

Paris, Luxemburg, Berlin, Athens, 10 March 2010

The President of the French Republic

The Prime Minister of the Grand Duchy of Luxembourg

The Federal Chancellor of the Federal Republic of Germany

The Prime Minister of the Hellenic Republic

His Excellency

José Manuel Barroso

President of the European Commission

Brussels

His Excellency

José Luis Rodríguez Zapatero

Prime Minister of the Kingdom of Spain

Madrid

Mr President, Mr Prime Minister,

In view of the current developments on the markets in European government bonds, we would like to draw your attention to credit default swaps (CDS) trading in European government bonds in order to prevent undue speculation, enhance transparency and improve soundness and safety of derivative transactions.

First, we must prevent speculative actions from causing so much uncertainty on the market that prices no longer provide accurate information and state financing reaches a fundamentally unjustifiable high level. We therefore propose that the EU Commission initiates as quickly as possible at European level an inquiry into the role and impact of

speculative practices in connection with CDS trading in the government bonds of European countries. Should the inquiry ascertain market abuses or that there is a well-founded suspicion that speculative practices are having a considerable impact on the development of yields, we should quickly examine measures to determine whether they are suitable and, if necessary, pass the appropriate legislation. These examinations should also consider introducing minimum holding periods for CDS trading, banning speculative CDS trading as well as banning the acquisition of CDS which are not being used for hedging purposes.

Second, we should now advance and intensify the current European initiatives aimed at increasing transparency on the derivative markets on the basis of the G20 decisions:

(i) Regulatory authorities should have access to current portfolio and trading information relating to derivative transactions, including CDS trading, through mandatory reporting of all derivative transactions to a trade repository located in Europe. This will allow the regulators to identify the main dealers and tightly monitor their activity. Regulators should have unlimited access to those market data. We also have to work towards ensuring that European regulators receive the relevant detailed information from non-European trade repositories.

(ii) As recommended by the Commission and the Ecofin, we should improve the safety of OTC derivatives markets through mandating that all eligible derivatives products be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties (CCP). These entities should be adequately supervised to ensure improved safety and soundness. We strongly support the location of European CCPs within the euro area to enhance integrity and stability of the European financial system.

Europe should take a lead in this. The Commission should present results of its examinations and possible proposals on these issues at one of the next EcoFin Council meetings so that our finance ministers will be able to discuss on this basis.

Yours sincerely,

Nicolas Sarkozy

Jean-Claude Juncker

Angela Merkel

Georgios Papandreou