



# Communication

Coface Credit Rating (CCR)

7 June 2010

## PRESS RELATIONS UPDATE

### 1. Fact and events concerning the Rating agencies Topic

- June 2: Rating agencies, already strongly criticized regarding their sovereign ratings in Europe, are all the more blamed when some Moody's ex employees underline the pressure they received to give good ratings even if the products were not worth it.
- June 2: Christian Noyer, French central bank governor, told the Handelsblatt (one of the main German financial newspaper), that he thought credit insurers could become rating agencies (see articles below)
- June 7: Start of the "window" for accreditation applications for existing rating agencies according to the European regulation. Window will close on September 7.

### 2. Coface interviews and messages

Jérôme Cazes made interviews with Handelsblatt, La Tribune and BFM radio last week.

Summary of the messages:

- There are very different categories of rating, corporates on one part (no systemic risk), States and Banks on another (systemic risk).
- Coface is going to apply for certification in June, only for corporates. The market needs more competition.
- For States (sovereign ratings) and banks there are 2 solutions: either to create a European public rating agency, or to open the private market to competition. If authorities choose the 2d solution, then Coface will be candidate to extend its application to sovereign ratings. Technically Coface could be ready by the end of the year.

### 3. Articles and summaries of articles published

#### **Credit insurers could challenge ratings agencies: Noyer**

FRANKFURT, June 2, 2010 (AFP) - Credit insurers have what it takes to be fully-fledged financial ratings agencies and compete with existing ones, French central bank governor Christian Noyer said Wednesday in a press interview.

Groups that insure credit "have the know-how and experience, and they are even made to pay if they are wrong," Noyer said told the German business daily Handelsblatt. "They could

easily conquer the ratings market."

Credit insurers, like the German group Euler-Hermes, owned by insurance giant Allianz, or France's Coface, owned by the Natixis group, sell companies insurance against client defaults and must thus accurately evaluate risks.

Noyer's comments come as the major international ratings agencies located in the United States and Britain countries have been criticised for their role in the global financial crisis.

Agencies on which much finance currently depends for information failed to assess the dangers of complex instruments that contributed to the sub-prime crisis and are allegedly too close to some of the companies they evaluate.

Groups like Standard and Poor's, Moody's and Fitch also issue ratings for the debt of sovereign countries, and have downgraded those for countries like Greece and Spain, fuelling concern about stability in the 16-nation eurozone.

"We need clear rules for ratings agencies," Noyer said, such as a ban on using the same scale for both complex financial instruments and classic investments such as sovereign bonds.

He also warned about allowing agencies to offer advisory services to the same companies they are rating.

Further, the timing of agency decisions and their communication to the public should come under closer control, Noyer said.

### **Les assureurs crédit feraient de bonnes agences de notation (Noyer)**

FRANCFORT, 2 juin 2010 (AFP) - Les assureurs crédit auraient l'expertise et l'expérience pour devenir des agences de notation financière à part entière, a estimé le gouverneur de la Banque de France, Christian Noyer, dans une interview parue mercredi dans le journal allemand Handelsblatt.

Les assureurs crédit ont "l'expertise et l'expérience requise" pour faire leurs propres notations, a estimé M. Noyer. "Ils pourraient facilement conquérir le marché de la notation".

Les assureurs crédit, comme l'allemand Euler-Hermes (groupe Allianz) ou le français Coface (groupe Natixis), permettent à une entreprise de se prémunir contre les risques d'impayés de ses clients. Ils ont ainsi tout intérêt à ce que leur évaluation des risques soit correcte.

Les propos du gouverneur de la Banque de France interviennent alors que le rôle des grandes agences de notation dans la crise financière est critiqué aussi bien par le Fonds monétaire international (FMI) que la Commission européenne ou encore les gouvernements.

Trois grandes agences font la pluie et le beau temps: Standard and Poor's (SP), Moody's et Fitch. Leurs notes sur la capacité d'une entreprise ou d'un Etat à rembourser ses dettes sont des éléments essentiels pour fixer les taux d'intérêt sur les marchés.

SP a ainsi relégué la Grèce, qui croule sous les dettes au point d'avoir fait appel à l'aide de ses partenaires de la zone euro et du FMI, dans la catégorie spéculative, celle des émetteurs d'obligations "pourries". La semaine dernière, Fitch a abaissé la note de l'Espagne.

"Nous avons besoin de règles claires pour les agences de notation", a insisté M. Noyer. Par exemple elles ne devraient pas être autorisées à utiliser la même échelle de notation pour des produits financiers complexes que pour des titres classiques comme des obligations, a-t-il estimé.

Il faut aussi éviter des conflits d'intérêt entre les agences de notation et leurs clients, a-t-il rappelé, comme lorsqu'elles mènent des activités de conseil aux mêmes établissements qu'elles notent.

Le moment de la prise de décision des agences et leur communication devraient aussi être encadrés, selon lui.

etb/len/sr

**HANDELSBLATT 2 June 2010**

**<http://www.handelsblatt.com/politik/international/ratingagenturen-sarkozy-zwingt->**

**merkel-in-die-defensive;2592696**

**Title: The European President**

The context:

Nicolas Sarkozy wants to install a European economic governance which should harmonise the fiscal and budget policy of the Euro-countries.

Also Jean-Claude Trichet wants a budgeting union. Christian Noyer, Gouvaneur of the French Central Bank, promotes the vision of a European rating agency in order to reduce the dependency of Moody's, S&P and Fitch, which were also responsible for the European debt crisis. The tasks of such a European competition agency could be perfectly assumed by credit insurers. "They could easily conquer the rating market", said Christian Noyer. "They have the know how and the experience".

In the article the CEOs of Coface, Euler Hermes and Atradius are quoted. Wilfried Verstraete, Euler Hermes, said that he would not refuse such a European initiative. Holger Alich refers to the fact that Euler Herms changed its attitude in this matter. Weeks ago, Euler Hermes said they were not interested to enter the rating market. " This is no attractive business", they said. Peter Ingenlath, Atradius, is also considering entering the rating business if there is an appropriate political environment for this.

The article says that Coface is already preparing for the new European era.

Jérôme Cazes is quoted as follows:

The application for the admission of Coface at a Rating Agency has been filed with the supervisory authorities. We will start at the end of this year. German Banks have already shown interest in Coface ratings.

At our competitors you have to pay for a rating. Its subsequent use is free. We work the other way round. Potential conflicts of interest will thus be excluded - unlike Moody's, Fitch and S&P.

Supported by Noyer and Sarkozy, Cazes hopes that the authorities will also use Coface ratings in future, e.g. for determining equity capital limits of banks. Supervisory authorities have to rely on ratings - a fact that eventually provides the basis for the power of Moody's & Co.