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## **SME UNION President Leitl: Regulation of rating agencies first step for rearrangement of Europe's financial structure**

"The proposal of the European Commission regarding the regulation of rating agencies is an important first step of rearranging Europe's financial structure. It is beyond question that the rating agencies are part of the cause of the financial crisis when they underestimated the risk of structured credits", emphasized SME UNION President Christoph Leitl.

The Commission's approach seems to be right and especially more competition between these agencies will raise the quality. However Leitl wants to go further: He demands the creation of a European Rating Agency with a clear mandate and set of laws: "With respect to liquidity-providing operations by the European Central Bank and national central banks (Eurosystem) a rating by the European Rating Agency should be mandatory for the collateral provided by counterparties in these operations." Besides that, better supervisory standards for all operating rating agencies would be necessary which will also avoid conflicts of interests between rating agencies. This rating agency could be financed via "private-public-partnership" including the public sector and EU businesses.

With the new proposal, conflicts of interest which occur in the rating business should be diminished. "It is necessary to have on the one hand a regulation of the rating agencies' activities and on the other hand to eliminate existing conflicts of interests. Rating methods should thus become more transparent which will enable especially small and medium-sized enterprises to better evaluate their investment decisions", explained the SME UNION President.

"The stability of the financial system as an important source for SME finance has to be re-established and lessons learnt from the current financial crises should be taken into account. Both, the financial system and the real economy urgently need this security and stability", underlined Leitl. "Next to this first step addressing the issue of rating agencies, the EU Commission has now to come up with further concrete business support measures such as easier access and transfer of structural fund money into the regions to finance even faster existing projects. A temporary more flexible state aid regime would also allow the member states to react more supple to the current economic decline", concluded the SME UNION President.

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**SME UNION** (Small and Medium Entrepreneurs Union) of the EPP (European People's Party) is the network of pro-business Christian-Democrat, Conservative and Liberal politicians and political organizations. Its main objective is to help in shaping EU policy in a more SME friendly way. [www.sme-union.org](http://www.sme-union.org)