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|  | 11/04/2014 |

**ESMA’s Consultation paper on CRA3 Implementation**

**Banque de France and ACPR’s answer**

Credit rating agencies have a major influence on financial markets, as their rating actions are closely monitored and have important impacts on borrowers, investors, issuers and governments alike. The financial crisis has laid bare significant weaknesses in the governance and internal processes of these agencies. In the run up to the financial crisis, they notably failed to properly appreciate the risks of structured financial instruments. Mechanistic reliance on ratings, as embedded in many regulations and private contracts, can destabilize financial markets and is a major source of pro-cyclicality. With regards to the potential impact of external ratings on market confidence and financial stability, Banque de France/ACPR supports policy measures aiming at improving governance, transparency, disclosure and comparability in the rating activity and to reduce mechanistic reliance on external credit ratings. Banque de France/ACPR has therefore a keen interest in the consultation paper of ESMA relative to draft RTS on structured finance instruments and the European rating platform , both of which will allow for more transparency and help investors to realize their own diligences. Whilst Banque de France/ACPR supports the disclosure requirement of detailed information regarding structured finance instruments and the creation of the European Rating platform, it highlights the necessity for ESMA to pursue synergies with the ABS loan level data initiative and with the EBA mapping.

As a member of the Eurosystem, Banque de France is directly concerned with the services that rating agencies provide in the context of Eurosystem tasks and obligations with regards to both the conduct of monetary policy operations and asset management operations. For monetary policy purposes, the eligibility and haircuts of marketable assets are partly based on credit quality. In the assessment of credit standards of eligible assets, the Eurosystem takes into account , *inter alia,* credit assessments from different sources, including “external credit assessment institutions” (ECAI).

In addition, ACPR , the French Supervisory and Resolution Authority, as a member of EBA and EIOPA, participates in the work of the Task Force on CRA 3 implementation. It notably takes part in EBA’s task force on the work for the mapping of ECAI’s credit assessment under standardized approach.

**Annex I. DRAFT RTS on INFORMATION ON STRUCTURED FINANCE INSTRUMENTS**

* **Q3**: **Do** **you consider the list of information requested pursuant to Article 4 as appropriate** ?

*We would suggest to complete the loan –by-loan template with the following information :*

* + RMBS:
    - Existence of government subsidies,
    - Nationality of the borrower.
  + SME:
    - The template is asking for the bank estimated LGD, why not ask also for the bank estimated PD, even if in our opinion this is not likely originating banks are likely to accept to divulge such informations.
  + Auto ABS:
    - Why not ask for the amount of the Reserve Account ?
* Q4: **Do** **you consider the frequency of the information to be reported pursuant to Article 6 as adequate**?)

For the information set out in Article 4(a), we would prefer a monthly reporting.

**Annex II. DRAFT RTS on THE EUROPEAN RATING PLATFORM**

**Chapter III.**

The RTS aims to ensure that investors have up-to-date rating information available on the ERP in accordance with the requirements of Article 11a and the Recitals of the last amend-ments to the CRA Regulation (Regulation (EU) No 462/2013).

**Q1: Do you agree with the chosen frequency of reporting**

Banque de France and ACPR agree with the chosen frequency of reporting

The RTS aims to ensure that investors have easy access and compare credit rating infor-mation on the ERP (in accordance with the requirements of Article 11a of Regulation (EC) No 1060/2009).

**Q2: Do you agree with the choice of including also press releases and sovereign rating re-ports in the ERP**

Banque de France and ACPR do agree with the choice of including in the ERP press releases and sovereign rating reports.