

PRESS RELEASE

ESMA publishes proposals on CRAs internal control functions

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has launched a consultation on proposed [Guidelines on Internal Controls for CRAs](#), which sets out the systems and controls that credit rating agencies (CRAs) should have in place to meet the requirements of the CRA Regulation (CRAR) on internal controls.

The Guidelines set out the criteria that CRAs should have in place, focusing on their internal controls framework and functions, to demonstrate to ESMA that adequate and effective internal control systems exist to ensure the accuracy and integrity of the credit rating process.

The need for guidance on internal controls was identified in the course of ESMA's supervisory work during 2017 and 2018, and its development was highlighted as part of its 2019 Supervisory Work Programme.

Steven Maijor, ESMA Chair, said:

“The accuracy and integrity of credit ratings is fundamental to ensuring that users have reliable sources of information to inform their investment decisions, while supporting investor protection and stable and orderly markets. Investors need to know that those producing the ratings have adequate systems in place to ensure their accuracy and integrity.

“The proposed Guidelines on Internal Controls provide clarity to CRAs as to what ESMA's expectations are in this area, will promote a more consistent approach to internal controls amongst registered CRAs and set the marker for new entrants to the industry.”

Proposed Guidelines

The CRAR includes a number of requirements relating to the internal control system that a CRA must have in place in order to prevent or mitigate any possible conflicts of interest that may impact the independence of its credit rating activities.



The proposed Guidelines set out ESMA's views on the components and characteristics that CRAs should have in place to demonstrate the presence of an effective framework for internal controls and effective internal control functions.

The Internal Controls Framework focuses on a CRA's:

- i control environment; risk management; control activities; information and communications; and monitoring activities.

While the Internal Controls Functions focus on specific roles, namely:

- ii compliance; review; risk management; information security; and internal audit.

Finally, these guidelines have been developed with a view to accommodating the proportionality that is provided for smaller CRAs under the CRA Regulation.

Next Steps

The closing date for responses is 16 March 2020. ESMA will consider the responses it receives to this CP in Q1 2020 and expects to publish a final report by Q3 2020.



Notes for editors

1. [ESMA33-9-355 Consultation Paper on Guidelines on Internal Controls for CRAs.](#)
2. [ESMA80-199-273 ESMA supervision 2019 work plan and annual report 2018.](#)
3. ESMA's mission is to enhance investor protection and promote stable and orderly financial markets.

It achieves these objectives through four activities:

- iii assessing risks to investors, markets and financial stability;
 - iv completing a single rulebook for EU financial markets;
 - v promoting supervisory convergence; and
 - vi directly supervising specific financial entities.
4. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

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