

## PRESS RELEASE

### **ESMA publishes annual report and supervisory focus for CRAs and TRs**

The European Securities and Markets Authority (ESMA) has published today an annual report ([Report](#)) on its direct supervisory activities in 2014 regarding credit rating agencies (CRAs) and trade repositories (TR). The report summarises the key actions taken during 2014 and outlines ESMA's supervisory work plans for both sectors for 2015.

#### **Credit Rating Agencies**

ESMA is now responsible for overseeing the activities of 27 registered and certified CRAs in the EU. As part of its supervisory work in 2014 ESMA concluded its investigation into the issue of structured finance ratings, completed a review of small and medium-sized CRAs and conducted work regarding sovereign ratings. In addition, ESMA issued its first enforcement decision under the CRA Regulation in respect of internal control failings.

ESMA is continuously enhancing its risk-based approach to the supervision of CRAs in order to focus on those risks which could have the highest impact on the quality of credit ratings. The key priorities for 2015-2016 are to tackle the systemic risks posed by CRAs by seeking to minimise conflicts of interest in the rating process.

#### **Trade Repositories**

Since February 2014 when derivatives reporting started, a total of almost 10 billion reports have been received and processed by the six registered TRs while the number of entities which have direct reporting agreements with TRs is now nearly 5,000. As of early January 2015, around 300 million derivative trade reports are being submitted on a weekly basis.

Following some problems at the start of trade reporting, as with any major new reporting system, ESMA's supervisory focus has now shifted to the quality of the reported data and to ensuring appropriate data access by regulators, taking into account the scale and complexity of TR systems and of the data now flowing into them.

Steven Maijoor, ESMA Chair, said:

“Giving responsibility for the direct supervision of credit rating agencies to ESMA was one of the EU’s first regulatory responses to the financial crisis. The aims of this were to ensure financial stability and a high level of investor protection. Such objectives remain valid in the current economic and financial environment where new policy initiatives at European level, like measures to stimulate alternative sources of funding to traditional banking, emphasise the need for high quality credit ratings.”

“The first year of the derivatives reporting regime in the EU has been a period full of challenges for all stakeholders and a lot of work has been done to streamline the functioning of the process. The long on-boarding queues are now behind us and the data reported to the TRs have proved to be useful for market surveillance and transparency. The emphasis in 2015 for ESMA and the EU national regulators will be the improvement of the quality of the data reported to the registered TRs and there are several initiatives already in place.”

“ESMA will continue to exercise its direct supervisory powers in 2015 through on-going supervision and investigations as well as through complaints handling and enforcement work.”

### **CRA Supervision - Key Priorities 2015-16**

ESMA continues to look at minimising conflicts of interest in the rating process and promoting effective risk management, strong governance and controls and in 2015-16 it will focus on the following issues in this area:

- CRAs’ governance, risk management and internal decision making processes;
- CRAs’ business development processes.

ESMA will continue a number of major investigations during 2015-16, including investigations into the review and validation of ratings methodologies and into IT internal controls and information security. ESMA will also follow up on recently concluded investigations regarding Structured Finance and SMEs in order to ensure the effective implementation of the remedial action plans.

## **TR Supervision – Key Priorities 2015**

In 2014 ESMA has identified a number of risks and issues regarding data quality; onboarding and access to data by authorities; systems performance and operation; and confidentiality of data. While measures and action plans were developed and applied in 2014, considering the scale of the work this is expected to continue well into 2015.

In terms of thematic reviews and investigations, these will be carried out on the following issues across all TRs:

- Inter-TR reconciliation process;
- Business continuity planning; and
- Cost relatedness of fees.

Finally, a number of individual reviews and investigations will focus on TR systems software development lifecycle, data availability and regulators' access to TRs and the confidentiality of TR data.



## Notes for editors

1. 2015/280 [ESMA supervision of Credit Rating Agencies and Trade Repositories / Annual report 2014 and work plan](#)
2. In 2011 ESMA was designated as the single supervisor of credit rating agencies within the EU in accordance with the provisions of the credit rating agencies Regulation. The following year, ESMA was given direct responsibility for the registration and supervision of trade repositories under the European Markets Infrastructure Regulation (EMIR). This direct supervision responsibility became effective on November 2013 with the registration of six EU-based TRs.
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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