25 September, 2003

For Immediate Release

PRESS RELEASE

The Technical Committee of the International Organization of Securities Commissions today issued a Statement of Principles regarding the manner in which CRA activities are conducted.

The Statement of Principles set out high-level objectives that the Technical Committee believes will reinforce the integrity of the rating process and assist CRAs in providing investors with informed, independent opinions and analyses. These principles include:

1. CRAs should endeavor to issue opinions that help reduce the asymmetry of information among borrowers, lenders and other market participants;

2. CRA ratings decisions should be independent and free from any political or economic pressures and from any conflicts of interest arising due to the CRA’s ownership structure, business or financial activities, or the financial interests of the CRA’s employees. CRAs should, as far as possible, avoid activities, procedures or relationships that may compromise or appear to compromise the independence and objectivity of the credit rating operations;

3. CRAs should make disclosure and transparency an objective in their ratings activities; and,

4. CRAs should maintain in confidence all non-public information communicated to them by any issuer, or its agents, under the terms of a confidentiality agreement or otherwise under a mutual understanding that the information is shared confidentially.

Each of the four overarching principles have sub-principles that set forth ways to achieve the main objectives.

In announcing the publication of the principles for addressing analyst conflicts of interest, US Securities and Exchange Commissioner Roel C. Campos, who led the group tasked
with developing the Principles, stated, “Credit rating agencies can provide a valuable service to market participants when they issue opinions unclouded by conflicts of interest or threats to their analytical independence, where they devote themselves to offering careful, studied analysis, and where issuers provide rating agencies with the full and accurate disclosures that they should. The Technical Committee’s Statement of Principles will guide CRAs’ activities in view of their important role in our financial markets. Because these Principles focus on objectives rather than methods or standards, they will prove useful in all IOSCO jurisdictions, regardless of the level of market development, legal systems and policy choices of the different IOSCO members.”

Alongside the Statement of Principles, the Technical Committee today also published its “Report on the Activities of Credit Rating Agencies.” The Report follows a cross-border study conducted by the IOSCO Credit Rating Agency Task Force, and describes how CRAs operate in different IOSCO jurisdictions, issues of concern for regulators, CRAs, investors and issuers relating to CRA activities, and how the Statement of Principles is designed to address these concerns.

David Knott, chairman of the Australian Securities and Investment Commission and Chairman of IOSCO’s Technical Committee, applauded the Task Force’s work: “Fairly or not, rating agencies have been in the spotlight in the wake of recent high-profile corporate scandals. The Statement of Principles Regarding the Activities of Credit Rating Agencies offers a set of high-level approaches to buttress CRA analytical independence and protect the quality of CRA opinions in ways that reassure issuers and investors alike.”

IOSCO is a world-wide forum for securities regulators that promotes cooperation and high standards of regulation in order to maintain fair, efficient and sound markets. IOSCO currently includes 168 members from more than 100 jurisdictions. The IOSCO Technical Committee comprises 15 securities regulators from larger, more internationalized markets that meet to review major regulatory issues related to international securities and futures transactions and to coordinate practical responses to these concerns.

A copy of the Statement of Principles Regarding the Activities of Credit Rating Agencies and the IOSCO Report on the Activities of Credit Rating Agencies can be accessed via the IOSCO Internet website (www.iosco.org) or obtained from the IOSCO General Secretariat.

For more information contact:

Mr. Philippe Richard
Secretary General
IOSCO

Tel:   (3491) 417 55 49
Fax:   (3491) 555 93 68
Email: mail@oicv.iosco.org