

PRESS RELEASE

ESMA and the Japanese FSA exchanged letters establishing the cooperation framework between the EU and Japan for credit rating agencies

On 1 June 2011, the European Securities Markets and Authority (ESMA) and the Financial Services Agency of Japan (FSA), exchanged letters (known as “Exchange of Letters” (EOL)) regarding supervision and information sharing of credit rating agencies (CRAs).

The purpose of this EOL is notably to establish a mechanism for cooperation on cross border CRAs. This will create conditions for the exchange of information between authorities and the procedures concerning the coordination of supervisory activities.

Steven Maijor, Chair of ESMA, said:

“The signature of this Exchange of Letters between ESMA and the Financial Services Agency of Japan is the first cooperation agreement signed with a supervisory authority of a third country in the field of the supervision of credit rating agencies. It reflects the important progress being made to ensure an effective supervision of credit rating agencies activities at the international level.”



Notes for editors

1. The Credit Rating Agency Regulation has introduced “endorsement” and “certification” mechanisms for the benefit of CRAs established outside the European Union, where both require that a mechanism for cooperation be put in place, as set out in Articles 4 and 5 of the EU Regulation (European Regulation No 513/2011 amending EU Regulation No 1060/2009, released on 31 May 2011 by the Official Journal of the European Union).
2. One of the certification conditions for a third country credit rating agency is that the Commission has adopted an equivalence decision recognising the legal and supervisory framework of the third country as equivalent to the requirements of the Regulation. The equivalence decision would state that the legal and supervisory framework of a third country ensures that credit rating agencies authorised or registered in that third country comply with legally binding requirements which are equivalent to the requirements resulting from the Regulation and which are subject to effective supervision and enforcement in that country (Article 5(6)).
3. One of the endorsement conditions that an EU CRA must verify in order to endorse ratings is that “the conduct of credit rating activities by the third-country credit rating agency resulting in the issuing of the credit rating to be endorsed fulfils requirements which are at least ‘as stringent as’ the requirements set out in Articles 6 to 12”. For further details, please refer to the guidelines published last 18 May 2011 by ESMA on the application of the endorsement regime (ESMA/2011/139).
4. The signature of this EOL is a direct consequence of the revision of the Credit Rating Agency Regulation released by the Official Journal of the European Union on 31 May 2011. Therefore, from 1 July 2011, ESMA is empowered with the full competencies over the supervision of EU registered and certified CRAs and the exclusive power to conclude cooperation agreements with the supervisory authorities of third countries.

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