

PRESS RELEASE

Improvements needed in CRAs surveillance of structured finance credit ratings

The European Securities and Markets Authority (ESMA) has published a [report](#) on the findings of its investigation into the way credit rating agencies (CRA) conduct surveillance of their structured finance credit ratings.

The investigation, which took place between October 2013 and September 2014, was prompted by the continued relevance of structured finance products and the high outstanding volume in issuance. It focused on the four largest CRAs providing credit ratings on these finance instruments in the EU – DBRS Ratings, Fitch Ratings, Moody’s Investors Services and Standard & Poor’s – which account for almost 100% of the total outstanding credit ratings on EU structured finance instruments.

In its investigation ESMA identified a number of shortcomings in several areas affecting the surveillance of structured finance ratings for the CRAs investigated. ESMA also identified weaknesses on the level of disclosure and transparency which could be detrimental to investor protection.

ESMA has not determined whether any of the Report’s findings constitute a breach of the CRA Regulation, and may take action as appropriate in due course.

Steven Maijor, ESMA Chair, said:

“ESMA’s investigation has found shortcomings in CRAs’ processes for the surveillance of structured finance credit ratings which could affect the quality of the ratings. These concerns centred on information quality controls, the application of CRAs’ methodologies and the related disclosure as well as the timely completion of the credit ratings annual review. Issues were also identified in relation to the role and independence of the internal review function.

“The high volume of issued structured finance instruments and renewed interest in securitisation as an alternative funding source make the results of this review all the more timely.

“All registered CRAs should take note of the problems identified and ensure that they properly incorporate the requirements and objectives of the CRA Regulation into their working practices in order to ensure the quality of credit ratings and maintain investor confidence. The good practices identified in the Report can help with that improvement.”



ESMA has requested that CRAs put in place the remedial action plans to solve the individual concerns identified. ESMA will follow up with each of the CRAs subject to this investigation. Likewise, ESMA will monitor all other registered CRAs as part of its on-going supervision.



Notes for editors

1. 2014/1524 [Report - ESMA's investigation into structured finance ratings](#)
2. ESMA is an independent EU Authority that was established on 1 January 2011 and works closely with the other European Supervisory Authorities responsible for banking (EBA), and insurance and occupational pensions (EIOPA), and the European Systemic Risk Board (ESRB).
3. ESMA's mission is to enhance the protection of investors and promote stable and well-functioning financial markets in the European Union (EU). As an independent institution, ESMA achieves this aim by building a single rule book for EU financial markets and ensuring its consistent application across the EU. ESMA contributes to the regulation of financial services firms with a pan-European reach, either through direct supervision or through the active co-ordination of national supervisory activity.

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