

PRESS RELEASE

ESMA consults on new CRA transparency requirements

The European Securities and Markets Authority (ESMA) has published a [Consultation Paper](#) setting out the draft Regulatory Technical Standards (RTS) required for the implementation of the CRA3 Regulation (Regulation).

The draft RTS, which complements the existing regulatory framework for credit rating agencies (CRAs), cover:

- disclosure requirements on structured finance instruments (SFIs);
- the European Rating Platform (ERP); and
- the periodic reporting on fees charged by CRAs.

Steven Maijoor, ESMA Chair, said:

“The new requirements introduced by the CRA3 Regulation aim to build on, and enhance, the transparency of credit rating agencies and the market for credit ratings already introduced in the earlier CRA regulatory reforms.

“This enhanced transparency in relation to structured finance instruments, CRAs’ fees and the availability of up to date ratings information, will improve the information available to investors and supervisors. This should in turn facilitate the further reduction of conflicts of interest, improved investor protection and market stability, and greater competition between CRAs.”

Draft RTS on Information on Structured Finance Instruments

The draft RTS aims to facilitate the provision of adequate information on SFIs, and their underlying assets, to investors, in order to improve their ability to make informed assessments on the creditworthiness of SFIs, reduce reliance on external credit ratings, promote competition between CRAs and facilitate the assignment of unsolicited credit ratings.



The draft RTS specifies:

- the information that issuers, originators and sponsors of structured finance instruments established in the EU must publish;
- the frequency with which the information is to be updated; and
- the presentation of the information by means of a standardised disclosure template.

Draft RTS on European Rating Platform (ERP)

The Regulation requires ESMA to establish the ERP where CRAs will report up-to-date ratings and outlooks, together with data on the historical performance of their ratings. This information is to be made publicly available and will allow investors to compare all credit ratings that exist regarding a specific rated issuer/instrument, assisting in their decision-making, and so will contribute to increased investor protection and improve the visibility of smaller CRAs.

The ERP will display timely information on rating actions including:

- rating and outlook of the rated instrument or entity;
- press releases accompanying rating actions;
- reports accompanying sovereign rating actions;
- type of rating action;
- date and hour of publication; and
- information on rated entities or instruments.

The draft RTS also includes a reformulation of SOCRAT and CEREP – ESMA’s regulatory reporting system and the public database on rating activity and performance statistics – in order to allow their integration into the ERP. This will allow ESMA to process data more efficiently and simplify the data reporting requirement for registered and certified CRAs.

Draft RTS on fees charged by CRAs to their clients

The draft RTS specifies the content and the format of the fees charged by CRAs to their clients for individual credit ratings and any ancillary services, as well as its pricing policy, including the fee structure and pricing criteria in relation to credit ratings for different asset classes.

This is aimed at mitigating conflicts of interest and facilitating fair competition in the credit rating market, by ensuring that CRAs’ fees are cost-based, non-discriminatory and non-dependent on the results or outcome of the work performed or on the provision of ancillary



services.

The information collected will offer a screening tool to allow ESMA to undertake effective supervision of fees charged by credit rating agencies and detect any fees charged which would require more in-depth investigation or supervisory action.

Next Steps

The Consultation Paper period for the submission of comment is open until 11 April 2014. ESMA will hold a public hearing on the consultation paper on Friday 14 March 2014 from 10.00 to 13.00 at ESMA.

The finalised draft RTS is to be submitted to the European Commission by 21 June 2014.



Notes for editors

1. [2014/165 Consultation Paper on CRA3 Implementation.](#)
2. **An open hearing will be held at ESMA on Friday 14 March, details are available on the ESMA website.**
3. [2013/1935 Questions & Answers on Implementation of the Regulation \(EU\) No 462/2013 on Credit Rating Agencies.](#)
4. [CEREP – CRA Transparency Database.](#)
5. [Regulation \(EU\) No.462/2013 \(CRA3 Regulation\)](#)
6. 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).
7. 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.

Further information:

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