



Committee on Economic and Monetary Affairs

27 August 2007

**Extraordinary hearing of Mr Trichet
by the Committee on Economic and Monetary Affairs of the European Parliament
on 11 September 2007**

At the request of Mrs Pervenche Berès, chairwoman of the Committee on Economic and Monetary Affairs of the European Parliament (ECON Committee), Mr Jean-Claude Trichet, President of the European Central Bank, will come to the ECON Committee on 11 September to respond to developments in the capital markets. This is the first time such an ad hoc meeting is organised in addition to the regular hearings held every three months. Mr Jean-Claude Trichet was not able to come earlier since he can only come after the meeting of the Governing Council on 6 September.

The Committee is concerned by the subprime mortgages meltdown in the US, causing the drying up of credit supply and disturbances in the financial markets worldwide. Recent developments in the capital markets echo long term concerns by the ECON Committee which were notably raised in the EP resolution of 12 July on the ECB stating : "*there has been a decline in US housing prices and a recent deterioration in the mortgage credit market which could have an impact on the real economy; considers that such a development should be taken as a warning for what could take place in the eurozone; calls for the ECB to monitor closely these developments which have the potential to have consequences for the real economy*".

The Committee believes that further attention needs to be given to transparency and regulation of entities engaged in the excessive risk taking, such as hedge funds and private equity as well as to the role of the credit rating agencies (CRA) in this context. In this respect, the EP resolution of 11 July 2007 on the Financial services policy White paper stressed "*the need among CRAs for transparency of fees and the separation of rating and ancillary services as well as for a clarification of assessment criteria and business models; emphasises that CRAs play a public role in, for example, the CRD and that they should, therefore, meet high standards of accessibility, transparency, quality and reliability required of regulated businesses such as banks*". In its resolution adopted on 19 June 2007 on the Report on competition policy 2005, the EP called "*on the Commission to examine the respective competition situations of rating agencies*".

In July, a Committee delegation led by Mrs Pervenche Berès discussed these issues with US counterparts, notably with members of the House Committee on Financial Services and the

Senate Committee on Banking , Housing and Urban Affairs as well as with the US Fed and attended the hearing of Ben Bernanke, Governor of the US Fed. The Committee believes that further attention should be given to these issues.

Against the backdrop of banks' difficulties in raising credit and the ECB's liquidity injections thereupon, the Committee is particularly interested in the monetary policy decisions to be taken by the ECB's Governing Council in reaction to the financial turmoil. The Committee deems it important to maintain growth in the EU and that, in addition to the liquidity supplied by the ECB, the monetary policy has a role to play in this respect.

The Committee also considers that supervision is key in facing systemic risks. The EP resolution of 11 July 2007 on the Financial services policy White paper stated that the EP *"is concerned that the current nationally and sectorally based supervisory framework may potentially fail to keep pace with the financial market dynamics and stresses that it must be sufficiently well resourced, coordinated and legally entitled to give adequate and quick responses in cases of major systemic crises that affect more than one Member State"*.

Members of the ECON Committee will question the President of the ECB based on the EP's earlier positions and the current situation on financial markets.

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