

PRESS RELEASE

ESMA clarifies boundary of CRA Regulation

The European Securities and Markets Authority (ESMA) has published its [Guidelines and Recommendations on the Scope of the CRA Regulation](#). The Guidelines clarify certain aspects of the scope of the Credit Rating Agencies (CRA) Regulation for registered CRAs, market participants operating on the perimeter of this sector and national securities markets regulators.

The Guidelines focus on a number of areas under the CRA Regulation, which ESMA believes require clarification following its experience of assessing applicants in the registration process and its enforcement of the perimeter under the EU supervisory regime. The areas include enforcement, rating activities, exemptions, branches of registered CRAs outside the EU, and disclosure recommendations.

Steven Maijoor, ESMA Chair, said:

“These Guidelines are aimed at clarifying, for market participants and the wider public, those activities which fall under ESMA’s CRA supervision and require its authorisation, as recent experience has shown us that unauthorised entities continue to operate at the perimeter of this new regime.

“I would remind market participants that issuing credit ratings in the EU is a regulated activity and carrying out this activity without being registered is a breach of the CRA Regulation and is subject to sanctions.

“These Guidelines will contribute to a consistent approach in the application of the CRA Regulation, ensure a level-playing field for all market participants and protect investors.”

Guidelines and Recommendations on the Scope of the CRA Regulation

The Guidelines clarify the interpretation of the scope of the CRA Regulation with respect to the following areas:

- **Enforcement of the scope of the CRA Regulation** – ESMA will take action against any CRAs issuing, endorsing, or distributing credit ratings to the public or by subscription without being registered or certified. National securities markets regulators shall keep ESMA informed in order to assist it in enforcing the regime;
- **Obligation to register** – a CRA established in the EU must be registered with ESMA in order to conduct rating activities;
- **Credit rating activities vs. credit scoring activities** – the guidelines delineate the boundaries between both activities. Credit rating activities call for the contribution of a rating analyst in terms of professional knowledge, expertise and analytical input;
- **Private ratings** – these respond to an individual, specific and documented order placed by a client; ratings distributed to a list of subscribers do not fall within the definition of private rating and therefore fall within the registration requirement;
- **Establishment of branches outside the EU by registered CRAs** – CRAs' important operational functions should not be carried out through branches established outside the EU; and
- **Credit scores** – in order to guarantee a high level of investor protection, ESMA recommends that credit scoring firms that distribute credit scores to the public in the EU provide clear and prominent disclosure that those scores are not credit ratings as defined under the CRA Regulation.

The Guidelines and Recommendations will be translated into all the official languages of the EU and these will be published on the ESMA website shortly.



Notes for editors

1. [2013/720 Final Report - Guidelines and Recommendations on the Scope of the CRA Regulation.](#)
2. [2012/841 Consultation Paper – Guidelines and recommendations on the scope of the CRA Regulation.](#)
3. ESMA is an independent EU Authority that was established on 1 January 2011 and works closely with the other European Supervisory Authorities responsible for banking (EBA), and insurance and occupational pensions (EIOPA), and the European Systemic Risk Board (ESRB).
4. ESMA's mission is to enhance the protection of investors and promote stable and well-functioning financial markets in the European Union (EU). As an independent institution, ESMA achieves this aim by building a single rule book for EU financial markets and ensuring its consistent application across the EU. ESMA contributes to the regulation of financial services firms with a pan-European reach, either through direct supervision or through the active co-ordination of national supervisory activity.

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