

Merkel calls for eurozone ratings agency

**By Lionel Barber, Bertrand
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Berlin**

Continental Europe should take the lead in devising new rules for financial markets because the Anglo-Saxon model of regulation has failed, Angela Merkel has told the Financial Times.

The German chancellor said ahead of next month's Group of Eight summit, which is expected to discuss new regulation, that the largely "Anglo-Saxon" organisation of financial markets undervalued the growing weight and importance of the eurozone.

She called for a European credit ratings agency to balance the dominance of Moody's and Standard and Poor's. "Europe has developed a certain independence thanks to the euro" but "in terms of the rules, the transparency guidelines and the entire standardisation of financial markets, we still have a strongly Anglo-Saxon-dominated system... I think that in the medium term Europe will need a working ratings agency because the robust currency system of the euro has not yet secured sufficient influence over the rules governing financial markets."

A European ratings agency is among several suggestions Germany has made in the G8 leading industrial nations as part of a proposed overhaul following the credit squeeze. Berlin wants to ban the agencies from rating products they helped create. Ms Merkel said she would welcome new capital adequacy ratios—for banks, linking the amount they must put aside to the level of risk in their asset portfolios. "We need to think about the relationship between capital and risk," Ms Merkel said. "But these rules can only be discussed at an international level."

Ms Merkel also criticised bankers for creating, selling and buying structured products they did not fully understand.