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PRESS RELEASE

**CESR monitors self regulation by Credit Rating Agencies and announces
a call for evidence from Market Participants on the application of the IOSCO Code of
Conduct**

CESR publishes today a questionnaire (Ref. CESR/06-312) addressed to all market participants which will enable CESR to gather information on the day-to-day application of the Credit Rating Agencies (CRAs) codes in practice. The deadline for comments will be 15 August 2006 and if specifically requested, respondents may be able to submit their responses on a confidential basis.

The questionnaire follows the structure of the provisions in the IOSCO Code and focuses on the aspects where more practical difficulties could arise for CRAs when applying their own codes (such as disclosure of unsolicited ratings, explanations to issuers of the rationale behind rating decisions or disclosure of changes in methodologies). When responding, market participants are encouraged to identify the credit rating agency or agencies to which the answer refers.

On 17 May 2006, CESR received a letter from the European Commission formally requesting CESR to report on credit rating agencies' compliance with the IOSCO Code by the end of this year. This letter and CESR's response have also been published today on CESR website (Ref. CESR/06-220).

The request from the European Commission fits well into the work CESR is carrying out under the voluntary framework, already described in CESR's proposal (Ref. CESR/ 05-139b). CESR therefore intends to publish the abovementioned report by the end of October and anticipates that this report will have two separate sections. The first section of the report will identify for each CRA adhering to CESR's voluntary framework whether there are any provisions of the IOSCO code that they have chosen to explain rather than comply with. This will be based on the letters of disclosure submitted to CESR by the rating agencies on their compliance with the IOSCO code. These letters are also published today on CESR's website in the section Credit Rating Agencies (Ref. CESR/06-220).

The second part of the report will provide indications of the level of day-to-day application of the codes in practice. To this effect, CESR representatives met with the CRAs on 19 June to discuss their submissions and to consider a number of issues concerning how they are applying their codes in practice. This forms the subsequent step identified in the voluntary framework proposed by CESR (Ref. CESR/05-139b). In addition, the input from market participants received through the questionnaire published today will contribute to this second part of the report and will form an essential element in allowing CESR to survey the day-to-day application of the CRAs codes in practice and to identify if there is any evidence of particular issues which are proving difficult.



Notes for Editors:

1. The task force that produced CESR's advice for the European Commission (CESR/05-139b) will be in charge of the preparation of the report for the European Commission. This task force is chaired by Ingrid Bonde, Director General of the Swedish Finansinspektionen. Javier Ruiz del Pozo from the CESR secretariat acts as rapporteur.
 2. In developing this work, CESR will co-ordinate closely with fellow regulators both within the EU in the form of the fellow regulatory banking committee (CEBS), and internationally, with IOSCO and the SEC (through its more regularised and intensive dialogue announced by CESR on 4 June 2004).
 3. **Context:** 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 at an EU level for the time being, 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 has therefore developed this strategy on the basis of voluntary participation from CRAs. Moody's, Standard and Poors', Fitch Ratings and Dominion Bond Rating Service Limited are the only CRAs that have chosen to adhere to the voluntary framework.
 4. CESR is an independent Committee of European Securities Regulators. The role of the Committee is to:
 - Improve co-ordination among securities regulators;
 - Act as an advisory group to assist the EU Commission, in particular in its preparation of draft implementing measures in the field of securities;
 - Work to ensure more consistent and timely day to day implementation of community legislation in the member states.
 - The Committee was established under the terms of the European Commission's decision of 6 June 2001 (2001/1501/EC). It is one of the two committees envisaged in the Final Report of the group of Wise Men on the regulation of European securities markets. Baron Alexandre Lamfalussy chaired this group. The report itself was endorsed by the European Council and the European Parliament. The relevant documents are available on the CESR website.
- Each Member State of the European Union has one member on the Committee. The members are nominated by the Members States, and are the Heads of the national public authorities competent in the field of securities. The European Commission has nominated the Director General of the DG Market as its representative. Furthermore, the securities authorities of Norway and Iceland are also represented at a senior level. From 1st January 2006, the securities supervisors of Romania and Bulgaria attend CESR meetings as observers.
5. For further information please contact:

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