

## PRESS RELEASE

### ESMA proposes updates to endorsement guidelines for 3<sup>rd</sup> country credit ratings

The European Securities and Markets Authority (ESMA) has published a [consultation paper](#) (CP) on updating its *Guidelines on the application of the endorsement regime* under the CRA (Credit Rating Agencies) Regulation. Endorsement is a regime under the CRA Regulation, which allows credit ratings issued by a third-country CRA, and endorsed by an EU CRA, to be used for regulatory purposes in the EU. A credit rating that has been endorsed is considered to have been issued by the endorsing EU CRA. The endorsement regime is available for CRAs of systemic importance with global networks of affiliates.

The CP sets out a number of changes and clarifications to the existing Guidelines focusing, in particular, on the obligations of the endorsing CRA and ESMA's supervisory powers over endorsed credit ratings. The main proposals concern:

1. **Obligations of the endorsing CRA** – to clarify that the endorsing CRA must be able to demonstrate that the conduct of the third-country CRA in practice and on an ongoing basis fulfils requirements that are as stringent as the EU requirements. ESMA will no longer consider this condition to be automatically fulfilled when a third-country CRA is based in a country whose legal and supervisory framework has been positively assessed by ESMA and meets a minimum threshold of investor protection and financial stability; and
2. **ESMA's supervisory powers** – to clarify that ESMA has the power to request information directly from the endorsing EU CRA about the conduct of the third-country CRA.

On 1 June 2018, the new requirements under CRA 3 will enter into force, for the purposes of endorsement and equivalence, and by updating the Guidelines now, ESMA is able to revise its methodological framework for assessing third-country legal and supervisory frameworks in advance of this deadline.

Steven Maijoor, Chair, said:

“The need to update the current Guidelines provides ESMA with the opportunity to reassess its approach to endorsement more broadly, based on our supervisory experience, and taking into account the extensive use of the endorsement regime in practice.

“A substantial proportion of the credit ratings that can be used for regulatory purposes in the EU are being introduced through the endorsement regime. In light of this extensive reliance on credit ratings produced in third countries, it is not only important that the third-country regulatory and supervisory framework meets a minimum standard, but also that we have assurance that the third-country CRA meets the requirements in practice and on an ongoing basis

“The proposed updated Guidelines make clear that ESMA can, and will, exercise its powers to request information from EU endorsing CRAs about the conduct of the third-country CRA. This is fundamental in meeting our objectives of investor protection and promoting stable and orderly financial markets.”

### **Next Steps**

The consultation period will close on 3 July 2017 and the revised Guidelines are expected to be published in Q4.

## Notes for editors

1. [33-9-159 Update of the guidelines on the application of the endorsement regime under Article 4\(3\) of the Credit Rating Agencies Regulation](#)
2. A link to the consolidated CRA Regulation is available [here](#).
3. The 2013 amendments to the CRA Regulation known as CRA 3 created a number of new requirements to CRAs operating in the EU. A link to the CRA 3 regulation is available [here](#).
4. Endorsement is currently only allowed if the third-country CRA is authorised in one of 10 non-EU jurisdictions - Argentina, Australia, Brazil, Canada, Hong Kong, Japan, Mexico, Singapore, South Africa and the United States.
5. ESMA's mission is to enhance investor protection and promote stable and orderly financial markets.
6. It achieves these objectives through four activities:
  - i. assessing risks to investors, markets and financial stability;
  - ii. completing a single rulebook for EU financial markets;
  - iii. promoting supervisory convergence; and
  - iv. directly supervising specific financial entities.
7. 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).

Further information:

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