

June 18th, 2010

To
Committee of European Securities Regulators
Standing Committee on Credit Rating Agencies

Dear Members of the Standing Committee on Credit Rating Agencies,

With reference to your consultation paper "Guidance on the Enforcement Practices and Activities to be Conducted under Article 21.3(a) of the Regulation" dated May 17th, 2010 ("the Consultation", reference CESR/10-536), we hereby would like to provide our comments to your esteemed institution.

According to § 7 of the Consultation, you consider the requirements stated as non-exhaustive as it provides only a base guidance. As an association, we will therefore address only the highlight issues here, as our members may face specific additional requirements from your side.

Paragraph 10 of the Consultation states the guidance might be altered in order to reflect any changes relating to the establishment of ESMA. Given that the EU Commission has already put forward an amendment to the EU Regulation on Credit Rating Agencies on June 2nd, 2010 and that we proceed from the assumption, that ESMA will be established by January and being operational by February 2010, we proceed from the assumption that the guidance will not materially change. Given the close working relationship between CESR and the competent authorities, we assume that these guidelines reflect the expectation of the supervisory entities.

According to § 9 of the Consultation, request for information may be made in writing or orally. In order to document these requests, we kindly ask you to avoid any oral requests and rather to state your questions in writing. This will ensure that a CRA can distribute internally the request without any loss of information. This in turn will ensure that your requests are properly treated and that the feed-back contains the expected details, thereby reducing the administrative burden to all parties. Unfortunately, this consultation does not state any specific timeframe during which an agency needs to respond – unless there is a specific urgency, we would expect that a CRA has at least 20 business days to respond.

Regarding the Section 3 "Enforcement practices as part of the ongoing supervision", we would like to address the following points:

- We agree with the principle that material changes to the registration documentation should be submitted on an ad-hoc basis. A clear definition of what constitutes a material change would facilitate the compliance of the CRA under this topic. We further suggest that information regarding items 1 B, 1 E and 1 F should be provided on a ad-hoc basis.
- We think that the provision on a monthly basis of operational data (especially regarding rating data), is excessive. We would propose to align this requirement to those relating to the Central Repository of Ratings (which foresee a bi-annual submission of rating data). With reference to the

information regarding 1 C (Financial revenues), our proposal is to provide this on a quarterly basis (which is the general practice in the financial industry or for companies listed on the stock exchange), smaller agencies should provide this information on an annual or bi-annual basis.

With respect to the compliance data, our preference again is quarterly (or even bi-annual for smaller agencies). If a CRA becomes aware of a potential breach of the requirements, the CRA should notify the competent authority and seek a remediation as soon as possible. In order to avoid such issues “popping up”, our suggestion is that the registration process should be carried out with the necessary care by all involved parties. Through the thorough understanding of each agencies business model and the early identification and voicing of supervisory concerns, the CRA’s will be able to adapt their processes and methods at the start of the registration.

Regarding Section 4 “Interaction with competent Authorities and CRA’s”, we appreciate your proposal for a regular interaction as this will for sure benefit both sides. We also support § 26 as this will ensure that these meeting are efficient. We also support your proposal in § 25 that meetings should be proportionate to the size and structure of a CRA – our suggestion for smaller agencies is to hold annual meetings (especially as additional ad-hoc meetings could be scheduled).

Kind regards

Thomas Missong
President

About EACRA

The European Association of Credit Rating Agencies (“EACRA”), registered in Paris under the laws of France, has been formally established. The Members of the Association currently originate from 7 European countries and include the following companies:

- Assekurata Assekuranz Rating-Agentur is the first independent German rating agency that has specialized on the quality evaluation of insurance companies
- Axesor: Specialized on Spanish SME unsolicited ratings/scorings.
- Credit Rating: covers corporate, financial institutions and municipalities in Ukraine
- JCR Eurasia: is Japan Credit Rating affiliated company in Turkey and covers all market segments.
- PSR RATING, based in Germany, focuses on solicited corporate ratings and the development of valid rating systems

The Members of the Association have very different business models while assigning ratings. All are deeply rooted in their respective markets, enjoy a high market share and a good reputation with local investors. In addition EACRA is in close contact with nearly all rating agencies in Europe.

The main purpose of EACRA is to promote the cooperation between European rating agencies, to assist agencies in the context of the upcoming registration process under the EU Regulation 1060/2009 on Credit rating agencies and to provide information on ratings to the general public.