Press release

Tougher credit rating rules confirmed by Parliament's vote

Plenary sessions [16-01-2013 - 14:30]

New rules on when and how credit rating agencies may rate state debts and private firms' financial health were approved by Parliament on Wednesday. They will allow agencies to issue unsolicited sovereign debt ratings only on set dates, and enable private investors to sue them for negligence. Agencies' shareholdings in rated firms will be capped, to reduce conflicts of interest.

MEPs also ensured that the ratings are clearer by requiring agencies to explain the key factors underlying them. Ratings must not seek to influence state policies, and agencies themselves must not advocate any policy changes, adds the text. The rules have already been provisionally agreed with the Council.

"We are taking some steps forward with this new regulation, fully in line with its basic spirit, which is to enable firms to do their own internal ratings. These should provide viable, comparable and reliable alternatives to those of the rating oligopoly", said lead MEP Leonardo Domenici (S&D, IT).

Set dates for sovereign debt ratings

Unsolicited sovereign ratings could be published at least two but no more than three times a year, on dates published by the rating agency at the end of the previous year.

Furthermore, these ratings could be published only after markets in the EU have closed and at least one hour before they reopen.

Agencies to be liable for ratings

Investors who rely on a credit rating could sue the agency that issued it for damages if it breaches the rules set out in this legislation either intentionally or by gross negligence, regardless whether there is any contractual relationship between the parties. Such breaches would include, for example, issuing a rating compromised by a conflict of interests or outside the published calendar.

Reducing over-reliance on ratings

To reduce over-reliance on ratings, MEPs urge credit institutions and investment firms to develop their own rating capacities, to enable them to prepare their own risk assessments. The European Commission should also consider developing a European creditworthiness assessment, adds the text.

By 2020 no EU legislation should directly refer to external ratings, and financial institutions must not be any more obliged to automatically sell assets in the event of a downgrade.

Capping shareholdings

A credit rating agency will have to refrain from issuing ratings, or disclose that its ratings may be affected, if a shareholder or member holding 10 % of the voting rights in that agency has invested in the rated entity.

The new rules will also bar anyone from simultaneously holding stakes of more than 5% in more than one credit rating agency, unless the agencies concerned belong to the same group.

The Domenici report on the regulation was adopted by 579 votes to 58, with 60 abstentions and that on the directive by 599 votes to 27, with 68 abstentions.

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