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What reforms for the credit rating industry?

A European perspective

Karel Lannoo

Credit rating agencies (CRAs) continue to find themselves in the eye of the storm. Despite having singled out the industry early on in the financial crisis as needing more regulation, policy-makers seem not to be reassured by the measures that have been adopted in the meantime, and want to go further. Faced with a rapid downgrading in ratings in the context of the sovereign debt crisis, European Commissioner Michel Barnier raised the possibility last May of creating a new EU-level rating agency that would specialise in sovereign debt.

The debate on the role of rating agents considerably pre-dates this crisis. As early as the 1997 South-East Asia crisis, the delayed reaction of rating agents to the public finance situation of these countries was strongly criticised. The same criticism of CRAs was levelled in the dot.com bubble in 2001. Many reports were written on their role in that episode, but it was not until mid-2008 that a consensus emerged in the EU that the industry was in need of statutory legislation. In the meantime, the US had adopted the Credit Rating Agency Reform Act in 2006. At global level, in 2003, the International Organisation of Securities Commissions (IOSCO) adopted a Statement of Principles on the role of credit rating agencies – but apparently the initiative has not been successful.

Rating agents pose a multitude of regulatory problems, none of which can be solved easily. Some of these are specific to the profession and the current market structure, whereas others are of a more generic nature. Some are related to basic principles of conduct in the financial services sector, while others are part of horizontal market regulation. The financial crisis also demonstrated the important role of rating agents in financial stability, which involves macro-prudential authorities.

This paper starts with an overview of the credit rating industry today. The second section analyses the use of credit ratings and shows how the authorities have created a captive or artificial market for CRAs. Section 3 reviews the new EU CRA regulation and its possible impact, and the final section compares proposals for regulatory reform.

The credit ratings industry today

The credit ratings industry is a global business, controlled by a handful of players, two of which are of US parentage. Moody's and Standard & Poor's alone control more than 4/5th of the market. With Fitch, the three leading players dominate over 94% of the global market (European Commission, 2008). See brief portraits of these three companies in Box 1.

As shown in Table 1, each of the three groups has suffered a serious drop in revenues since 2007, especially Fitch, whose revenues have declined by 26% since 2007, and its net income by 70%. This may confirm the finding discussed below that more competition does not necessarily improve the quality, but that newcomers, in this case Fitch, attempt to attract market share with a short-term strategy. Firms may also have abandoned ratings, which cost between €45,000 and €90,000 per annum, plus 0.05% of total value of a bond issue. Table 1 further indicates that the relative market share of the three firms has been fairly constant over the period 2006-09.

* Karel Lannoo is Chief Executive Officer at CEPS and Director of ECMI. This paper was initially prepared for the Competition Committee of the OECD, meeting in Paris, 16 June 2010. Comments from participants at that meeting are gratefully acknowledged, as well as from Piero Cinquegrana, Chris Lake, Barbara Matthews and Diego Valiante.

Table 1. Turnover and net income of the ‘big three’ ratings businesses, 2006-09 ($ millions)

		2006	2007	2008	2009	Δ 07-09
Moody’s	Turnover	2037.1	2259	1775.4	1797.2	-20.4
	Net income	753.9	701	461.6	407.1	-41.9
S&P’s	Turnover	2750	3046.2	2653.3	2610	-14.3
	Net income	n.a.	440.16	327.8	307.4	-30.2
Fitch	Turnover	655.6	827.4	731.2	613.5	-25.9
	Net income	n.a.	120.2	44	35.8	-70.2

Sources: 10-K filings to the US SEC by Moody’s and McGraw-Hill, other filings by Fimalac and Hoover, S&P’s and Fitch’s website.

Box 1. The ‘Big Three’

Moody’s investor services was incorporated in 1914 as a bond rating and investment analysis company. Today, the listed company Moody’s Corporation is the parent company of Moody's Investors Service, which provides credit ratings and research covering debt instruments and securities, and Moody's Analytics, which encompasses non-ratings businesses, including risk management software for financial institutions, quantitative credit analysis tools, economic research and data services, data and analytical tools for the structured finance market, and training and other professional services. Combined, they employ about 4,000 persons.

Standard & Poor’s was incorporated in 1941, following the merger of two firms active in credit risk analysis. Both firms originated in similar circumstances as Moody’s, in the context of the huge industrial expansion of the US in the second half of the 19th and early 20th centuries. S&P was taken over by Mc Graw Hill in 1966, the listed media concern, and it forms the most important part of the group in terms of revenues, and even more so in profits (about 73%), although these have seriously declined since 2007. S&P financial services, which includes the ratings service, employs about 7,500 persons.

Fitch Ratings – by far the smaller ‘European’ player in the sector with headquarters in New York and London – is part of the Fitch Group. The Fitch Group also includes Fitch Solutions, a distribution channel for Fitch Ratings products, and Algorithmics, a leading provider of enterprise risk management solutions. The Fitch Group has been a majority-owned subsidiary (60%) of Fimalac S.A. since 1997, which has headquarters in Paris, and is listed on Euronext, but with a very low free float. Fitch grew through acquisitions of several smaller ratings agents, including IBCA and Duff & Phelps. Fitch employs 2,266 persons.

That the credit rating business is essentially of American parentage should be no surprise, as it is an intrinsic part of the market-driven system pioneered by the US. Unlike the bank-driven model, which is common in Europe, a market-driven system relies upon a multi-layered system to make it work (Black, 2001). Reputational intermediaries – such as investment banks, institutional investors, law firms and rating agents – and self-regulatory organisations – such as professional federations and standard-setters – play an important role to make the system, in between issuers and supervisors, work. In effect, financial markets are constantly affected by adverse selection mechanisms, and investors need third-party tools such as credit ratings in order to reduce asymmetric information and increase their ability to understand the real risk of financial instruments.

Since there had not been much of a capital market in Europe until recently, banks have essentially performed the credit-risk analysis function, and continue to do so. But the credit-risk analysis capacity of European banks declined, possibly as a result of the reputational strength of the US capital market model. The introduction of the euro and a set of EU regulatory measures led to the rapid development of European capital markets, and demand for ratings. Moreover, European authorities created a captive market for an essentially US-based industry.

A captive market for CRAs in the EU

Two forms of ‘regulation’ have given the CRAs a captive market in the EU: Basel II,[1] implemented in Europe as the Capital Requirements Directive (CRD), and the liquidity-providing operations of the European Central Bank (ECB). Both explicitly use the rating structure of the CRAs to determine risk weighting for capital requirement purposes – thresholds in the former case and ‘haircuts’[2] for the ECB’s liquidity-providing operations. The United States does not use either of these practices, as it has not implemented Basel II (largely because because the Federal Reserve did not want to have the vast majority of US banks relying on CRAs for setting regulatory risk weights), and the discount window of the Fed is not based upon ratings. The Dodd-Frank Wall Street Reform and Consumer Protection Act of July 2010[3] goes even further, requiring regulators to remove any references from their rules to “investment grade” and “credit ratings” of securities.[4]

[1] The second set of the recommendations issued in June 2004 by the Basel Committee on Banking Supervision, Basel II creates an international standard that banking regulators may use in establishing regulations governing how much capital banks must set aside to counter the financial and operational risks they face.

[2] A deduction in the market value of securities being held by brokerage and investment banking firms as part of net worth for calculating their net capital

[3] Public Law 111 - 203 - Dodd-Frank Wall Street Reform and Consumer Protection Act (http://www.gpo.gov/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf).

[4] Clifford Chance (2010), p. 73.

The Basel II proposals were finalised in November 2005 after lengthy discussions, among other things, because of on its pro-cyclical impact and the use of private sector rating agents. In its 'standardised approach', to be used by less sophisticated banks, it bases risk weightings on rating agents' assessments. The capital requirements increase with the decline in the rating, from 0% for AA-rated (and higher) government bonds, or a minimum of 20% for banks and corporates up to 150% for ratings of CCC or below. However, in the EU's CRD, the risk weighting is 0% across the board for all sovereigns in the European Economic Area (EEA) funded in domestic currency. A zero-risk weighting means that a bank does not have to set any capital aside for these assets. No indication has been given so far that the reliance on rating agents for the risk weightings will be changed in the Basel III proposals, published on 12 September 2010.

Since CRAs were not subject to EU regulation at the time the CRD was adopted, the Committee of European Banking Supervisors (CEBS) issued "Guidelines on the recognition of External Credit Assessment Institutions" in January 2006. These guidelines set criteria for 'determining' external credit assessments on the basis of the CRD risk weights. The use of a rating agent for the purposes of the CRD is thus the prerogative of the national supervisory authorities. For comparison, the Japanese FSA has designated five rating firms as qualified to calculate risk weights for the standardised approach: the Big Three and two smaller Japanese firms.

The use of rating agents is possibly even more prevalent in the assessment of marketable assets used as collateral in the ECB's liquidity-providing operations. The credit assessment for eligible collateral is predominantly based on a public rating, issued by an eligible External Credit Assessment Institution (ECAI). In the ECB's definition, an ECAI is an institution whose credit assessments may be used by credit institutions for determining the risk weight of exposures according to the CRD.[5] The minimum credit quality threshold is defined in terms of a 'single A' credit assessment,[6] which was temporarily relaxed during the financial crisis to BBB-. If multiple and possibly conflicting ECAI assessments exist for the same issuer/debtor or guarantor, the first-best rule (i.e. the best available ECAI credit assessment) is applied.[7]

The liquidity categories for marketable assets are subdivided into five categories, based on issuer classification and asset type, with an increasing level of valuation haircuts, depending on the residual maturity.[8] An important group of assets in the context of the financial crisis, classified as 'category V', are the asset-backed securities (ABS), or securitisation instruments. The extent to which banks used ABS collateral in liquidity operations rose dramatically after mid-2007, from 4% in 2004 to 18% in 2007 and 28% in 2008 (Fitch, 2010, p. 7). Within ABS, residential mortgage-backed securities (RMBS) form the most important element, exceeding 50%. These securitisation instruments, and in particular the residential mortgage-backed securities segment, were an extremely important market for CRAs. Moody's, for example, assigned the AAA rating to 42,625 RMBS from 2000 to 2007 (9,029 mortgage-backed securities in 2006 alone), and later had to downgrade the assets. In 2007, 89% of those originally rated as investment grade were reduced to junk status.[9]

The EU rating agencies regulation

As the financial crisis erupted, the developments recounted above and others rapidly led to a policy consensus that rating agents should be regulated at EU level. The proposal for a regulation was published in November 2008, and adopted in April 2009, a minimum interval in EU decision-making.[10] The regulation was the first new EU legislative measure triggered by the financial crisis. It is also one of the first financial services measures to be issued as a regulation, meaning it is directly applicable, rather than a directive, which has to be implemented in national law.

The EU was not starting from scratch. Back in 2004, further to an own initiative report of the European Parliament (Katifioris report), the European Commission asked the Committee of European Securities Regulators (CESR) for technical advice regarding market practice and competitive problems in the CRAs. In a Communication published in December 2005, it decided that no legislation was needed for three reasons: 1) three EU directives already cover ratings agents indirectly: the market abuse Directive, the CRD and MiFID; 2) the 2004 Code of Conduct Fundamentals for Credit Rating Agencies,[11] published by the IOSCO; and 3) self-regulation by the sector, following the IOSCO Code.[12]

In 2006, in a report for the Commission, the CESR concluded that the rating agents largely complied with the IOSCO Code.[13] But concerns remained regarding the oligopoly in the sector, the treatment of confidential

[5] ECB (2006), *The Implementation of Monetary Policy in the Euro Area*, General documentation on Eurosystem monetary policy instruments and procedures, September, p. 43.

[6] "Single A" means a minimum long-term rating of "A-" by Fitch or Standard & Poor's, or a "A3" rating by Moody's (see ECB, 2006, p. 41).

[7] ECB (2008), *The Implementation of Monetary Policy in the Euro Area*, General documentation on Eurosystem monetary policy instruments and procedures, November, p. 42.

[8] The liquidity categories were changed in September 2008 and the valuation haircuts increased in July 2010. See latest changes to risk control measures in Eurosystem credit operations, European Central Bank, Press notices, 4 September 2008 and 28 July 2010.

[9] According to Phil Angelides, Chairman of the ten-member Financial Crisis Inquiry Commission appointed by the US government to investigate the causes of the financial crisis, quoted in Bloomberg, 2 June 2010.

[10] Regulation 1060/2009 of 16 September 2009, OJ 17.11.2009.

[11] See http://www.iosco.org/library/pubdocs/pdf/IOSCOPD180.pdf

[12] Communication from the Commission on Credit Rating Agencies (2006/C 59/02), OJ C 59/2 of 11.03.2006. It should be added that rating agents were exempted from the market abuse directive (2003/125/EC) rules on conflicts of interest disclosure, see Di Noia and Micossi (2010), p. 65.

[13] CESR's Report to the European Commission on the compliance of Credit Rating Agencies with the IOSCO Code, CERS, 06-545

information, the role of ancillary services and unsolicited ratings. In a follow-up report published in May 2008, focusing especially on structured finance, the CESR strongly recommended following the international market-driven approach by improving the IOSCO Code. Tighter regulation would not have prevented the problems emerging from the loans to the US subprime housing market, according to the CESR.

Notwithstanding the CESR's advice, the Commission went ahead and issued a proposal in November 2008, after two consultations in July and September 2008. The EU regulation:

- requires CRAs to be registered and subjects them to ongoing supervision;
- defines the business of the issuing of credit ratings;
- sets tight governance (board structure and outsourcing), operational (employee independence and rotation, compensation, prohibition of insider trading, record keeping) and conduct of business (prohibition of conflicts of interest in the exercise of ratings or through the provision of ancillary services to the rated entity) rules for CRAs;
- requires CRAs to disclose potential conflicts of interest and its largest client base;
- requires CRAs to disclose their methodologies, models and rating assumptions. CESR is mandated to set standards for methodologies and establish a central repository with the historical performance data.

The regulation came into force 20 days after its publication in the Official Journal, on 7 December 2009. But guidance had to be provided by CESR before the regulation could take effect, by 7 June 2010, regarding registration, supervision, the endorsement regime, and supervisory reporting; and by 7 September 2010, regarding enforcement practices, rating methodologies and certification. CESR has to report annually on the application.

The novelty in the regulation is the central role of CESR in providing advice regarding the requirement for registration by a CRA in an EU member state, and in informing all the other member states. The home and host member states to the CRA are required to establish a college and are required to cooperate in the examination of the application and in day-to-day supervision. Host member states are not only those where a CRA has a branch, they are also those where the use of credit ratings is widespread or has a significant impact. In these circumstances, the host country authority may at any time request to become a member of the college (Art. 29.3). Host countries can also act against an agency deemed to be in breach of its obligations (Art. 25). CESR has the authority to mediate between the competent authorities (Art. 31), which had the effect of pre-empting its transformation into a securities market *authority* under the proposals discussed as further to the de Larosière report.[14]

As the industry is essentially of US parentage, a focal point in the discussions was the third country regime. The regulation states that CRAs established in a third country may apply for certification, provided that they are registered and subject to supervision in their home country, and that the Commission has adopted an equivalence decision. However, credit ratings issued in a third country can only be used if they are not of systemic importance to the EU's financial stability (Art. 5.1), meaning that all large CRAs need to be fully registered in the EU system. In addition, credit ratings produced outside the EU have to be endorsed by the CRA registered in the EU, subject to a series of conditions (Art. 4.3). It has been argued that this regime will unnecessarily fragment global capital markets. Foreign companies will be less inclined to raise capital in the EU, as they need a local endorsement of their rating. EU financial institutions will invest less abroad, as the ratings on third country investments may be seen to be of insufficient quality, unless they are endorsed in the EU, or their rating agents are equivalent. The regime could also be qualified as anti-competitive, as smaller CRA without an EU presence, such as the two largest CRAs in Asia, may stop rating EU sovereigns and issuers. Establishing a local presence in the EU could be too costly, and the client base for these ratings would as a result diminish, since they can no longer be used by European banks (St. Charles, 2010).

Box 2. The Dodd-Frank Bill and CRAs

The new EU regime for CRAs is comparable to the new US regime, as introduced by the Dodd-Frank Bill. Whereas the US had already legislated the sector in 2006 with the Credit Rating Agency Reform Act, this was a light regime requiring CRAs to register with the Securities and Exchange Commission (SEC) in Washington, D.C., as a Nationally Recognized Statistical Rating Organization (NRSRO). The Dodd-Frank Bill fundamentally alters this regime by requiring tight operational (internal controls, conflicts of interest, qualification standards for credit rating analysts) and governance requirements, and detailed disclosure requirements (including disclosure of the methodologies used). The SEC is required to create an Office of Credit Ratings to implement the measures of the Bill, to issue penalties and to conduct annual examinations and reports.

Source: Clifford Chance (2010).

The amendments tabled by the Commission on 2 June 2010 modify the regulation to accommodate the imminent creation of the European Securities Market Authority (ESMA), and to further centralise the supervision of CRAs.[15] ESMA would become the sole supervisor, for the sake of efficiency and consistency, doing away with the complex system described above. National supervisors will remain responsible however for the supervision of the use of credit ratings by financial institutions, and can request ESMA to withdraw a licence. ESMA can ask the European Commission to impose fines for non-respect of provisions of the regulations (see Annex III of the proposal). ESMA

[14] Report of the High-Level Group on Financial Supervision in the EU, chaired by Jacques de Larosière, 25 February 2009, Brussels.

[15] Proposal for a regulation of the European Parliament and of the Council on amending regulation (EC) No 1060/2009 on credit rating agencies, COM(2010) 289/3.

may also delegate specific supervisory tasks to national authorities. The proposal does however not propose any involvement of the European Systemic Risk Board (ESRB), which could have been useful in the control of the methodologies and the macroeconomic models used by CRAs. The draft regulation finally requires issuers of structured finance instruments to disclose the same information which they have given to the CRA, as is the case under the US SEC's Rule 17g-5. This change was welcomed by the markets as it would make both regimes convergent.

The regulatory debate

The EU's regulation does not alter the fundamental problem that CRAs pose from a public policy perspective: 1) the oligopolistic nature of the industry, 2) the potential conflict of interest through the issuer-pays principle and 3) the public good of the private rating. The EU approach seems to be a second-best solution. A more fundamental review is needed of the business model of the CRAs, and which other industry sectors could provide a useful alternative model.

On the structure of the industry, the EU increases the barriers to entry, by introducing a license and setting tight regulation, rather than taking the oligopolistic nature as one of the fundamental reasons for the abuses. In addition, since statutory supervision of the industry may increase moral hazard, it gives a regulatory 'blessing' and will further reduce the incentives for banks to conduct proper risk assessments. It creates the illusion that the industry will live to the new rules, and that these will adequately supervised.

For Pagano & Volpin (2009), the preferred policy is more drastic: 1) ratings should be paid for by investors, and 2) investors and ratings agencies should be given free and complete access to all information about the portfolios underlying structured debt securities. The investor-pays principle was the rule in the US until the 1970s, but because of increasingly complex securities in need of large resources and the fear of declining revenues resulting from the dissemination of private ratings through new information technologies, the issuer-pays principle was introduced. Pagano & Volpin do not discuss, however, how to deal with free riding. But moving back to the investor-pays principle may also require further regulation to prohibit the sale of ancillary services by CRAs to issuers. The EU regulation goes in the direction of requiring more disclosure (see Annex I, Section E of the regulation), but it is questionable whether investors will read this. On the contrary, given that a supervisory *fiat* has been given, investors may be even less inclined to read all the information, as was demonstrated during the financial crisis.

Making investors pay would bring the ratings agents closer to the profession of analysts and investment advisors, which is regulated under the EU's Market in Financial Instruments Directive (2004/39). MiFID requires investment advisors to be licensed, to act in the best interests of their clients and to identify, disclose and avoid conflicts of interest. MiFID also states that firewalls must be constructed between analysts and sales departments in banks.

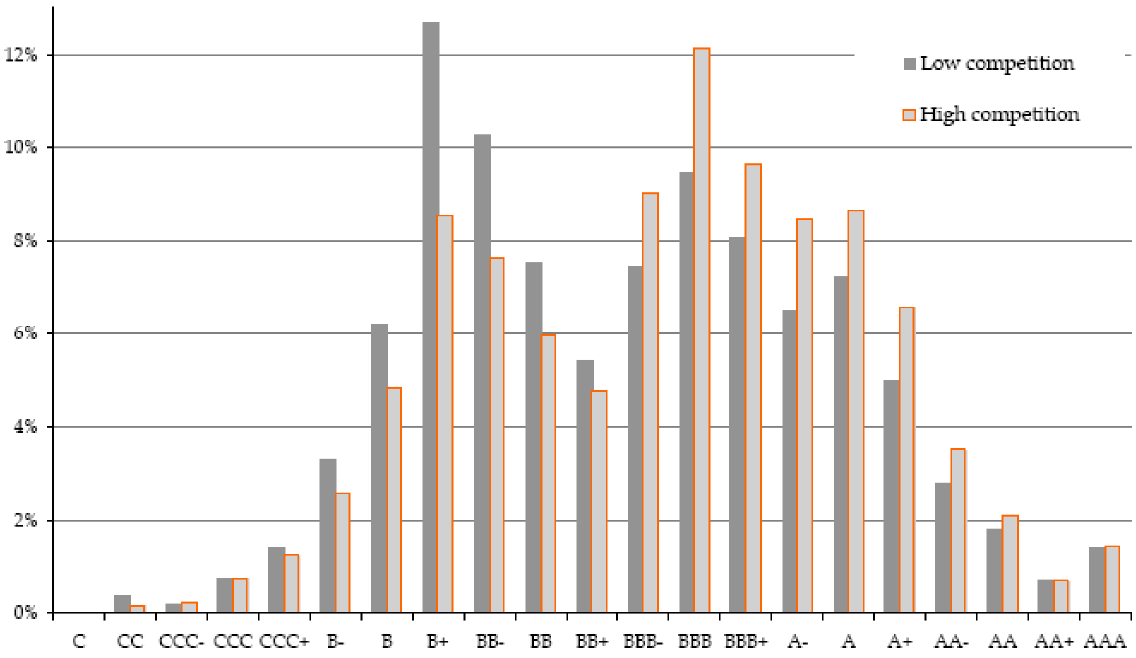
Ponce (2009) discusses an interesting alternative to the issuer-pays and investor-pays models: the platform-pays model. He demonstrates on the basis of large data sets that the transition from the investor-pays to the issuer-pays model had a negative impact on the quality of the ratings. Under the issuer-pays model, a rating agency may choose a quality standard below the socially efficient level. In this case, Ponce argues, a rating agency does not internalise the losses that investors bear from investing in low-quality securities. A rating agent may give ratings to low-quality securities in order to increase its revenues. To avoid this, Ponce proposes the 'platform-pays' model, which takes the form of a clearing house for ratings, complemented by prudential oversight of ratings' quality to control for bribery. The platform assigns the agent (based on performance and experience) and the issuer pays up front. This would at the same time overcome the oligopoly problem. The problem with this model however is that its governance will need to be completely watertight. An alternative of this model is the Rating Fund, whereby both issuers and investors would contribute to a fund, which would assign ratings based upon performance (Kotecha et al., 2010).

Other research finds that more competition would not necessarily improve standards, however. New entrants do not necessarily improve the quality of ratings – on the contrary. They attract business by friendly and inflated ratings. As competition reduces future rents, it increases the risk of the short-term gains by cheating. In an analysis of the corporate bond markets, Becker & Milbourn (2009) find a significant positive correlation between the degree of competition and the level of the credit ratings (see also Figure 1). Concretely, they find a positive correlation between Fitch's entrance in the market and ratings levels, without exception.

Considering that incentives and reputational mechanisms are key, Larry Harris (2010) proposes an entirely different approach. He takes his inspiration from the bonus debate in the banking sector, and proposes to defer a part of the payment based on results. Given that credit ratings are about the future, the performance of the securities rated would be the indicator of the fee CRAs can charge. An important part of the fees would be put into a fund, against which the ratings agencies could borrow to finance their operations. Disclosure of these deferred contingent compensation schemes would be required, so that investors can decide for themselves which schemes provide adequate incentives.

Another possibility for creating the right incentives is to move to a partnership structure in the rating business, as is common in the audit sector. The audit sector has several similarities with rating agencies: in the type of work, the importance of reputation and global presence, the network economies and the oligopolistic structure, and the conflicts of interest. The audit sector is regulated by an EU Directive (2006/43/EC) that brought the sector under statutory supervision. It sets tight rules on governance and quality control, and limits the degree of non-audit services that audit firms can perform for an audit client.

Figure 1. Firm credit ratings distribution: High and low competition in the industry



Source: Becker & Milbourn (2009).

The Directive covering the auditing industry also has an important third-country equivalence regime. It is interesting to note in this context is that at least two audit firms have recently expressed an interest in starting a rating business. The downside of the partnership model is the liability problem, however, which will deter many from being active in that way.

During the sovereign debt crisis, European and national policy-makers have repeatedly raised the possibility of 'creating' local CRAs, eventually even government-sponsored entities. A state-controlled CRA would lack independence, and hence credibility, and, as demonstrated above, it is not necessarily more competition that will solve the problem.

Conclusion

Considering the policy alternatives outlined above, the EU and the US should probably have considered the specificities of the sector more carefully before embarking upon legislation. The legislation that was adopted does not alter the business model of the industry and gives rise to side effects, the most important of which is the supervisory seal. Given the depth of the financial crisis and the central role played by ratings agents, certainly in the EU, a more profound change would be useful, towards the 'platform-pays' model or a long-term incentive structure, as discussed above.

The EU regulation, as adopted, consolidates the regulatory role of CRAs in the EU system, but the price is high. It fragments global capital markets, as it introduces a heavy equivalence process, and requires a local presence of CRAs and endorsement of systemically important ratings. It is at the same time protectionist.

Under the new set-up, CESR and its successor, ESMA, are given a central role in the supervision of CRAs, but the question is whether they will be able to cope. The supervisor needs to check compliance with the basic requirements to decide on a licence and to verify adherence to the governance, operational, methodological and disclosure requirements imposed upon CRAs. This is a heavy workload, especially considering that no supervision had been in place until a few months ago. Given the present debate on the role of CRAs in financial stability and the need for technical expertise, the European Systemic Risk Board could have been involved, but this seems not to have been considered, at least for now.

On the other hand, the advantage of having a regulatory framework in place is that the Commission's competition directorate can start scrutinising the sector from its perspective. To our knowledge, the competition policy dimensions of the CRA industry in Europe have not been closely investigated so far, as no commonly agreed definitions and tools were available at EU level, and since the sector is essentially of US parentage. EU registration for the large CRAs will allow the authorities to check their compliance with EU Treaty rules on concerted practices and abuse of dominant position. This may raise some feathers.

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About ECMI

The European Capital Markets Institute (ECMI) was established as an independent non-profit organisation in October 1993, in a collaborative effort by the European Federation of Financial Analysts Societies (EFFAS), the Federation of European Securities Exchanges (FESE) and the International Securities Market Association (ISMA), now the International Capital Market Association (ICMA). ECMI is managed and staffed by the Centre for European Policy Studies (CEPS) in Brussels. Its membership is composed of private firms, regulatory authorities and university institutes.

European capital markets have experienced rapid growth in recent years, corresponding to the gradual shift away from relationship banking as a source of funding and at the same time, have had to absorb and implement the massive output of EU-level regulation required to create a single market for financial services. These developments, combined with the immense challenges presented European financial institutions by the globalisation of financial markets, highlight the importance of an independent entity to undertake and disseminate research on European capital markets,.

The principal objective of ECMI is therefore to provide a forum in which market participants, policy-makers and academics alike can exchange ideas and opinions concerning the efficiency, stability, liquidity, integrity, fairness and competitiveness of European capital markets and discuss the latest market trends. These exchanges are fuelled by the publications ECMI regularly produces for its members: quarterly newsletters, annual reports, a statistical package, regular commentary and research papers, as well as occasional workshops and conferences. ECMI also advises European regulators on policy-related matters, acts as a focal point for interaction between academic research, market sentiment and the policy-making process, and promotes a multidisciplinary and multidimensional approach to the subject.

European Capital Markets Institute

c/o Centre for European Policy Studies (http//:www.ceps.be)

Place du Congrès 1 ▪ 1000 Brussels ▪ Tel: 32(0) 229.39.11 ▪ Fax: 32(0) 219.41.51

Website: http//:www.eurocapitalmarkets.org ▪ E-mail: info@eurocapitalmarkets.org