I can't imagine that anybody would use the TPP in order to lower the protection of the consumers and the small investors. And the taxpayers. At least I would not accept it.

MR. ELLIOTT: Martin.

MR. BAILEY: Thank you for being here and for your comments.

There is a lot of concern in the United States about --

MR. ELLIOT: It's Martin Bailey from Brookings.

MR. BAILEY: Sorry. Martin Bailey from Brookings.

A lot of concern in the United States about institutions that are too big to fail and then are essentially protected by their governments and are able to borrow at particularly favorable terms therefore that you don't, in fact, end up with a level playing field. Are you concerned about the large national champion banks in Europe and whether they are really on a level playing field with other banks? Or do you think further steps need to be taken to make sure that either they can be allowed to fail or that they be regulated in such a way that they do not have a special advantage?

MR. BARNIER: This question allows me to explain some of the differences that exist between our two banking sectors. They don't have the same importance for the economy. I remind you that in Europe the banks are financing 70 percent of businesses all over the territory. That's for the same reason that we have a very different concept of the implementation of Basel rules between the United States and Europe.

On my proposal, we voted in Europe a few months ago, a rule, a law which is going to be implemented January 1, 2014, covering 8,300 banks and not 30 banks like here. And in this European banking landscape we also have very large groups called universal banks or insurance banks.

If you look at what happened in the last six years, banks that caused huge problems or that went bankrupt for instance and caused money to the taxpayer it's not absolutely certain that it is the very large banks that caused all these problems. It happens that sometimes it is a retail bank that has problems. Sometimes an investment bank. Sometimes a universal bank. It is more often very small banks rather than very large banks that have problems. Bankia and Dexia are not very large banks. My priority in this agenda was to treat equally in a transversal way all the banks. And now the rules are applied equally to all of them -- external supervision, internal supervision, capitalization according to the Basel rules, resolution, and deposit guaranty. And of course, the prudential rules are all the stronger according to the profile, the rich profile of the bank.

Is it enough? I would say no. That's why I started a new exercise which deals with the structural management of risk according to different banks. The Cannon Report. I looked very closely at what the U.S. intended to do with the Volcker rules. I need to understand what you really are going to do. On the British side, the Vickers Report is interesting also. The Germans and the French have already taken measures, and in October we'll have a law in order to better manage risk separation. And this law is going to apply principally to large banks. But I'm going to pay attention to both the diversity of the European banking sector and also to the importance and the fall out on the economy.

MR. ELLIOTT: Okay, sir.

MR. ROZANSKY: Thank you. Gregg Rozansky at the Clearing House.

Following up on your remarks, the Cannon Report and structural reform, as you mentioned it appears as though different countries within Europe may take a different approach to implementing the structural reforms. The ring fences might be in a different place, the intergroup restrictions. How important is it to have a coordinated approach in Europe and perhaps even more broadly to the structural reforms that you just mentioned?

MR. BARNIER: So the countries have already taken initiatives in order to faster militize because of internal political reasons which I understand. For instance, the French president had a campaign promise and he wanted to implement it fast and I understand that. My law, the law I am preparing must be a European law if you want to have this level playing field in all sectors of the financial sector. But it must be compatible with what the British intend to do with the Vickers law and what the French and the Germans have already done?

And so I'm working on the basis of the Cannon Report. We're doing an impact study, studying all the options. It's going to be done in October but I can't say anymore on this point today.

MR. ELLIOT: We have two minutes for one question and the answer to it. So, all right, how about this fellow here?

MR. HEDERMAN: Bill Hederman from Deloitte.

Commissioner, my question had to deal with one phrase you made during your remarks about the other sectors of the economy. One of the big dilemmas at the CFTC has been how do you treat the other commodities, especially energy and agriculture. I wonder if you could speak about how the European Commission intends to deal with those aspects of this reform -- the end-users basically of the derivatives.

MR. BARNIER: I said earlier in my speech that the agreement we found with Gary Gensler was absolutely fundamental. It covers most of the subject. I invite you to look at it in detail. I'm sure you're going to do it but it doesn't solve all the problems. It doesn't cover all the commodities, of course, and I think we have to still see about the rules for equivalencies, especially for the TPPs.

So the work is going to go on to cover the rest, and it was a common effort done together with the CFTC. But this question about the clearing houses is one point that we still have to solve, just like the question by your Japanese colleague on FBOs. It remains to be done.

MR. ELLIOTT: Okay. Thank you very much, Commissioner.

MR. BARNIER: It's finished?

MR. ELLIOTT: Yes, it is. We promised to get you out at 9:30.

(Applause)

MR. ELLIOTT: And please just allow the Commissioner the chance to exit the hall so he can move on to his next step. Thank you.

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CERTIFICATE OF NOTARY PUBLIC

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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