

August 6th, 2010

To
International Organization of Securities Commissions (IOSCO)

Reference: Public Comment on Regulatory Implementation of the Statement of Principles Regarding the Activities of Credit Rating Agencies.

Dear Mr. Ben Salem,

With reference to the consultation paper “Regulatory Implementation of the Statement of Principles Regarding the Activities of Credit Rating Agencies” dated May, 2010 (“the Consultation”, reference IOSCO/PD319), we hereby would like to provide our comments to your esteemed institution.

First of all, we would like to thank IOSCO for the work carried out in the field of Credit Rating Agencies. The IOSCO code of conduct for Credit Rating Agencies is a very useful guiding document in order to address important organizational requirements while assigning Credit Ratings.

Since the issuance of this code of conduct in 2005, new legislation relating to Credit Rating Agencies in several countries has been adopted, but the IOSCO code is not an integral part in the respective requirements. These vary across countries and regions, making cross-country credit ratings more difficult to provide. The on-going legislative revisions in several countries unfortunately point to diverging approaches further fragmentising the legislative and regulatory framework, as legislators act on different topics and concerns. We therefore support any activities by your organization in order to promote convergence of legislative and regulatory standards on a global basis and the spread of best practices across countries and regions. The material legislative changes and the on-going legislative uncertainties for Credit Rating Agencies is a key concern and impedes the further development of Credit Ratings Agencies.

A key concern of supervisors and market participants is related to transparency requirements. In order to increase the comparability of ratings we would support any initiatives taken by your institution in the following fields:

- Definition of ratings: your report clearly demonstrates that legislators are using similar concepts in order to define ratings but some differences in the terms exist. A clear definition on the different types of ratings (eg financial strength, credit rating, issuer rating etc) and a defined hierarchy of ratings is therefore still missing.
- Definition of rating scale: although credit rating agencies need to adhere to very high administrative and supervisory requirements, the assigned ratings resulting are not defined nor in terms of probability of default nor in terms in terms of time horizon.

Having clearly defined ratings will substantially reduce transaction costs related to ratings for all market participants. This will in turn increase competition in the market as information between agencies will be more comparable. In addition, if the same rating scale would be mandatory for financial institutions, external and internal ratings could be compared.



Last but not least, global standards and requirements need also to take into account local specificities and local know-how. The quality and quantity of information available may substantially vary across countries, rating agencies and their rating methodologies need therefore to be flexible enough to be operational at a local level. In addition, we think that effective supervision of credit rating agencies (eg avoidance of conflict of interests) does not necessarily imply additional administrative costs to the agency as long as rating processes are clearly defined. We therefore urge your institution to take into account the average size of the rating agencies while defining new administrative or supervisory requirements – in Europe, many agencies facing the requirements of the EU regulation on Credit Rating Agencies have decided to close down their operations although they already had a demonstrated track record in their respective countries.

We would like to thank you for the opportunity to provide these comments to your institution. Of course, we are at your full disposal if you require any information on our members or on any of the topics above.

Sincerely yours

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
- CRIF is a global company which supports and creates value for financial institutions, businesses and consumers in providing information and assessing credit risk. In the last year, CRIF has developed a service which assess and give a rating to SMEs compliant with the EU Regulation of Credit Rating Agency.
- 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.