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**'I/A' ITEM NOTE**

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From:	General Secretariat of the Council
To:	Permanent Representatives Committee (Part 2)/Council
Subject:	Special Report No 22/2015 from the European Court of Auditors entitled: "EU supervision of Credit Rating Agencies - well established but not yet fully effective" - Draft Council conclusions

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1. On 2 March 2016, the Permanent Representatives Committee designated the **Financial Services Committee** to examine the European Court of Auditors' Special Report No 22/2015 entitled "EU supervision of Credit Rating Agencies - well established but not yet fully effective".
2. The **Financial Services Committee** examined the report and agreed on the attached text of draft Council conclusions at its meeting on 28 April 2016. The **Economic and Financial Committee** endorsed the draft Council conclusions on 13 May 2016.
3. The Permanent Representatives Committee is therefore invited to approve these draft Council conclusions and to submit them to the Council for adoption.

**Draft Council conclusions  
on Special Report No 22/2015 from the European Court of Auditors entitled: "EU supervision  
of Credit Rating Agencies - well established but not yet fully effective"**

The Council:

1. WELCOMES Special Report No 22/2015 from the European Court of Auditors entitled: "EU supervision of Credit Rating Agencies - well established but not yet fully effective", which focuses on the activities of the European Securities and Markets Authority (ESMA) as regards the registration of Credit Rating Agencies (CRAs), monitoring their performance and supervision over them;
2. CONCURS WITH the Court's overall conclusion that ESMA has laid down good foundations for carrying out the supervision of the CRAs in the EU in a short period of time, NOTES however that in certain areas there is still need for improvement and, in this context, WELCOMES ESMA's intention to follow the Court's recommendations;
3. COMMENDS ESMA on shortening the average duration of the registration process of the CRAs;

4. CALLS on ESMA to implement, within its risks-based approach, the Court's recommendations set out in the Special Report, in particular as regards:

- examining certain aspects of the design and implementation of CRAs' methodologies, in order to promote a more consistent and objective approach by CRAs in reviewing their own methodologies, whilst having due regard to the principle of non-interference by ESMA as laid down in Article 23 of Regulation 1060/2009;
- considering developing additional guidance on disclosure requirements; and
- examining, as a priority, in a structured manner the systems put in place by the CRAs for dealing with conflicts of interest.

Furthermore, ESMA should also enhance its work documentation and traceability, as appropriate.

5. INVITES ESMA to report to the Council via the FSC by end-2016 on the implementation of these recommendations.

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