

Prof. Dr. Schneck Rating GmbH, Listplatz 1, 72764 Reutlingen

Committee of European Securities Regulators
11-13 avenue de Friedland
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France

Comments to CESR's Consultation Paper regarding technical advice to the European Commission on possible measures concerning credit rating agencies

Dear Madam/ Sir,

Prof. Dr. Schneck Rating GmbH is Germany's leading provider of rating systems and external credit ratings for medium-sized enterprises. The company has more than 2.000 clients in financial services, trade associations and in the manufacturing industry. Prof. Dr. Schneck Rating was founded out of the European School of Business (ESB) Reutlingen in early 2002. Meanwhile, the company has assigned credit ratings to more than 100 legal entities with a combined turnover of approximately 5 bn Euro. It has designed and implemented rating standards for several trade associations in Germany, including the Verband der Automobilindustrie (German Association of the Automotive Industry) and the Verband der Elektrizitätswirtschaft (German Electricity Association).

Paragraph 2 of the Consultation Paper refers to competition in the credit rating industry. We believe that, while some barriers to market entry in the rating industry are sensible (i.e. experience, reputation, resources, etc.), others represent a major obstacle for functional competition within the rating industry. Local rating agencies or rating agencies specialised in a certain industry are disadvantaged by the criteria as established by SEC for the granting of NRSRO status. Instead, priority should be given to the self-regulation of the rating industry, so that local or specialised agencies have a fair chance to enter competition.

Referring to paragraph 3 (rules of conduct), we believe that conflicts of interest should be made more transparent by credit rating agencies. This requirement would be especially relevant for agencies whose shareholders are institutional investors in the financial markets.

With reference to paragraph 4, we hold the opinion that certain minimum standards for the qualification of rating analysts should be defined. In addition, certain transparency standards regarding the qualification of rating analysts should be mandatory.

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We thank you for the opportunity to express Prof. Dr. Schneck Rating's comments on the concept paper. I would be pleased to discuss with you at your convenience any questions or issues that you may have concerning our letter.

Yours sincerely,

Paul Morgenthaler
(Geschäftsführer)

Wilhelm Haaga
(Geschäftsführer)