



European Securities and
Markets Authority

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PRESS RELEASE

ESMA allows EU-registered CRAs to endorse credit ratings issued in the US, Canada, Hong Kong and Singapore

ESMA today announces that it considers the regulatory frameworks for credit rating agencies (CRAs) of the United States of America, Canada, Hong Kong and Singapore to be in line with European rules. The EU Regulation (EC) No 1060/2009 on Credit Rating Agencies¹ requires ESMA to assess whether the requirements of third-country CRA regimes are “*as stringent as*” the European ones. Today’s announcement allows European financial institutions to continue using for regulatory purposes credit ratings issued in these countries after 30 April 2012. ESMA’s assessment of third-country CRA regimes is an important tool for enhancing internationally consistent supervision of CRAs in the interests of protecting financial markets and investors in the EU.

For the endorsement by EU CRAs of credit ratings issued in non-EU countries, the ratings must be issued by CRAs that are registered or licensed and are subject to supervision in those countries. This is already the case for the USA and Hong Kong. In Canada² and Singapore the registration of CRAs is at an advanced stage and we understand should be completed before 30 April 2012.

In order to facilitate regulatory information exchange and as a precondition to endorsement, ESMA has also entered into co-operation agreements for the supervision of CRAs with the national competent authorities of the USA, Canada, Hong Kong and Singapore.

Steven Maijoor, ESMA Chair, said:

“By allowing EU-registered CRAs to endorse credit ratings issued by CRAs based in the USA, Canada, Hong Kong and Singapore, ESMA today takes a major step towards the international convergence of credit rating agencies’ oversight. At the same time, through enhancing the co-operation with third countries supervisors, ESMA contributes to the effective supervision of internationally active CRAs, which is crucial for the well-functioning of financial markets and investor protection in the European Union.”

Endorsement of other non-EU countries

Last December 2011, ESMA announced the endorsability of ratings issued from Australia. ESMA is currently working to finalise where possible the assessments of Argentina, Mexico and Brazil and to conclude the necessary co-operation agreements as soon as possible. In December 2011, ESMA decided to extend until 30 April 2012 the initial transitional period of three months for credit ratings issued outside the European Union. However, it is currently not possible to anticipate whether this can be finalised for all of

¹ Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (OJ L302 of 17.11.2009), amended by Regulation (EU) No 513/2011 of the European Parliament and of the Council of 11 May 2011 (OJ L145 of 31.5.2011). ESMA Guidelines (ESMA/139/2011) of 17 May 2011 further detailed the application of the endorsement regime.

² The proclamation of the Canadian Legislation and Regulation (National Instrument 25-101 Designated Rating Organizations) is subject to ministerial approvals and, subject to obtaining all necessary approvals, the Regulation will come into effect on April 20, 2012.



the three countries mentioned above by that deadline. With regard to the other countries for which CRAs have applied for endorsement³, market participants should take precautionary measures before 30 April 2012, as it is likely that credit ratings issued in these countries cannot be endorsed after that date.

Equivalence advice to the European Commission

Besides assessing the endorsability of non-EU regimes, ESMA will shortly provide its technical advice to the European Commission on the equivalence of the regulatory regimes for CRAs in the USA, Canada and Australia. Once the Commission has declared a third-country regime to be equivalent to the EU regime, CRAs which are only established in that specific country can submit their application to ESMA to be certified in the EU in accordance with the CRA Regulation. This will allow for their ratings to be directly used by EU financial institutions.

The European Commission has already published an equivalence decision on Japan⁴. This implies that European financial institutions can use credit ratings issued in Japan for regulatory purposes.

³ Chile, China, Costa Rica, Dubai, India, Indonesia, Israel, Panama, Russia, South Africa, Sri Lanka, Taiwan, Thailand, Tunisia, Turkey, and Venezuela.

⁴ European Commission Decision of 28 September 2010.



Notes for editors

ESMA is an independent EU Authority that was established on 1 January 2011 according to EU Regulation No. 1095/2010 as published on December 15, 2010, in the Official Journal of the European Union (L 331/84). The Authority contributes to safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection. In particular, ESMA fosters supervisory convergence both amongst securities regulators, and across financial sectors by working closely with the other European Supervisory Authorities competent in the field of banking (EBA), and insurance and occupational pensions (EIOPA).

ESMA's work on securities legislation contributes to the development of a single rule book in Europe. This serves two purposes; firstly, it ensures the consistent treatment of investors across the Union, enabling an adequate level of protection of investors through effective regulation and supervision. Secondly, it promotes equal conditions of competition for financial service providers, as well as ensuring the effectiveness and cost efficiency of supervision for supervised companies. As part of its role in standard setting and reducing the scope of regulatory arbitrage, ESMA strengthens international supervisory co-operation. Where requested in European law, ESMA undertakes the supervision of certain entities with pan European reach.

ESMA also contributes to the financial stability of the European Union, in the short, medium and long-term, through its contribution to the work of the European Systemic Risk Board, which identifies potential risks to the financial system and provides advice to diminish possible threats to the financial stability of the Union. ESMA is also responsible for coordinating actions of securities supervisors or adopting emergency measures when a crisis situation arises.

Further Information:

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