

José Manuel Barroso
President
European Commission

Strasbourg, 13th January 2009

Dear President Barroso,

Thank you for your letter of 18th December.

We are wholly satisfied that there is absolutely no ambiguity in your statement “No financial player should be exempt from regulation and oversight. That is a clear commitment on our part. It means that hedge funds and private equity must be covered.”

You go on to assure us that the consultation being launched by Commissioner McCreevy on hedge funds “is not to decide whether or not appropriate regulatory initiatives will be taken. It is to decide on the content.” This too is a welcome and unambiguous commitment. Your commitment is indeed repeated in the Commission Consultation paper on Hedge Funds which states “the responses to this consultation will serve as the basis for an appropriate regulatory response which the Commission will present before the 2009 European Parliament elections”.

On hedge funds, therefore, you assure us in the clearest language possible that regulatory action is on the way. But what is proposed for private equity?

Your letter, while assuring us that private equity will be covered by regulation, does not respond in any detail to our concerns about the lack of action by Commissioner McCreevy on private equity. The consultation launched in December covers only hedge funds. Commissioner McCreevy told the Economic and Monetary Affairs Committee on

December 1st that he will report back to the Parliament on industry codes for self-regulation. This is not enough, especially as he then – as we pointed out in our previous letter – told the British Venture Capital Association in London that they can avoid regulation if they sign up to industry guidelines. The events of recent months have proved beyond doubt that self-regulation in the international financial markets does not work.

We do not understand how Commissioner McCreevy's faith in voluntary codes of conduct for private equity is compatible with the assurances we have received from you. We therefore kindly ask you to clarify how the Commission proposes to proceed with its commitment to ensure appropriate regulation for private equity.

We underline not only that action is needed, but that it is needed urgently. We expect to have proposals in time for the next European Council of 19-20th March and for European Parliament to begin its deliberations before the 2009 European elections.

Yours sincerely,

Poul Nyrup Rasmussen
President
Party of European Socialists

Martin Schulz
President
PES Group

Pervenche Berès
Chairwoman on Economic
and Monetary Affairs