Role and methods of rating agencies

2003/2081(INI) - 10/02/2004 - Text adopted by Parliament, single reading

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.