ECRAI
EXTERNAL CREDIT RATING & ASSESSMENT INSTITUTION

Committee of European Securities Regulators
Mr. Karl-Bukhard Caspari
Chairman of the CRA Expert Group
11-13 avenue de Friedland
75008 Paris, France

Bratislava, November 20, 2009

Dear Mr. Chairman,

we truly appreciate the endeavour of your Expert Group in the very difficult task you are dealing with by preparing the Guidance on the implementation of the Regulation of the European Parliament and the Council on Credit Rating Agencies.

Having thoroughly analyzed the Regulation and the CESR Consultation Paper on Registration Process we would like to express our deep and serious concern about its impact on the European Financial Market and in particular on healthy competition between the credit rating agencies, which is one of the main concerns of CESR as we understood that.

The Regulation in its best intention to enhance the integrity, transparency, responsibility, good governance, and reliability of credit rating activities sets criteria which can be easily fulfilled by the global CRAs, however, for regional agencies the regulation represents an immense and maybe even fatal burden.

Making a projection of the impact of the Regulation on our local CRA, which is successfully operating having nine permanent, four temporary employees and five Credit Rating Committee members, serving up to thirty clients, mostly municipalities and sub-government entities (having without exaggeration the best local knowledge), we perceive the request to support a minimum of twenty employees to fulfill the organisational, operational and reporting requirements of the Regulation unrealistic.

Having presented the impact of the Regulation on the operation of ECRAI™ to our shareholders they expressed their concerns about the feasibility to impose new regulatory requirements without jeopardizing the effectiveness of our operations. So, we have not obtained their support for the registration under these conditions as to the day. It is as simple as that, we have to close the shop, abandon our clients and vacate the space for global CRAs, whose services, most probably, our clients will not be able to afford.

Further on, we would like to come back to our comments we made in the very early stage of creation of the Regulation. If one of the most eminent objectives of the Regulation is to enhance the competition and herewith to improve the quality of the ratings (due to better knowledge of local realities by local rating agencies) the obligation to have a rating by an European CRA when e.g. seeking for listing or credit on the European Financial Market should be incorporated in the European legislation. For European CRAs, this would create an environment comparable to the one the global CRAs have on the some non-European financial markets. Such environment would generate bigger market for European CRAs which then would be able to maintain all required positions as Chief Compliance Officer, Chief Internal Control Officer, Chief Risk Officer, Chief Internal Review Officer, Audit Committee, etc.

To sum up our view, we heavily support the regulation, we welcome the pursuit of transparency, responsibility and reliability of credit rating activities, but this Regulation is not creating proper conditions for European local CRAs with deep local knowledge. On the contrary, it will dissolve them in the same way as MiFID in 2007 dissolved local banks and broker companies in favour of well established supranational banks operating since then under this regulation with results which are definitely not in best interests of the market. This is, as we believe, one of contributing factors to the critical situation on the market.

Let not do the same mistakes again! Let not failure on good and proper CRAa regulation as we failured in 2004!

Truly yours

Barbora Lazárová
Chairman of the Board & CEO

Rudolf Autner
Chairman of the Supervisory Board