AFME Members’ Briefing Call
8th December 2011

Further Regulation of Credit Rating Agencies: Implications for AFME Members

Speakers:
Richard Hopkin, Managing Director, AFME
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Karim Raissis, Managing Director, European Ratings Advisory, JP Morgan Chase

Moderator:
Andrew Gowers, Strategic Communications Consultant, AFME
**CRA regulation – background and timeline**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tr>
<td>Nov-09</td>
<td>Regulation 1006/2009 enacted: first time that CRAs are regulated in Europe; regulated in the US since the 1970s.</td>
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<td>Summer 2010</td>
<td>Proposed text of first amendments to the Regulation published: “CRA 2”.</td>
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<td>Nov-10</td>
<td>Public consultation on second set of amendments to the Regulation published: “CRA 3”.</td>
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<td>Jan-11</td>
<td>AFME submits detailed response to public consultation on CRA 3.</td>
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<td>May-11</td>
<td>CRA 2 enacted establishing ESMA as supervising authority for CRAs.</td>
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<td>Jul-11</td>
<td>Commission holds roundtable meeting to discuss response to CRA 3.</td>
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<td>Oct-11</td>
<td>Unofficial drafts of CRA 3 proposals emerge. ESMA confirms registration of DBRS, Fitch, Moody’s and S&amp;P.</td>
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Existing regulation of CRAs

- Requirement to register
- Governance
- Independence
- Disclosure
- Extra territorial effect through “endorsement” and “certification”
- European Securities and Markets Authority (“ESMA””) appointed as regulator
The current proposals

- Rotation
- Civil legal liability
- Over-reliance
- Approval and disclosure of methodologies
- Harmonisation of rating scales
- Further disclosure in structured finance
- Sovereign ratings
Next steps

- Draft legislation, not a consultation
- European Council
- European Parliament
- AFME’s role