

Brussels, 03 FEB. 2011
C/2011/600

Dear President,

Thank you for informing me on the Italian Chamber of Deputies' opinion concerning the legislative Proposal of the Commission, of 2 June 2010, to amend Regulation (EC) No 1060/2009 of the European Parliament and of the Council on credit rating agencies {COM(2010) 289}, issued on 19 October.

In line with the Commission's decision to encourage national Parliaments to react to its proposals to improve the process of policy formulation, we welcome this opportunity to respond to your comments. I enclose the Commission's response and hope you will find those comments a valuable contribution to your own deliberations.

I look forward to the dialogue that lies ahead and remain,

Yours sincerely,

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President of the
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COMMENTS OF THE EUROPEAN COMMISSION ON AN OPINION FROM THE ITALIAN CHAMBER OF DEPUTIES

COM (2010) 289 - PROPOSAL FOR A DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL TO AMEND REGULATION (EC) N° 1060/2009 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON CREDIT RATING AGENCIES.

The Commission has taken note of the positive opinion of the Italian Chamber of Deputies concerning the above mentioned proposal entrusting the new European Securities and Markets Authority (ESMA) with supervisory powers over credit rating agencies. The Commission takes note of the recommendation of the Italian Chamber of Deputies to also grant the power to impose fines and penalties to ESMA and to address further issues related to credit rating agencies including remuneration models, competition in the rating market, civil liability of credit rating agencies and the issue of overreliance on ratings.

The Regulation on Credit Rating Agencies¹ was adopted in order to respond to the problems identified with regard to the activity of the credit rating agencies which contributed to the financial crisis. The Regulation has introduced mandatory registration for all credit rating agencies operating in the EU and puts in place a number of rigorous requirements to make sure that: (i) the risks of conflicts of interest affecting ratings are effectively addressed; (ii) credit rating agencies remain vigilant regarding the quality of the rating methodology and the ratings; and (iii) credit rating agencies act in a transparent manner.

The new framework has fully entered into force on 7 December 2010. The Commission expects that the new regulatory framework will strengthen the rating process, increase transparency of the rating activity, improve the quality of credit ratings, and facilitate the market entry of new credit rating agencies.

However, as rightly pointed out by the Italian Chamber of Deputies, some further issues regarding credit rating agencies need to be examined.

As announced in the Commission's communication of 2 June 2010 ("Regulating financial services for sustainable growth")², the Commission is examining remaining issues which have not been fully addressed in the current Credit Rating Agencies Regulation and the proposal of 2 June 2010 (notably the "issuer-pays" model, specificities of the rating of sovereign debt, measures to increase competition in the rating industry and the overreliance on ratings). For this purpose the Commission Services launched a public consultation on 5 November 2010 (which was open until 7 January 2011)³. The consultation addresses all the issues that the Italian Chamber of Deputies highlights in its opinion of 19 October. On the

¹ Regulation (EC) No 1060/2009 of the Parliament and of the Council of 16 September 2009 on credit rating agencies, OJ 17.11.2009

² Communication from the Commission on "Regulating financial services for sustainable growth", COM(2010) 301 final, 2.6.2010

³ http://ec.europa.eu/internal_market/consultations/2010/cra_en.htm

basis of the replies to the consultation, the Commission will decide on the need for further legislative proposals by mid 2011.

The Commission believes that the current proposal and any future proposals will help address the remaining problems in the credit ratings business and thus will restore further market confidence. They will, in particular, improve the integrity, transparency, responsibility and competition of the credit rating activities and introduce a strong supervisory regime which the Commission is confident will significantly improve the functioning of financial markets.