

Send by email to cp43@c-eps.org

Object: Coface response to the CEBS consultation paper n°43

Dear Madam, dear Sir,

Having read the consultation paper n°43 available on the CEBS website, Coface, recognised as an ECAI institution in France and Portugal, welcomes the opportunity to answer. In the consultation paper, the CEBS gives the advice to the European Commission not to elect entities producing credit risk assessment based on a credit scoring system to the ECAI status.

The main reason to this advice is given in its article 8. It states that such allowance would create « an unlevel playing field between CRAs and entities producing only credit scores and [...] a lack of transparency for both supervisors and the market ».

We strongly object on both issues.

1- Regarding competition, we think on the contrary that this modification would strongly alter the present playing field, a field which is already biased in the favour of the 3 leading Credit Rating Agencies (as an example, they were the only players granted a fast track for ECAI recognition). This at a time (after the recent financial crisis) when it is generally recognised that we need an increased multiplicity and diversity of credit opinions. The new rule would automatically reduce the number of eligible companies, and reduce the competition, by eliminating all companies which are only producing scores (companies which were not particularly criticised for the performance of their credit assessments during the crisis), while it would heavily advantage the 3 leading CRAs (meaning those players which have been highly criticised during the crisis).

This reduction in the number of players would also be a reduction in the quality of the offer, since the tools and techniques necessary to build a good rating, or to build a good score, are totally different. Most actors strong in ratings are very poor in scoring and vice versa.

2- We are also surprised that the election of such entities would result in a reduction in «transparency». If this refers to the transparency of the processes of targeted companies, it contradicts with the approach adopted by the current ECAI procedure: today, all entities which have been recognised as ECAI fully meet, by definition, the transparency obligation as detailed in Annex IX Part 3 of Directive 2006/48/EC. Otherwise, they would not have been recognised.

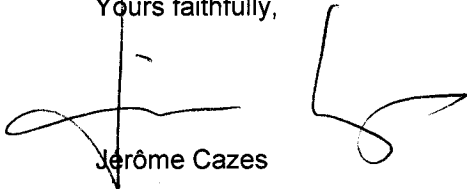
If by transparency it is meant "transparency in the instruments", i.e. a clear difference between scores and ratings, we fully support this need. But this risk does not exist. Supervisors know very well the difference. And users of both instruments are experts, and know exactly the difference between a score and a rating.

3- A last argument is that this modification would strongly penalise the SME sector and its financing. The CRA approach on SMEs is inefficient: quality of their accounts are generally poor, and cost of a full rating process is not affordable (particularly with the pricing of the present CRA oligopoly). On the contrary, the score approach is very efficient to assess the credit risk on SMEs, and used by all financial institutions. Refusing the scoring approach would be strongly detrimental to SMEs in their access to credit markets.

Consistency and performance of the credit assessments produced should continue to be the only criteria retained in electing an entity to the ECAI status.

We therefore recommend that the regulation recognises that credit scoring techniques remain an instrument among others to produce credit assessment and that entities that make use of such techniques remain legitimate candidates for ECAI recognition.

Yours faithfully,


Jérôme Cazes