



Date: 13 December 2005
Ref: 05-751

CESR's dialogue with Credit Rating Agencies to review how the IOSCO code of conduct is being implemented

On 30 March 2005, at the request of the European Commission, CESR delivered its advice (CESR/05-139b) regarding the potential options to regulate Credit Rating Agencies. In its advice, CESR proposed not to regulate the Credit Rating Agencies (CRAs) industry for the time being, at an EU level and instead, proposed that a pragmatic approach should be adopted to keep under review how CRA's would implement the standards set out in the IOSCO Code of Conduct. CESR therefore intends to develop this strategy on the basis of voluntary participation from CRAs. In addition, CESR will continue to monitor developments related to CRAs (in particular, the new rules provided by the Capital Requirements Directive) and issues impacting investors and issuers.

CESR has discussed with Moody's and Standard and Poor's the process to review implementation of the IOSCO code and has outlined a voluntary framework of co-operation between CESR and CRAs. In summary, this framework includes three elements: (i) an annual letter from each CRA will be sent to CESR, and will be made public, outlining how it has complied with the IOSCO Code and indicating any deviations from the Code; (ii) an annual meeting between CESR and the CRAs will also be organised to discuss any issues related to implementation of the IOSCO Code; and (iii) CRAs would provide an explanation to the national CESR member where any substantial incident occur with a particular issuer in its market.

CESR is publishing today, in the document, the letters sent to the abovementioned CRAs summarising the discussion held with them along with their responses. **CESR would welcome any other CRAs which would fall within the scope of the IOSCO Code and operating in the EU markets that wish to adhere to this voluntary framework, to indicate their interest to the CESR secretariat. For further information, please contact Javier Ruiz del Pozo via email at jruiz@cesr-eu.org or by phone +34 91 585 16 37.**

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The Chairman

Ref.: CESR/05-536

Raymond W. McDaniel
President and Chief Executive Officer
Moody's Corporation
99 Church Street
New York
NY 10007
USA

Paris, 22nd September 2005

Re: CESR and Credit Rating Agencies

Dear Mr McDaniel,

It was a pleasure to discuss with you the way CESR members and Credit Rating Agencies should co-operate in the future. This meeting was particularly useful in order to exchange views about how we are going to work together after CESR published its report on CRAs advising the European Commission not to regulate them at this juncture.

The extensive dialogue with market participants that CESR undertook before producing its advice has had the very positive effect of increasing the level of understanding of the needs of all the players involved in the CRAs business.

I think that we both acknowledge that even in an environment of absence of regulation, transparency is the key to ensure that CESR members keep their current level of confidence in the operations of CRAs.

On that basis, I think we reached a good understanding during our meeting on the way we are going to work (subject of course to any other initiative that the European Commission might take):

- The CRAs will annually send a letter to CESR outlining compliance with the IOSCO code and explaining any deviation that may exist between their own codes and the IOSCO code. This information should be public.
- CESR will annually organise a meeting with the CRAs to discuss any issues that might have arisen in relation to the implementation of the IOSCO Code.
- Any substantial incident that might occur with an issuer should be explained to the local CESR member.

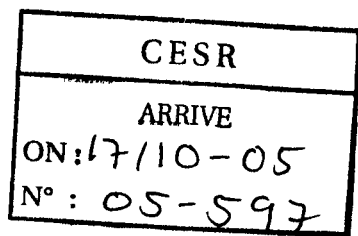


Should you need any further clarification, please do not hesitate to contact me, Ingrid Bonde or Fabrice Demarigny.

I look forward to hearing from you.

Yours sincerely,

Arthur DOCTERS VAN LEEUWEN



Moody's Corporation

99 Church Street
New York, New York 10007

Raymond W. McDaniel, Jr.
Chairman and Chief Executive Officer

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11 October 2005

Arthur Docters van Leeuwen
Chairman
The Committee of European Securities Regulators
11-13 avenue de Friedland
75008 Paris France

Dear Mr. Docters van Leeuwen,

Thank you for your recent letter regarding the manner in which CESR and credit rating agencies ("CRAs") will work together in light of CESR's advice to the European Commission on measures regarding CRAs. Moody's appreciates the constructive process that CESR has undertaken to develop an oversight framework for the CRA industry and the opportunities we have had to meet with you and other CESR members on this important matter.

We share your view that achieving transparency is critical to ensuring that CESR members maintain their current level of confidence in the CRA industry. We believe the CRA reporting framework you have outlined will support that objective: (i) an annual letter from each CRA, to be made public, relating to compliance with and deviations from the IOSCO Code; (ii) an annual meeting between CESR and the CRAs to discuss any issues related to implementation of the IOSCO Code; and (iii) explanation to the local CESR member of any substantial incident that may occur with an issuer.

We look forward to working with you and the other CESR members in developing the content and form of reporting in each of the above areas, including further defining the types of incidents to be reported, to ensure that CRA disclosures and reporting are made in a manner that best serves the needs of all parties.

Again, thank you for your letter and for the attention that you and all CESR members have devoted to matters relating to the CRA industry. Should you have any questions or concerns, please do not hesitate to contact me or my colleague Jeanne Dering.

Yours sincerely,



The Chairman

Ref.: CESR/05-536

Kathleen Corbet
President
Standard & Poor's
55 Water Street
New York
NY 10041-0003
USA

Paris, 22nd September 2005

Re: CESR and Credit Rating Agencies

Dear Ms Corbet,

It was a pleasure to discuss with you the way CESR members and Credit Rating Agencies should co-operate in the future. This meeting was particularly useful in order to exchange views about how we are going to work together after CESR published its report on CRAs advising the European Commission not to regulate them at this juncture.

The extensive dialogue with market participants that CESR undertook before producing its advice has had the very positive effect of increasing the level of understanding of the needs of all the players involved in the CRAs business.

I think that we both acknowledge that even in an environment of absence of regulation, transparency is the key to ensure that CESR members keep their current level of confidence in the operations of CRAs.

On that basis, I think we reached a good understanding during our meeting on the way we are going to work (subject of course to any other initiative that the European Commission might take):

- The CRAs will annually send a letter to CESR outlining compliance with the IOSCO code and explaining any deviation that may exist between their own codes and the IOSCO code. This information should be public.
- CESR will annually organise a meeting with the CRAs to discuss any issues that might have arisen in relation to the implementation of the IOSCO Code.
- Any substantial incident that might occur with an issuer should be explained to the local CESR member.



Should you need any further clarification, please do not hesitate to contact me, Ingrid Bonde or Fabrice Demarigny.

I look forward to hearing from you.

Yours sincerely,

Arthur DOCTERS VAN LEEUWEN

**STANDARD
& POOR'S****Kathleen A. Corbet**
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September 29, 2005

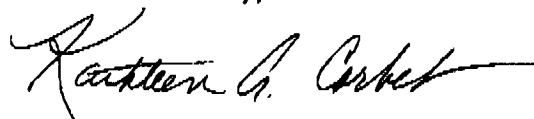
Arthur Docters Van Leeuwen
Chairman
The Committee of European Securities Regulators
11 – 13 avenue de Friedland
75008 Paris, France

Dear Chairman Docters Van Leeuwen,

Thank you for your letter of September 22nd. Standard & Poor's appreciates the pragmatic approach taken by CESR in reviewing options for a transparency framework for credit rating agencies in Europe and agrees that an organized dialogue between CESR and rating agencies will be mutually beneficial. In this context, I do confirm that Standards & Poor's will be delighted to discuss matters of mutual interest with CESR under the terms you outline in your letter.

It was a pleasure meeting you in May in Brussels and I look forward to a continuous positive collaboration between CESR and S&P.

Sincerely,



Kathleen A. Corbet
President
Standard & Poor's

cc: Rita Bolger
Francois Veverka

KAC/mk