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For the attention of
Mr Fabrice Demarigny
Secretary General
CESR

27 August 2004

Ref JH/vs

By email

Dear Mr Demarigny

Call for Evidence on Credit Rating Agencies

In respect of CESR's Call for Evidence issued on 28 July, the Association of British Insurers (ABI) welcomes the consultation on the issues raised by the Commission, to which it will respond in full, and makes the following initial comments in response to CESR's Call for Evidence. These comments, at this stage, reflect the views of ABI members as institutional investors.

In its contribution to date in the debate on these matters the ABI has stressed its preference for market-driven solutions based on professional standards, codes of conduct and similar non-regulatory procedures. This preference is based on the greater flexibility inherent in non-legislative/non-regulatory procedures. It also reflects a concern that the investment decision making process should be as cost effective as possible and, therefore, an underlying premise that issuers should pay all the costs of issuance and dissemination of information.

Notwithstanding the above costs, however incurred, will impact on investment returns. Consequently we believe that the CESR consultation should seek to draw from respondents who propose significant change from the status quo sufficient evidence to allow a rigorous impact analysis and cost benefit analysis of such changes. In particular this should apply to the issue of registration.

The market-driven approach favoured by ABI depends on full disclosure where there is room for further improvement in addition to the changes of recent years.

3.1(1) we understand that the provision of advisory services is a limited activity compared to the core rating business of agencies. This is not a major issue for our investors.

3.1(2) unsolicited ratings must be clearly signposted as such.

3.2(1) key areas for investors are disclosure of the analyst's:-

age
qualifications
years of sector experience
workload (ie number of credits in their portfolio)

3.2(2) although improved of late, greater transparency of methodology needs to be encouraged

Yours sincerely

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