



Summit of European G8 members
Palais de l'Elysée – Saturday October 4th 2008

STATEMENT

1. At a time of crisis, we have come together to discuss the current situation in the financial markets and the steps we are taking individually and collectively to address the challenges we are facing.
2. We jointly commit to ensure the soundness and stability of our banking and financial system and will take all the necessary measures to achieve this objective.
3. We will work cooperatively and in a coordinated way within the European Union and with our international partners.
4. In the spirit of close coordination within the European Union, we will ensure that potential cross-border effects of national decisions are taken into consideration.
5. We strongly welcome the actions taken by the ECB, Bank of England and other European central banks since the beginning of the financial turmoil. The liquidity of the financial system shall be ensured by all authorities in order to preserve confidence and stability.
6. While noting the progress towards disclosure of exposure and risks, we call on financial institutions to strictly implement recommendations endorsed by the Ecofin council on transparency.
7. In the current exceptional circumstances, we stress the need for the Commission to continue to act quickly and apply flexibility in state aid decisions, continuing to uphold the principles of the single market and the state aid regime. The application of the Stability and Growth Pact should also reflect the current exceptional circumstances, in accordance with the provisions of the Pact.
8. It is right that, should public support be necessary for distressed financial institutions, it should take place in a framework which recognises adequate protection of taxpayer's money, the responsibility of managers, shareholders to bear their share of the burden and appropriate protection of the legitimate interests of competitors.
9. We will ensure that European financial institutions are not disadvantaged vis-à-vis their international competitors in terms of accounting rules and of their interpretation. In this regard, European financial institutions should be given the same rules to reclassify financial instruments from the trading book to the banking book including those already held or issued. We urge the IASB and the FASB to work quickly together on this issue in accordance with their recent announcement. We also welcome the readiness of the Commission to bring forward appropriate measures as soon as possible. This issue must be resolved by the end of the month.
10. It is also important to ensure that we take urgent action to address the impact of the financial crisis on our economies. Credit to the economy should be maintained. In this regard, we welcome the decision of the European Investment Bank to mobilize 30 billions euros of support for European small and medium size enterprises as a satisfactory first step and urge the Bank to frontload this effort. In a medium term perspective, we welcome the commitment of the EIB to enhance its capability to support infrastructure projects. The consequences of the financial crisis on the



economy also make it necessary for the EIB to assume a greater share of the risk faced by banking partners when lending to small and medium size companies.

11. We are determined to ensure an accelerated implementation of the road maps agreed by Ecofin and the G7. We welcome the ECOFIN decision to introduce strict oversight of credit rating agencies and we look forward to the Commission's proposal announced for mid-November.

12. To ensure that national rules interact properly, we call for further development of EU wide rules on Deposit Guarantee schemes and welcome the intention of the Commission to present a legislative proposal in the near future. We agree that it is a priority to strengthen transparency and security in the credit default swaps market.

13. Going forward, we will work within the European Union and with our international partners to achieve an effective and comprehensive reform of the global financial system in line with the principles of transparency, sound banking, responsibility, integrity and global governance. We call for the convening of a summit as soon as possible.

14. Such a reform should notably be underpinned by a comprehensive framework of supervision. All parties with significant financial impact should be appropriately regulated or under surveillance.

15. We will consider how supervision, regulatory policy, accounting standards and prudential rules interact with the economic cycle and could help to cushion shocks in bad times and restrain speculative bubbles in good times.

16. We want also to promote management responsibility and integrity. In particular, we call on supervisors to elaborate codes of conduct to ensure that compensation does not focus on short term performance and does not encourage excessive risk taking. We call on supervisors to take into account this dimension in assessing banks' risk profiles.

17. We will act jointly to strengthen global financial governance based on political legitimacy. It must provide an effective and authoritative early warning system for the international system, drive the setting of global standards and best practice in regulation and supervision, provide the framework for cooperation of national supervisors and establish a framework for coordination in a crisis.

18. In the same way, we need to establish mechanisms within the European Union, to allow for rapid cooperation, in particular with other major financial centres. Similarly, we need to improve further our organization within the European Union to deal with ailing cross-border financial groups, consistent with the main principles and provisions of the EU MoU agreed on financial stability in June 2008, particularly the immediate establishment of colleges of supervisors to oversee cross border institutions. In order to allow for rapid and effective coordination with other major financial centres in stressed situations, the mobilisation of a task force of supervisors, central banks and treasury departments should also be considered.

19. We are ready to discuss those principles with our European Partners and are convinced that their implementation is needed to preserve confidence and stability in the financial system as well as the support of our people in an open and free market economy. Our financial Ministers and we are committed to promote them in all international fora and we call on our partners to join our efforts.