



**Via E-mail**

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**Comment on the Consultation Report on Implementation of the IOSCO  
Fundamentals of the IOSCO CRA Code**

**Response by EFFAS - European Federation of Financial Analysts Societies**

Dear Ms. Rijk,

The European Federation of Financial Analysts Societies, EFFAS, is the European umbrella organisation of national investment professional societies. It comprises 24 member associations representing more than 14,000 investment professionals in the areas of Equity and Bond Research, Asset and Portfolio Management as well as Investment Advice.

We take pleasure to comment on the review of implementation of the IOSCO Fundamentals of a Code of Conduct for Credit Rating Agencies (IOSCO CRA Code) which was published as of 14 February 2007.

We appreciate the findings according to which a major part of bond issues are rated by rating agencies that have implemented the IOSCO CRA Code completely. Even though the chief objectives of the IOSCO CRA Code seem to have been accomplished thereby, one must not ignore that the majority of the (mid- or small-size) rating agencies have not adopted and published codes of conduct that, if at all, are consistent with the IOSCO CRA Code. One should further note that the IOSCO CRA Code are partly characterised by a high degree of abstraction. This necessarily makes it more difficult to determine whether the rating agencies have in fact duly adopted the IOSCO CRA Code, and this fact may not even be considered adequately in the consultation paper. The task force, for instance, does only examine the statements of the rating agencies. Effective control of the implementation of specific guidance rules requires thorough analysis of the business operations of the rating agencies. The high level of abstraction leaves room for interpretation regarding the restrictions the rating agencies promise to observe. This is not sufficient.

We suggest that unitary minimum standards are put in place. The Society of Investment Professionals in Germany (DVFA) has established an independent commission for rating standards with the function of developing and promoting rating standards.

An example could be the DVFA Rating/Validation Standards (Updated version August 2006), which are attached. Insofar, the DVFA Rating/Validation Standards with their relatively detailed rulings may further reduce the range of possible interpretation and provide a helpful tool in the sense of a supplemental quality standard for rating agencies.

Yours sincerely,



Fritz H. Rau  
Chairman of EFFAS



Giampaolo Trasi  
Chairman of the EFFAS MSC

**Attachment**  
DVFA Rating Standards