Brussels, – 8 OCT. 2010
C/2010/ 6954

Dear President,

Thank you for your letter of 5 August 2010 and for the opinion of the Italian Senate 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}.

The Commission has taken note of the favourable opinion of the Italian Senate concerning the above mentioned proposal. The Commission will further examine in the future work in this field the suggestions made by the Italian Senate.

Concerning the need of further changes to Regulation 1060/2009, the Regulation on Credit Rating Agencies 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 will only enter fully 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 Honourable Members of the Italian Senate, the recent downgrades by credit rating agencies of the credit ratings of some EU Member States has revealed the need to re-examine certain aspects of these activities.

Mr Renato Schifani
President
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As announced in its Communication of 2 June on "Regulating financial services for sustainable growth" {COM(2010)301}, the Commission is currently examining whether further measures need to be taken. The Commission is assessing the feasibility to reduce the reliance on ratings, as currently foreseen in EU and national legislation. The Commission is also examining the rules on transparency and conflicts of interest (including the "issuers-pay" model). These rules will, if necessary, be further enhanced and modified, taking into account the current situation of the financial markets and the effects of the Regulation on Credit Rating Agencies once it has entered into force. Furthermore, the Commission is examining the issue of legal liability of Credit Rating Agencies in providing credit ratings and whether rules at EU level are needed in this respect.

In this context, the Commission is also examining the need to put in place mechanisms to improve the competition between credit rating agencies. Without favouring any particular option at this stage, the Commission is examining structural solutions including the need for an independent European credit rating agency or stronger involvement of independent public entities in the issuing of ratings. Specific attention is needed with regard to sovereign debt so as to ensure that the methods used are appropriate. The Commission will present its policy orientations on all these issues in October.

I believe that the current proposal and the 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 I am confident will significantly improve the functioning of our financial markets.

I look forward to deepening our dialogue on these issues in the future.

Yours faithfully,