


Procedure file

Basic information		
INI - Own-initiative procedure	2003/2081(INI)	Procedure completed
Role and methods of rating agencies		
Subject 8.40.03 European Commission		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs	PSE KATIFORIS Giorgos	09/04/2003

Key events			
05/06/2003	Committee referral announced in Parliament		
27/01/2004	Vote in committee		Summary
27/01/2004	Committee report tabled for plenary	A5-0040/2004	
09/02/2004	Debate in Parliament		
10/02/2004	Decision by Parliament	T5-0080/2004	Summary
10/02/2004	End of procedure in Parliament		

Technical information	
Procedure reference	2003/2081(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	ECON/5/19611

Documentation gateway					
Committee report tabled for plenary, single reading		A5-0040/2004	27/01/2004	EP	
Text adopted by Parliament, single reading		T5-0080/2004 OJ C 097 22.04.2004, p. 0034-0117 E	10/02/2004	EP	Summary

Role and methods of rating agencies

The committee adopted the own-initiative report by Giorgos KATIFORIS (PES, GR) on the role and methods of rating agencies, whose operations have largely been unregulated up to now. MEPs asked the EU competition authorities to examine whether an oligopoly has arisen within the ratings industry. They also asked the Commission to present, by July 2005, an assessment of whether any new EU legislation is required for the sector. Any provisions adopted should, they said, be consistent with the conditions relating to the recognition of rating agencies laid down in the draft directive on the capital adequacy of banks and securities firms (Basle II). The committee decisively rejected "any attempt at regulatory intervention into the substance of the opinions expressed by the agencies, by means of their ratings and other statements, regarding the creditworthiness of the debtors that they assess, or the timing of publication of such ratings". It stressed the need for total freedom of expression and for the agencies' independence from political and business influence. The committee drew attention to the critical appraisal of the activities of rating agencies undertaken by the US authorities. It called on the Commission and CESR to maintain close contact with those authorities on the conduct and outcome of their investigations and to inform Parliament of any regulatory developments decided on in the United States. Lastly, the report called for ratings agencies which take greater account than the existing agencies of the specific characteristics and needs of small businesses to be promoted in Europe. ?

Role and methods of rating agencies

The European Parliament adopted a resolution based on the own-initiative report drafted by Giorgos KATIFORIS (PES, GR) stating that it recognises the contribution made by the rating agencies in lowering of the cost of capital, insofar as they reduce information asymmetries among market participants and enhance a feeling of greater certainty about debt performance. (Please see the document dated 27/01/04.) Parliament called on the Commission to undertake all necessary steps, including in particular a cost-benefit analysis of the effects on European capital markets, to assess the establishment of a competent European Registration Scheme under the auspices of the Committee of European Securities Regulators (CESR) for the registration of rating agencies in Europe. This should be conducted on the basis of well-specified, publicly advertised criteria involving credibility with market participants, objectivity, independence, expertise of staff, adequate funding, the existence of proper procedures for identifying and dealing with conflicts of interest and transparency of operations. In upholding the freedom for agencies to express their opinions, Parliament recognized that the line between the regulation of process and the regulation of content and opinion might prove hard to draw. This is an important consideration to take into account in reaching any regulatory solution. In addition, Parliament noted that the debt of sovereign governments is rated, and that administrative requirements of regulatory agencies may be used to exert indirect pressure for higher ratings of government debt. ?