



THE SENATE
OF THE PARLIAMENT OF THE CZECH REPUBLIC
8TH TERM

598th

RESOLUTION OF THE SENATE

delivered on the 21st meeting held on 26th April 2012

**on the Proposal for a Regulation of the European Parliament and of the Council amending
Regulation (EC) No 1060/2009 on credit rating agencies
(Senate Press no. N 112/08)**

The Senate

I.

Agrees in general with the need to further improve and enhance the effectiveness of the regulatory framework and supervision regarding operations of credit rating agencies, given their importance for the functioning of the financial system;

II.

1. **Supports** the Commission's effort to reduce the excessive dependence of financial institutions on external ratings both when making their investment decisions and when used for regulatory purposes;
2. **Considers it appropriate** to place emphasis on alternative methods for credit risk assessment of financial instruments and to support development of internal methods of risk assessment by financial institutions, which should reduce the excessive reliance on ratings;
3. **Notes**, however, that this approach should respect actual limits of financial institutions when costs of sophisticated internal methods of risk assessment of investment instruments might turn out to be very burdensome, which holds true especially for smaller firms;
4. **Holds the view** that enhancing transparency of the rating process and methodology may contribute to investors' better understanding of the meaning of changes in ratings and, thus, the investors may use ratings with greater caution in their decision-making, and, therefore, supports the proposals aimed at expanding the scope of data to be made public by credit rating agencies, such as publications of full research reports when issuing sovereign ratings;
5. **Warns against** the potential risk of rating discontinuity arising from the principle of rotation of rating agencies in light of the absence of a single rating scale;

- 6. Has reservations** to the proposed form of liability of rating agencies towards investors, because this particular proposal
- conflicts with the concept of legal liability present in the legal order of the Czech Republic, which makes its application problematic;
 - runs counter to the goal of the proposal to make investors more responsible and limit their over-reliance on ratings;
 - could lead to a decrease in quality of ratings since agencies would issue excessively cautious ratings;

III.

- 1. Requests** the Government to inform the Senate about the way this position was taken into account and to provide the Senate with further information on the proceeding of negotiations;
- 2. Authorises** the President of the Senate to forward this Resolution to the European Commission.

Milan Štěch
sign manual
President of the Senate

Jaromír Štětina
sign manual
Senate Verifier