



EUROPEAN COMMISSION

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Mrs. Maria da Assunção ESTEVES  
Presidente da  
Assembleia da República  
Palácio de S. Bento  
P – 1249-068 LISBOA

Dear President,

The Commission would like to thank the Assembleia da República for its opinion on the proposal for a new Regulation in the area of credit rating agencies (CRA III) adopted on November 15<sup>th</sup> 2011 {COM(2011) 747 final} and apologises for the long delay in replying.

The Commission welcomes your support for the EU-level regulation of credit rating agencies, for reducing reliance on credit ratings, improving transparency, independence and quality of rating activities and your call for more choice within the rating industry dominated by a few market players.

Article 5a of the proposal requires from all financial institutions, including credit institutions, investment firms, insurance undertakings, institutions for occupational retirement provisions, management and investment companies, alternative investment fund managers and central counterparties to conduct their own credit risk assessment and not solely or mechanistically rely on credit ratings.

In addition, article 5b of the proposal requires from all European Supervisory Authorities to review, and remove where appropriate, all references to external credit ratings in existing guidelines and recommendations. However, it should be reminded that the ECB, being an independent institution as provided by the EU treaty, falls outside the scope of the CRA regulation. In addition, specific provisions were proposed to reduce reliance on ratings in sector legislation such as the banking sector (CRDIV) and the investment management sector (proposed amendments of UCITS and AIFM<sup>1</sup>).

The Commission is convinced that the proposal would improve transparency within the rating industry. In particular, the proposed European Rating Index would increase visibility of small and medium-sized rating agencies operating within the EU. This could foster more choice for the users of services provided by the rating industry.

The Commission considers that the "issuer-pays" model can result in conflicts of interest. It has therefore addressed the conflicts of interest due to the issuer-pays model by a

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<sup>1</sup> COM(2011) 746/2

shareholdings between CRAs; and, most importantly, by limiting the duration of the relationship between CRAs and issuers.

We agree that the new proposal on rating agencies could not solve all problems which are related to the ongoing sovereign debt crisis. Indeed, the regulation of rating agencies regulation is only one element that needs to be addressed in the larger context of the current crisis.

I hope that these clarifications have addressed the concerns expressed in the opinion of the Assembleia da República and look forward to continuing our political dialogue in the future.

Yours faithfully,

Maroš Šefčovič  
Vice-President