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Brussels, 5th September 2008

Dear Ms Velentza,

Re: European Commission's Consultation on (i) a draft Directive / Regulation with respect to the authorisation, operation and supervision of credit rating agencies (CRAs) and (ii) on policy options to address the problem of excessive reliance on credit ratings

With the present letter, we would like to express the views of our member exchanges concerning the European Commission's consultation on policy proposals regarding credit rating agencies.

The Federation of European Securities Exchanges (FESE) represents 42 Securities Exchanges (in equities, bonds, and derivatives) through 23 Full Members from all EU Member States and Iceland, Norway and Switzerland as well as 7 Corresponding Members from European emerging markets. Through its members' activities on a global scale, FESE enjoys links with the regulatory community and industry from around the world.

With regard to the proposal for a regulatory framework for CRAs, we welcome that the Commission has taken due consideration of the advice of CESR and ESME and the reports of the FSF and IOSCO and **we overall support the spirit behind the draft proposal**, which we believe is going to the right direction.

However, we find that some of the proposals are too prescriptive and we feel that more principle-based requirements would be more appropriate when it comes to setting rules in the area of corporate governance. In this regard, the draft proposals of Article 7.2 well illustrate our concerns. This article would impose **detailed corporate governance requirements** (concerning the board composition, non-executive director remuneration and independence criteria) on any CRA operating in the EU territory no matter where its head-quarters are based. This aspect deserves further attention since it would set a precedent in the European Company Law framework.

With regard to the proposals concerning the establishment of a supervisory and enforcement regime, the European Commission's draft Directive / Regulation foresees a system of authorisation and supervision involving two processes: authorisation and supervision / enforcement. DG MARKT proposes two options concerning both the **authorisation procedure and the supervisory structure**. FESE members find that **Option 1** ("National authorisation and supervision process-strong coordination through CESR with compulsory involvement of other competent authorities") would be more in line with our ideas concerning the future structure of supervision in the European territory¹. However, it would remain to be clarified as to **which criteria CESR would use to appoint the home competent authority**.

Finally, concerning the Commission services' proposals on what could be the way forward, FESE does not yet have strong views with regard to the three options put forward in the Consultation Paper. However, a combination of Option 1 and 2 looks more promising since it would avoid over-regulation and would rely on the self-regulation of the market.

We remain at your disposal should you need any further clarification.

Best regards,



Judith Hardt – Secretary General

¹ Cfr.: [FESE's Response](#) to DG Internal Market's Public Consultation Paper on Amendments to the Commission Decisions establishing CESR, CEBS & CEIOPS.