

## PRESS RELEASE

### **ESMA approves credit ratings from Argentina and Mexico for use in the EU**

The European Securities and Markets Authority (ESMA) announces today that it considers the regulatory frameworks for credit rating agencies (CRAs) of Argentina and Mexico to be in line with European Union rules. Today's announcement allows European financial institutions to continue using credit ratings issued in these countries for regulatory purposes after 30 April 2012.

In order to facilitate regulatory information exchange, and as a precondition to endorsement, ESMA has entered into co-operation agreements for the supervision of CRAs with the national competent authorities of Argentina and Mexico. Ratings issued under the regulatory frameworks of Australia, Canada, Hong Kong, Japan, Singapore and the United States have already been approved for use in the EU.

#### **Use of ratings issued from non endorsable countries after 30 April 2012**

Following the various endorsement decisions, the vast majority of non-EU issued credit ratings are now deemed to be subject to EU equivalent regulation. However, there remain a number of jurisdictions whose legal framework does not currently meet EU requirements. From 30 April it will be only possible to use non-EU ratings that are endorsed for regulatory purposes. Therefore ESMA advises European financial institutions to pay particular attention to identify EU-endorsed ratings among those credit ratings that are issued outside the EU.

In doing so, EU financial institutions should carefully consider all information made available by CRAs regarding the endorsement status of their credit ratings. This must be disclosed by CRAs on their websites and through information providers. Firms also need to consider whether their use of a credit rating falls within the scope of "regulatory purposes" laid out by the Capital Requirements Directive (see paragraph 5 of the notes for editors).

#### **Steven Maijoor, ESMA Chair, said:**

"Today's decision to allow credit ratings issued by Argentinean and Mexican based CRAs to be endorsed by EU-registered CRAs means that the vast majority of credit ratings issued from third countries can now be used in the EU. This contributes to our goal of protecting investors and promoting stable and well-functioning financial markets. With regard to credit ratings issued from jurisdictions who do not yet meet EU requirements, ESMA is advising European financial institutions to consider both the information provided by CRAs and their regulatory treatment in the EU."

#### **US, Canada and Australia legal and regulatory frameworks for CRAs equivalent to EU**

ESMA has also published today (ESMA/2012/259) 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.



## Notes for editors

1. The European Commission has already published an equivalence decision on Japan on 28 September 2010. The Decision can be found at this [link](#).
2. The EU Regulation (EC) No 1060/2009 on Credit Rating Agencies<sup>1</sup> requires ESMA to assess whether the requirements of third-country CRA regimes are “as stringent as” the European ones.
3. As no further extension of the transitional period can be granted, EU financial institutions should take precautionary measures before 30 April 2012 dead line, as it is likely that credit ratings issued from 17 countries - Brazil Chile, China, Costa Rica, Dubai, India, Indonesia, Israel, Panama, Russia, South Africa, Sri Lanka, Taiwan, Thailand, Tunisia, Turkey, and Venezuela - cannot be endorsed after that date and therefore be permitted to be used for regulatory purposes in the EU.
4. The CRA Regulation requires CRAs registered in the EU to identify any ratings that are assigned outside the EU and which are endorsed by CRAs registered in the EU. The list of the CRAs registered in the EU is available at the ESMA website: [www.esma.europa.eu](http://www.esma.europa.eu).
5. The European Commission has recently clarified that “*credit rating are not considered to be used for regulatory purposes under the IRB Approach with (with the exception of the RBA and IAA for securitisations) and credit ratings issued in non-endorsable countries could continue to be used after 30th April e.g. as benchmarks in IRB models (excluding RBA and IAA for securitisations)*”.
6. 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).
7. 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.
8. 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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