EUROPEAN COMMISSION

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C(2012) 8161 final

Mr. Renato SCHIFANI
President
Senato della Repubblica
Piazza Madama, 1
IT – 00186 ROMA

Dear President,

The Commission would like to thank the Senato della Repubblica for its Opinion concerning the Commission proposals for a Regulation amending Regulation 1060/2009 on credit rating agencies {COM(2011) 747 final} and for a Directive amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings of collective investment in transferable securities (UCITS) and Directive 2011/61/EU on Alternative Investment Funds Managers in respect of the excessive reliance on credit ratings {COM(2011) 746 final), and apologizes for the delay in replying.

The Opinion considers that the proposal is a step in the right direction, but that more audacious steps are needed, especially with regard to sovereign ratings, by setting up a European Credit Rating Agency and banning unsolicited sovereign ratings.

The Commission agrees that there is already a wide range of information available on sovereigns, at national, European and international level: notably, public institutions including the Commission, the ECB, EIB, OECD and IMF provide such information, in the form of country reports and statistical information. Therefore, the added value of an additional creditworthiness assessment process at EU level would have to be assessed against that background. The Commission also agrees that credit rating agencies should take into account the information provided by these public institutions when developing their sovereign ratings. Moreover, investors should indeed not rely solely on CRA ratings but should base their investment decisions on other available information, including country assessments provided by the above mentioned public institutions.

The Commission has assessed the feasibility of establishing a publicly funded European Credit Rating Agency in the impact assessment accompanying its legislative proposal[1]. This analysis showed that setting up a credit rating agency with public money, irrespective of its particular model, would be costly (estimated ca. 300-500 million Euro over a period of 5 years) and it could raise concerns regarding that CRA's credibility

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[1] Available at http://ec.europa.eu/internal_market/securities/docs/agencies/SEC_2011_1354_en.pdf

and independence. For that reason, the Commission did not propose the establishment of a European Credit Rating Agency. However, the Commission has taken action to promote competition in the rating market and the independence of CRAs by proposing, among other measures, a mandatory rotation of CRAs.

The Commission considers that sovereign ratings require a high degree of transparency. Banning sovereign ratings would limit the information available to investors, as there would be less information on those sovereigns which do not agree to being rated. This may further reduce the confidence of investors in the financial soundness of these countries.

With regard to the other issues addressed in the CRA III proposal, the Commission appreciates the Senate's support for the measures to reduce overreliance on ratings and to prevent conflicts of interests with regard to CRAs' shareholders, and takes note of the view that the proposed rules in this regard should be further strengthened.

The Commission is very appreciative of your contribution to the debate on the CRA III file, which is now taking place with the EU co-legislators, the Council and the European Parliament, and looks forward to continuing the political dialogue with the Senato della Repubblica on this subject in the future.

Yours faithfully,

Maroš Šefčovič
Vice-President