

Rating agency: Coface filed for accreditation with the CESR

Coface intends to become the first global European rating agency and to contribute towards restoring confidence in corporate ratings

On the 13th of July Coface filed its accreditation request with the CESR (Committee of European Securities Regulators) as a rating agency specialising in corporates, for its 10 rating agencies in Europe. Coface offers an alternative to the traditional 3 rating agencies, as well as a response to the issues concerning independence and responsibility which currently place the rating agencies at the heart of the actual debate on ratings.

An accreditation to contribute towards restoring confidence in ratings

Coface filed its request for official accreditation with the centralising body, the CESR, which is the single point of entry for the registration and supervision of rating agencies in Europe. The latter will validate the request and send it to the relevant local authorities in the countries for which Coface is requesting accreditation (France, Germany, United Kingdom, Italy, Spain, Portugal, Belgium, the Netherlands, Poland and the Czech Republic) who will then process an application. The results should be known within 6 months after filing.

The accreditation will allow Coface's ratings to be recognised by investors as credit ratings, in terms of the European regulation. All existing rating agencies, including the 3 global players on the market, have to file before the 7th of September, to obtain the same official European recognition.

Coface wishes to provide corporates and investors with an alternative to the traditional 3 global rating agencies- an alternative with 4 strong points:

- **A recognised expertise**

Assessing a company's probability of default is the core of the credit insurance business that Coface has been doing for 60 years. Since 2003, Coface has been producing internal ratings on all of its major exposures (over €15 million on average). In 2009 it tested this internal rating as a public rating, in both France and in Hong Kong. And since the beginning of 2010 it has been making all of its 12,000 internal ratings worldwide become public ratings.

- **A global and decentralised rating agency**

Coface ratings are produced in its 14 rating entities in Europe, Asia and the US (16 by the end of 2010). Ten of them, located in the European Union, apply the same procedure and production standards as described on the Coface Group website (on www.coface.com, in the "What we do-

ratings and business information” section) and numbers 85 analysts and 85 support functions (of approximately 150 analysts and 100 support functions worldwide). All ratings are strictly controlled.

- **An original model, limiting the risks of conflict of interest**

Coface only rates companies on which it has a significant credit risk exposure: credit insurance is the first customer for Coface ratings. This ensures a strict alignment of Coface, and of Coface ratings’ users interests, since Coface cannot afford complacent ratings.

And Coface does not receive a payment from the rated company: the rating is free of charge for the rated company. Coface ratings are public in 2 ways: the rated company can use Coface ratings in its communication; and interested financial institutions can access the ratings by taking a subscription (this is presently being tested, and will be commercially launched at the end of the year when all internal ratings have moved to public status).

- **An alternative to an oligopolistic industry**

Competition is the best way to improve the corporate ratings quality and reinforce confidence in ratings. Coface’s model will enable medium sized companies to have access to an international rating, anywhere in the world, by facilitating their access to financing.

This filing by Coface should not be a surprise: the President of the European Central Bank, Jean-Claude Trichet, has just declared that *“it is probably the right time to cease having a worldwide oligopoly of three agencies”*. *“Coface has been working on this project for nearly 10 years, declares Jérôme Cazes, CEO of Coface, and the expertise of credit insurers in ratings has been recently recognised by the Governor of Banque de France, Christian Noyer. One of the main objectives of the new European regulation for ratings was to increase competition, and facilitate the development of new players, with a different business model ”*.



- 14 Existing rating centres
- 3 Rating centres planned for 2011
- 19 Countries with at least one rating analyst