LIBA and SIFMA Europe welcome the opportunity to comment on the CESR fact finding exercise on the use in the European Union of ratings issued by third country CRAs.

We are supportive of the call for advice from the Commission regarding the implications of the introduction of the regulatory framework for CRAs. It is important for our Members that, as users of CRA ratings for regulatory purposes, the introduction of CRA regulation does not result in any disruption to their use of ratings, or where a change is necessary they are given sufficient notice to make alternative arrangements, and that it does not disrupt the global nature of ratings. It is therefore important to address the equivalence process in a timely fashion and take an outcome focussed approach.

As noted in the Joint Forum report – Stocktaking on the use of credit ratings - our Members primarily use ratings for the calculation of capital requirements under the CRD (i.e. External Credit Assessment Institution (ECAI) recognition) and our response therefore focuses on that regulatory purpose. However we note that ratings are also used, or are planned to be used in capital requirements and for identifying and classifying investments (eligibility and asset concentration requirements) in other sectors, and in disclosure. We therefore think that it is appropriate to revisit this review.

As regards ECAI recognition, our Members currently use those recognised, as indicated by the Committee of European Banking Supervisors' supervisory
disclosure\textsuperscript{1}. We note that CRAs of systemic importance will be expected to make use of the endorsement approach to third country ratings. Ultimately, however, we think it is appropriate that there is a certification determination regarding the jurisdictions in which they operate.

Our Members have not, at this stage, indicated other rating agencies that should be recognised that are not already recognised in at least one jurisdiction in the CEBS supervisory disclosure. However, they welcome the potential flexibility and competition that will be hopefully introduced by the certification of equivalence of Canada, Japan and the United States of America and the ability to use the ratings of ECAIs currently recognised in other jurisdictions in Europe.

If you would like to discuss our response further please contact either Diane Hilleard (diane.hilleard@liba.org.uk, +44 20 7367 5512) or Bertrand Huet (bhuet@sifma.org, +44 20 7743 9342)

\textsuperscript{1} Although we would note that the CEBS website is not completely up to date; for example the FSA also recognises DBRS as well as Fitch Ratings, Moody’s and Standard & Poor’s