Date: July 3rd, 2017

To

European Securities and Markets Authority
Submitted via website

Reference: ESMA public consultation dated April 4th, 2017 (ESMA 33-9-159) on "Update of the guidelines on the application of the endorsement regime under Article 4(3) of the Credit Rating Agencies Regulations

Dear ESMA,

With reference to the above consultation, we are pleased to submit the views of our Association, currently representing 10 ESMA registered CRAs and two CRA registered or recognized according to national legislation outside of the European Union.

The endorsement regime is widely used by group of CRAs, as about 71% of all ratings usable for regulatory purposes in the EU are being endorsed by EU registered CRAs. We therefore understand that ESMA has a strong interest in ensuring that endorsed ratings are prepared under a framework as stringent as the European Union one. We think that the proposed guidelines will substantially increase the administrative burden on endorsing CRAs and therefore expect that these CRAs will provide to you detailed responses.

Given the expectation that CRAs based outside of the EU having their ratings endorsed in the EU need to adhere to European standards, the proposed guideline effectively means that the European Union framework on Credit Rating Agencies is being exported to other jurisdictions. In this context, we are surprised that your institution excludes Article 8d from the scope of the equivalence assessment:

- We note that Recital 48 of CRA3 includes the following: "Some of the provisions introduced by this Regulation should not apply to the equivalence and endorsement assessments. This is the case for those provisions that only establish obligations on issuers but not on credit rating agencies. In addition, provisions that relate to the structure of the credit rating market within the Union rather than establishing rules of conduct for credit rating agencies should not be considered in this context." This Recital can be used to underpin your approach.
- On the other hand, we note that Article 2 of CRA 3 on "entry into force" includes a direct reference to Article 8d. Additionally Article 4 (3) (b) as well as Article 5 (6) (b) explicitly exclude Article 8a (Sovereign Ratings), Article 8b (Information on Structure Finance Instruments) and Article 8c (double credit rating of Structured Finance Instruments) from the scope of the equivalence decision.

We therefore think that Article 8d should also be considered in the context of equivalence decisions. We note that the US Credit Rating Agency Reform Act of 2006 includes as a target "competition in the credit rating agency industry". The European Union and the United States have therefore a common objective regarding competition in the rating market.

Given that the CRA regulation provides for two separate frameworks for ratings issued in third countries, we appreciate that ESMA is carrying out both assessments in parallel. We call on the European Commission to quickly endorse ESMAs technical advice on Third country equivalence so that the "certification regime" can operate continuously.

Last but not least, we call on the European policy-makers to consider modifying the legislation relative to the Third Country "as stringent as" and "equivalent" decisions to include reciprocity of such decisions. Under the current system, the EU has opened its market to Third Country CRAs while EU CRAs face high barriers in entering these markets.

We thank you for the opportunity to provide these comments.

Sincerely yours

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EACRA President	EACRA Secretary General

On behalf of the following EACRA Members registered with ESMA: AMBERS, Assekurata, Axesor, Cerved Rating Agency, CI Ratings, Creditreform Rating, CRIF Ratings, Euler Hermes Rating, Scope Ratings