

Jean-Claude TRICHET
President

Mr Ashley Mote
Member of the European Parliament
European Parliament

Bât. Willy Brandt 05M085
60, rue Wiertz
B-1047 Brussels

Frankfurt, 13 May 2009
L/JCT/09/0733

Dear Mr Mote,

Thank you for your letter dated 31 March 2009. I would like to answer your questions as follows.

With regard to your **first question**, I should like to begin by recalling that European integration and the euro have brought about significant welfare gains for all European citizens. We elaborated on this extensively in the context of the publications surrounding the 10th anniversary of the euro. In the context of the current financial and economic crisis, let me stress that the European single currency played a very important role in limiting the contagion of the crisis.

Turning to trade and financial globalisation, they have made important contributions to the overall productivity of our economies over the past two decades. In particular, they have allowed comparative cost advantages emerging from a better international division of labour, leading to efficiency gains and increases in average per capita income worldwide. Globalisation has also allowed significant capital flows towards emerging economies, fostering their rapid economic development.

Yet, in the last ten years, global finance, while facilitating trade and real investment, has also been increasingly subject to volatility and excessive risk-taking. Against this background, it is critical to draw all lessons from the present crisis, including reinforcing global financial regulation and supervision.

As regards your **second question**, I should first of all like to clarify that all our decisions are always taken in line with our mandate which is to maintain price stability in the euro area over the medium term. As I said in the last press conference in the name of the Governing Council, we will ensure that, once the macroeconomic environment improves, the measures taken can be quickly unwound and the liquidity provided absorbed so that any threat to price stability over the medium to longer term can be effectively countered in a timely fashion. Indeed, as has been stressed many times, the Governing Council will continue to ensure a firm anchoring of medium-term inflation expectations. Such anchoring is indispensable to supporting sustainable growth and employment and contributes to financial stability.

The issues raised in your **third question** fall outside the scope of the competences of the ECB, and I will therefore refrain from commenting.

With regard to your **fourth question** on whether or not to restore a distinction between different types of banks, I should like to highlight the following. At the current juncture, there is an international consensus on the need to extend the scope of regulation. The current crisis has highlighted the importance of closing regulatory gaps. In this context, it is of great importance that systemic banking institutions be subject to the highest international standards of regulation and supervision; and that other systemically important institutions, such as hedge funds, or credit rating agencies, and systemic markets, such as OTC derivatives, be adequately captured within the regulatory net. This has been recently endorsed by the G20 and is consistent with the European Commission's programme for financial market reform. The call for extending the scope of regulation should not be seen simply as a call for more regulation but mainly for better regulation. The aim is not to over-regulate and take measures that stifle financial innovation but instead cover all entities relevant for financial stability.

Yours sincerely,

[signed]