

PRESS RELEASE

ESMA sets out CRA supervision focus for 2014

The European Securities and Markets Authority (ESMA) has published its [Annual Report 2013](#) (Report) on credit rating agencies (CRAs) in the European Union (EU). The Report also outlines ESMA's supervisory work plan for this year.

ESMA has found that CRAs continue to progress in how they comply with the CRA Regulation, including improved internal transparency and disclosure to the market on credit rating activities as well as empowerment of the compliance function. However, ESMA considers that improvements are still necessary, notably in the following areas:

- validation of rating methodologies, to ensure that a credit rating assessment is a comprehensive risk assessment leading to high quality ratings;
- internal governance, ensuring the full independence of the internal review function and thereby reducing the risk of potential conflict of interest; and
- robust IT systems to support the rating process, including information security controls and protection of confidential rating information.

These issues form the basis for much of ESMA's supervision activities as outlined in its 2014 work plan. This includes the completion of the two on-going supervisory reviews into CRAs' monitoring of structured finance ratings and into small and medium-sized CRAs. A new thematic investigation on how CRAs review and validate their rating methodologies will also be launched, as well as dedicated work on CRAs' IT systems and controls. Following the entry into force of the amended CRA Regulation in June 2013, ESMA will also complete a specific assessment on CRAs' compliance with the new regulatory requirements.

Steven Maijoor, ESMA Chair, said:

“ESMA is in its third year as the EU's CRA regulator and today's report provides us with an assessment of the progress made to date. However, as shown by our recent work on sovereign ratings there are still issues around governance as well as independence,



objectivity and quality of the rating process that need to be remedied in order to restore market confidence in CRAs and their ratings.

“We will continue to proactively and intrusively supervise CRAs and work with them to address their shortcomings. This will contribute to building confidence in the transparency and smooth functioning of EU financial markets while ensuring a high level of financial consumer protection.”

The 2013 Report summarises how ESMA fulfilled its role as the supervisor of CRAs in the EU. It covers ESMA’s supervisory activities, progress in dealing with registrations, and its policy work in relation to existing and new legislative requirements. In particular, the Report focuses on the results of ESMA’s supervisory work through on-going supervision as well as thematic reviews, such as that into the sovereign ratings process of a number of CRAs, the inspections of small and medium-sized CRAs and a further inspection of the ratings publication controls in a single CRA.



Notes for editors

1. [2013/151 Credit Rating Agencies Annual Report 2013](#).
2. ESMA is now [responsible](#) for the supervision of 22 registered (at a group level) and two certified CRAs.
3. 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).
4. 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:

David Cliffe

Senior Communications Officer

Tel: +33 (0)1 58 36 43 24

Email: press@esma.europa.eu

Livia Vosman

Communications Officer

Tel: +33 (0)1 58 36 65 27

Email: press@esma.europa.eu