FITCH COMMENTS ON RECENTLY ANNOUNCED EU REGULATION ON CREDIT RATING AGENCIES

Fitch Ratings-London/NY-23 April 2009: Fitch Ratings notes that the European Parliament has today voted to approve a Regulation concerning the activities of credit rating agencies. Fitch has long acknowledged the benefits to the capital markets of an enhanced regulatory framework for credit rating agencies. Fitch commends the Czech Presidency for coordinating the input from the Member States, and working with the Commission and the Parliament. As Fitch has previously indicated, a regulatory framework that provides for global consistency is the most effective means of realizing the goal of efficiently operating global capital markets.

Over the past 18 months, Fitch has focused on a variety of analytical and organizational efforts aimed at improving the reliability and transparency of its rating process. These new regulations are consistent with the spirit of these efforts. Fitch believes that ratings remain an important component of investors' decision making process and that the proper regulatory framework will ensure investors have the appropriate level of confidence in the rating process.

Last month, IOSCO confirmed that Fitch has substantially implemented the revisions of the Credit Rating Agency (CRA) Code. According to IOSCO, the CRA Code is designed to protect investors and enhance market efficiency by improving the transparency by which credit rating agencies decide on ratings. Its provisions also are intended to guard against conflicts of interest and other factors that may unduly influence a CRA's analysis and ratings away from the actual merits of an issuance.

The new Regulation includes additional rules, the majority of which are similar to steps Fitch was already taking, confirming support for the direction in which Fitch is heading. For example, the new rules make reference to the separation of business and credit, the publication of transparent research and criteria and the review of data quality. Fitch has revised or introduced numerous processes and procedures that are consistent with these rules.

Fitch notes that there are certain provisions in the new Regulation that require further clarification including the form and type of disclosure required for data related to structured finance transactions and the specific types of data quality checks expected of the credit rating agencies. In addition, while Fitch acknowledges the value of analyst rotation, certain rules requiring such rotation may need to be clarified to prevent the unintended loss of analytical expertise from the rating process and the resulting potential deterioration in the quality of ratings. Fitch will work with CESR in order to obtain the additional clarity necessary for implementation.

Fitch believes that a global credit rating agency regulatory framework that promotes consistency, greater transparency, and enhanced reliability is a key component to the efficient operation of the global credit markets. Fitch will continue to work with local and national regulators and policymakers in EMEA, the Americas and Asia to contribute to the development of that framework.

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