



EUROPEAN UNION

Delegation of the European Union to South Africa

9 March 2010

Press Release

.../ for immediate release

Statement of President Barroso on Greece and financial market questions

Greece has taken the necessary measures to reduce its government deficit this year. These measures show the determination of the Greek government to tackle their structural problems.

At the same time, we are doing what is necessary to secure the financial stability of the euro area as a whole.

The Commission has been actively working with euro area member states to design a mechanism which Greece could use in case of need. Such a mechanism would be in conformity with the current Lisbon Treaty, in particular with the no bail-out clause. It would include stringent conditionality.

The Commission is ready to propose a European framework for coordinated assistance, which would require the support of euro area Member States. In parallel, the Commission is preparing a communication on reinforced economic policy coordination and country surveillance.

On derivatives (Credit Default Swaps)

If it is true that the current problems in Greece were not caused by speculation on the financial markets, it is also true that this speculation was an aggravating factor.

This shows the importance of a fundamental reform in the derivatives market, and the relevance of the action already undertaken by the Commission.

With the Communication of 20 October 2009, the Commission has begun a programme of action in favour of efficient, safe and solid derivatives markets.

The legislative proposals, notably those concerning the directive on derivatives, that Commissioner Barnier will present before the summer, and also those concerning the market abuse directive, that Commissioner Barnier will present before the end of the year, will increase market transparency and limit the risks.

Beyond this systemic response, a new "ad hoc" reflection is needed on Credit Default Swaps (CDS) regarding sovereign debt. The problem of "naked" practices needs particular attention in this context. It is not justified to buy an insurance (a CDS is in effect an insurance) by unseen interventions on a risk, on a purely speculative basis.

In the short then, we must achieve the necessary coordination to ensure that Member States act in a coordinated fashion, most particularly for "naked" practices.

In this context, the Commission will examine closely the relevance of banning purely speculative naked sales on Credit Default Swaps of sovereign debt.

At the same time, the Commission will push for international coordination. These markets are as mobile as they are opaque. The Commission will raise this question with our international partners, notably at the level of the G20.

The question of transparency between regulators (particularly on access to information on these practices) also deserves to be raised in our bilateral contacts, particularly with the United States.

Finally, we need to proceed with an in-depth analysis on Credit Default Swaps markets so as to better determine how these markets function and if they are the subject of questionable practices.

Moreover, the Commission stands ready to use its powers in the field of competition policy, if needed.

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