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The Final Report details a number of changes and clarifications to the existing Guidelines focusing on the obligations of the endorsing CRA, the conduct of the third-country CRA, and the third-country legal and supervisory framework. It also clarifies ESMA's supervisory powers over endorsed credit ratings and the notion of objective reasons.

Endorsement is a regime under the CRA Regulation, which allows credit ratings issued by a third-country CRA, and endorsed by an EU CRA, to be used for regulatory purposes in the EU. Endorsement is currently used by the largest CRAs in the EU. Today, more than two thirds of the credit ratings that can be used for regulatory purposes in the EU are introduced through the endorsement regime. Nearly all endorsed credit ratings relate to non-EU issuers and financial instruments.

Steven Maijoor, Chair, said:

"In light of the importance of credit ratings produced in third countries and used in the EU, it is necessary that third-country regulatory and supervisory frameworks meet high standards, and that we also have assurances that third-country CRAs meet these standards in practice and on an ongoing basis.

"The updated Guidelines make clear that ESMA can, and will, exercise its powers to request information from EU CRAs about endorsed credit ratings. Ensuring that endorsed credit ratings fulfil the same high standards as credit ratings issued in the EU is fundamental to investor protection and promoting stable and orderly financial markets."

The main changes introduced by the updated Guidelines refer to:

- **Obligations of the endorsing CRA** – when an EU CRA endorses a credit rating it must be able to demonstrate that the conduct of the third-country CRA that elaborated the credit rating fulfils requirements that are at least *as stringent as* the EU requirements. ESMA will no longer consider this condition to be automatically met when a third-country CRA is based in a jurisdiction whose legal and supervisory framework has been positively assessed by ESMA;
- **ESMA's supervisory powers** – ESMA clarifies that it has the power to

request periodical information directly from the endorsing EU CRA about an endorsed credit rating and the conduct of the third-country CRA; and
- **Objective Reasons** – when a credit rating is endorsed there must be an objective reason for elaborating the rating outside the EU. ESMA provides transparency on how it assesses this requirement.

The Guidelines will take effect on 1 January 2019, in order to give CRAs sufficient time to adapt policies and procedures to take into account ESMA's additional guidance on the requirements which are *as stringent as* EU requirements – these will be developed by ESMA in 2018.

Eligibility of third-country jurisdictions for endorsement and equivalence

ESMA has also published its Final Report on *Technical advice on CRA regulatory equivalence – CRA 3 update*. CRA 3 will enter into force on 1 June 2018 for the purposes of endorsement and equivalence. The Technical Advice (TA) to the European Commission assesses the legal and supervisory framework of the nine jurisdictions (Argentina, Australia, Brazil, Canada, Hong Kong, Japan, Mexico, Singapore and United States), which until now have been eligible for equivalence and endorsement. The advice covers:

ESMA deems that the countries under assessment continue to meet the requirements for endorsement taking into account the new CRA 3 requirements. These countries will continue to benefit from the endorsement regime after 1 June 2018. ESMA's decision on endorsement is final and not subject to approval by the European Commission.

Equivalence allows a non-systemic CRA without any physical presence in the EU to be certified by ESMA. Currently four certified CRAs located in three non-EU jurisdictions rely on this regime. ESMA has concluded that the local legal and supervisory frameworks of these three jurisdictions, as well as of Canada and Hong Kong, meet the objectives of the additional CRA 3 requirements for the purposes of equivalence.

The countries whose legal and supervisory frameworks were assessed as not fully meeting the requirements are Argentina, Australia, Brazil and Singapore. However, the CRAs established in these jurisdictions currently rely only on the endorsement regime – not on equivalence.

As these jurisdictions' legal frameworks are equivalent to CRA 1 and 2 and parts of CRA 3, ESMA has invited the European Commission to explore the possibility to consider granting a transitional period to allow the relevant authorities to further develop their regulatory regimes. The final determination of equivalence is the exclusive prerogative of the European Commission.

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Steven Maijoor speech at EFAMA's Investment Management Forum

In the course of his speech he highlighted that ESMA, as part of its work in the fund management space, would perform further work on closet indexing – beginning with gathering comprehensive information from NCAs on the results of their work/investigations at national level – and also further supervisory convergence work on performance fees.

Non-state and subnational climate actors should not operate in a policy vacuum

Civil society, cities and regions call for targeted support for their vital contribution to implementation of the Paris Agreement

Despite an unprecedented mobilisation of non-state and subnational actors in the fight against climate change since the historic COP21 summit in Paris, a lack of comprehensive and aligned policy framework for their actions is seriously thwarting their valuable work, it was revealed at the conference "Boosting cooperation between all actors to implement the Paris Agreement", co-hosted by **the European Economic and Social Committee** (EESC).

The conference was held as a side event at the UNFCCC COP23 in Bonn on 15 November by the **International Climate Governance Coalition (ICGC**). Apart from the EESC, the coalition's co-pilots are the **European Committee of the Regions (CoR),** the **OECD** and **Comité 21.**

Opening the conference, president of the EESC's Sustainable Development Observatory (SDO) **Brenda King** said: "*Civil society actors currently face significant obstacles when they wish to initiate and implement measures to counteract climate change. This is mainly due to the fact that the policy-makers are unaware of how much potential civil society action has in terms of protecting the climate.*"

With GHG emissions concentrations in the atmosphere rising and extreme weather events becoming more dramatic and frequent, the implementation of the COP21 commitments is more urgent than ever. Initiatives and measures taken by non-state and subnational actors are vital to accelerating global climate-resilient and low-carbon pathways set out by the Paris Agreement.

At COP23 it has become even clearer that the ownership of the climate agenda is moving from the climate negotiators to the actors on the ground. It is they who initiate and implement the solutions to climate challenges.

"*Despite the growing importance of the non-state and subnational climate actors, they are still disconnected from the international climate agenda*," said **Eamon O'Hara**, executive director of ECOLISE (European network for community-led initiatives on climate change and sustainability). "*These actors often feel they operate in a policy vacuum and the need for a supportive framework is stronger than ever*."

Marco Dus, the CoR rapporteur on financing climate action, stressed the urgency of developing innovative financing schemes to facilitate access to funding for regions and cities.

Presenting the findings of the Coalition's mapping study, **Mr Dus** emphasised that political commitment was a key to making public funds available. He also noted: "*It is absolutely vital to have clear legal frameworks that reduce uncertainty and build trust between partners, adaptive and flexible management approaches and continued work on public awareness and community involvement.*"

Tadashi Matsumoto, OECD coordinator for National Urban Policy, Climate Change and Green Growth, pointed to the importance of framework conditions, which may enable or hinder subnational action, as well as to the urgent need to assess countries' governance structures for effective climate investment.

"*In many cases national policies are designed separately and not aligned to support climate actions of cities and regions,*" he noted.

The ICGC was set up in 2016 to facilitate dialogue and multi-stakeholder partnerships in order to work toward removing obstacles encountered by civil society actors in combating climate change, as well as toward designing a comprehensive framework to secure alignment between state and other actors in climate change over the long term.

The coalition's current climate-related work focuses on enabling bottom-up action via multi-stakeholder approaches and multi-level governance, with the aim of securing a swift and effective implementation of the Paris Climate Conference (COP21) commitments.

Ms King said that the EESC had joined the coalition following the adoption of its opinion "Building a coalition of civil society and subnational authorities to deliver the commitments of the Paris Agreement". This opinion, adopted last year, pinpointed difficulties encountered by civil society actors in tackling climate change.

Elina Bardram, head of the European Commission's negotiating team at COP23, said that the EU was advocating full participation of non-state actors in the Talanoa dialogue, promoted by the Fijian COP presidency in the lead-up to COP24. "*These actors are best placed to tell the stories about solutions that exist on the ground*," she said.

Bettina Laville, chairwoman of Comité 21, closed the side event by setting out the main focus of the coalition's work for the next year, namely delivering a useful and practical document supporting multi-stakeholder climate projects before the California Summit of non-state actors in September 2018.

The EESC will continue working with its coalition partners to propose elements for an enabling framework for bottom-up climate action and will advocate the need for this to decision-makers at all levels.