

Comments on the Call for Evidence from CESR
(Call to CESR for Technical Advice on Possible Measures concernig Credit Rating Agencies)

General Remarks

The section bank and insurance oft the Austrian Federal Economic Chamber legally representing all Austrian Credit Institutions welcomes the opportunity to answer CESR's call for evidence.

We welcome this critical endeavour to foster quality of external ratings.

As far as SMEs are concerned, not only the quality but also the lack of credit rating agencies in continental europe should be considered.

Point in detail

The "Call for Evidence" takes into account the experience worldwide and addresses all the issues (conflict of interests, skill and methodologies, transparency, treatment of inside information, competition, type of regulation, ...) which are relevant to fight the recent frustrations. In this field there is nothing to add from our point of view.

But at extended inspection there are some questions left, especially if SMEs in continental europe and the foundation approach of Basle II are concerned. In this segment the market does not merely suffer from unreliable ratings, it suffers - or it will suffer when Basle II is in force - from the absence of external ratings. Consequently we strongly recommend the following questions to be included in the scope of the "Technical Advice":

- * Is there a strong demand for external rating agencies coming up in europe
- * What can/has to be done to establish a sufficient population of rating agencies
- * What could be the role of banks in this context
- * What type of relationship/cooperation with banks internal rating-bodies is possible
- * To what extent are external ratings replaceable by internal ratings and vice versa
- * Could there be some adverse effect on the economy because of the costs of ratings
- * Should there be some guidelines for the costs/prices of ratings

How can the necessary flow of informations from SMEs be secured to enable unsolicited ratings.

Best regards

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