



European Securities and  
Markets Authority

# Guidelines

**on the submission of periodic information to ESMA by Credit Rating  
Agencies – 2nd Edition**



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## Legislative references, abbreviations and definitions

|                                       |   |
|---------------------------------------|---|
| CP                                    | Consultation paper  |
| CRA                                   | Credit Rating Agency  |
| CRA Regulation or CRAR                | Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit ratings agencies as amended by Regulation (EU) No 513/2011 of the European Parliament and of the Council of 11 May 2011, Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011, Regulation (EU) No 462/2013 of the European Parliament and of the Council of 21 May 2013, and Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014 |
| Delegated Regulation on Fees          | The European Commission Delegated Regulation (2015/1) of 30 September 2014 supplementing CRAR with regard to regulatory technical standards for the periodic reporting on fees charged by credit rating agencies for the purpose of ongoing supervision by the European Securities and Markets Authority  |
| Delegated Regulation on methodologies | Commission Delegated Regulation (EU) No 447/2012 of 21 March 2012 supplementing CRAR by laying down regulatory technical standards for the assessment of compliance of credit rating methodologies.   |
| EU CRA                                | A credit rating agency registered with ESMA   |
| ESMA                                  | European Securities and Markets Authority   |
| ESMA Regulation                       | Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC   |
| FTE                                   | Full Time Equivalent  |
| INED                                  | Independent Non-Executive Director  |
| NCA                                   | National Competent Authority  |
| The 2015 Guidelines                   | Guidelines on periodic information to be submitted to ESMA by Credit Rating Agencies (ESMA/2015/609) of June 2015   |

# 1 Scope

Who?

1. These Guidelines apply to credit rating agencies (CRAs) registered in the EU. These Guidelines do not apply to certified CRAs.

What?

2. These Guidelines will be published in all EU official languages. Following the translation of the guidelines in Annex 1 into all the official languages of the EU, the final texts will be published on ESMA's website.

When?

3. The guidelines will become effective two months after their publication on ESMA's website in all the official languages of the EU.

## 2 Legislative References, Abbreviations and definitions

### Legislative References

|                       |   |
|-----------------------|---|
| <i>CRA Regulation</i> | Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit ratings agencies as amended by Regulation (EU) No 513/2011 of the European Parliament and of the Council of 11 May 2011, Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011, Regulation (EU) No 462/2013 of the European Parliament and of the Council of 21 May 2013, and Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014 |
|-----------------------|---|

### Abbreviations

|               |   |
|---------------|---|
| <i>EU CRA</i> | A Credit Rating Agency registered with ESMA |
| <i>CP</i>     | Consultation Paper                          |
| <i>ESMA</i>   | European Securities and Markets Authority   |
| <i>EU</i>     | European Union                              |
| <i>FTE</i>    | Full Time Equivalent                        |

### 3 Purpose

4. The Guidelines set out the information that should be submitted by CRAs to enable ESMA's ongoing supervision of CRAs on a consistent basis. The Guidelines also clarify ESMA's expectations of the information that should be submitted to ESMA for the calculation of supervisory fees and CRAs market share.

### 4 Compliance and reporting obligations

5. This document contains guidelines issued under Article 16 of the ESMA Regulation. In accordance with Article 16(3) of the ESMA Regulation, financial market participants must make every effort to comply with the guidelines and recommendations.
6. Should ESMA identify a need to revise a reporting template following the introduction of the Guidelines this will be done in one of two ways:
  - (i) Where an amendment is limited to a non-material change (such as the addition, removal or modification of an existing field to clarify the information to be provided) within an existing Reporting Template, ESMA will update that Reporting Template and revise the Guidelines to reflect its update, drawing CRAs attention to the change.
  - (ii) Where an amendment is not limited to a non-material changes within an existing template and includes amendments to any applicable reporting instructions, ESMA will consult on these changes in the customary fashion and update the Guidelines accordingly.

### 5 Guidelines on Periodic Information

7. The Guidelines on periodic reporting are split into five parts:
  - **Section 5.1 – Reporting Assignment.** This section describes how CRAs are assigned different reporting Calendars by ESMA for the purpose of these Guidelines.
  - **Section 5.2 – Reporting Periods and Submission Deadlines.** This section explains the different reporting periods and submission deadlines that apply to the different reporting calendars.
  - **Section 5.3 - Information to be submitted to ESMA.** This section explains the information that should be reported by CRAs to ESMA. It is split into three sub-

sections 5.3.1 General Principles, 5.3.2 Scheduled Reporting and 5.3.3 As Soon As Reporting.

- **Section 5.4 – Reporting Calendars.** This section includes the reporting calendars for the categories “Calendar A” and “Calendar B”.
- **Section 5.5 – Reporting Templates.** This section includes the reporting templates to be used by CRAs.

## 5.1 Reporting Assignment

8. For the purposes of these Guidelines each CRA will be assigned to a reporting calendar based on ESMA’s internal supervisory assessment. There will be two reporting calendars “Calendar A” and “Calendar B”. CRA’s will be informed of the applicable reporting calendar via formal correspondence. Unless a change is communicated by ESMA in the same manner as the initial notification CRAs should assume no change to their reporting calendar.

## 5.2 Reporting Periods and Submission Deadlines

9. CRAs should submit to ESMA information on a quarterly, semi-annual, annual, bi-annual or ad-hoc basis according to one of two calendars. The reporting periods and applicable deadlines for each reporting calendar are set out in Table 1. For scheduled reporting, CRAs should submit the information within one month following the end of the reporting period concerned (submission deadline). Whereas for Ad-Hoc reporting it should be on an as soon as possible basis.

## 5.3 Information to be contained in the Periodic Submissions

### 5.3.1 General Reporting Principles

10. Where documents are submitted in a language other than English those documents should be in a format that allows automatic translation. To ensure this is possible,

CRA's should submit such documents in .pdf format, or if not, in an unlocked machine-readable format<sup>1</sup>.

**TABLE 1: REPORTING FREQUENCIES AND SUBMISSION DEADLINES**

| Reporting Calendar | Reporting Frequency | Reporting Period                                   | Submission Deadline(s)                              |
|--------------------|---------------------|--|---|
| Calendar A         | Annual              | Year to 30 June<br>or<br>Year to 31 December       | 31 July <sup>2</sup><br><br>31 January <sup>3</sup> |
| Calendar A         | Semi-Annual         | 6 months to 30 June<br>6 months to 31 December     | 31 July<br>31 January                               |
| Calendar A         | Quarterly           | 31 March, 30 June, 30 Sept, 31 December            | 30 April, 31 July, 31 October, 31 Jan               |
| Calendar B         | Bi-annual           | 2 Years to 30 June<br>or<br>2 Years to 31 December | 31 July<br><br>31 January                           |
| Calendar B         | Annual              | Year to 30 June<br>or<br>Year to 31 December       | 31 July <sup>4</sup><br><br>31 January              |

<sup>1</sup>Information shall only be considered machine readable where all of the following conditions are met:

- (a) it is in an electronic format designed to be directly and automatically read by a computer. The electronic format shall be specified by free, non-proprietary and open standards. Electronic format shall include the type of files or messages, the rules to identify them, and the name and data type of the fields they contain;
- (b) it is stored in an IT architecture that enables automatic access;
- (c) it is robust enough to ensure continuity and regularity in the performance of the services provided and ensures adequate access in terms of speed;
- (d) it can be accessed, read, used and copied by computer software that is free of charge and publicly available.

<sup>2</sup> With the exception of the Template for Costs and Revenues which should be reported on the basis of the previous financial year up by 31<sup>st</sup> May.

<sup>3</sup> Depending on the item some annual reporting items under Calendar A should be provided by 31 Jan. These are typically those reporting items arising from CRA's own internal control reporting structures, which are prepared on a calendar year cycle and for which a 31 July reporting date would be unsuitable. Should these documents change between their submission in January and 31 July of that year, the updated document should be notified to ESMA by 31 July.

<sup>4</sup> With the exception of the Template for Costs and Revenues which should be reported on the basis of the previous financial year up by 31<sup>st</sup> May.

11. Concerning file transmission, each document under each reporting item and each reporting template should be transmitted according to the instructions in Annex II.

### 5.3.2 Scheduled Reporting

12. Reporting of each item under this heading should occur in accordance with the Scheduled Reporting Calendars provided in section 5.4 of these Guidelines.

#### 5.3.2.1 Board Documents and Internal Governance

##### **Item 1 - Board Documents**

13. For reporting under this item, CRAs should submit the following:

- The minutes of their board meetings;
- A copy of documents sent to management and supervisory board members in advance of their respective board meetings, as well as additional documents discussed in the meeting (for instance, reports made by Compliance, Internal Audit Risk, internal review reports function, information security and risk function, etc.);
- Where an independent non-executive director's (INED) opinion is provided in a standalone document, CRAs should submit any opinions presented by a CRA's INED(s) pursuant to point 2 of Section A of Annex I of CRA Regulation and all reports (including follow-up reports) issued by an independent director.

##### **Item 2 - INED Questionnaire**

14. In addition to any INED Opinion submitted as part of a set of Board Documents (item 1), CRAs should provide Template 1 [INED Questionnaire] setting out its INED's opinion with regards to the following items:

- the development of the credit rating policy and of the methodologies used by the CRA in its credit rating activities;
- the effectiveness of the internal quality control system of the CRA in relation to credit rating activities;
- the effectiveness of measures and procedures instituted to ensure that any conflicts of interest are identified, eliminated or managed and disclosed; and,
- the compliance and governance processes, including the efficiency of the review function referred to in point 9 of this Section A of Annex I of the CRA Regulation.

15. For CRAs reporting under Calendar B, the INED Questionnaire should be provided every second year.

##### **Item 3 - Organisational Charts**

16. CRAs should submit their internal organisation charts to ESMA. The information included in the charts should include the information set out in the table below.



| Category                           | Function(s)   | Coverage     | Geography |
|------------------------------------|---|--------------|-----------|
| Management                         | Board Members (including INEDs)                     | All Staff    | EU        |
|                                    | Executive Committee Members                         | All Staff    | EU        |
|                                    | Senior Management                                   | All Staff    | EU        |
| Analytical Function(s)             | Analytical Management                               | Last Manager | EU        |
|                                    | Analytical Support Management (Data Management)     | Last Manager | EU        |
|                                    | In-business Control                                 | All Staff    | EU        |
| Methodology development and review | Methodology / criteria / model development          | All Staff    | EU        |
|                                    | Methodology / criteria / model approval             | All Staff    | EU        |
|                                    | Methodology / criteria / model review / validation  | All Staff    | EU        |
| Control Functions                  | Compliance (all teams)                              | All Staff    | Global    |
|                                    | Risk Management                                     | All Staff    | Global    |
|                                    | Information Security                                | All Staff    | Global    |
|                                    | Internal Audit                                      | All Staff    | Global    |
|                                    | Other Internal Control Functions                    | All Staff    | Global    |
| Support Functions                  | Information technology                              | Last Manager | EU        |
|                                    | Human resources                                     | Last Manager | EU        |
|                                    | Finance   | Last Manager | EU        |
|                                    | Commercial staff and business relationship managers | Last Manager | EU        |
|                                    | Legal   | Last Manager | EU        |

17. With regards to the section “Function(s)” each position in the organisational charts should include at least the following information:

- Name;
- Role;
- Location (country);
- Seniority (managerial/non-managerial role, according the CRA-specific grades);
- Reporting line with Function and Name (If an employee reports outside the EU, please provide the global reporting line).

18. With regards to the section “Coverage”:

- “Last manager” means that the organisational chart should include the full hierarchy down to the last managerial position (i.e. staff with no managerial duties could not be reported);
- “All Staff” means that the organisational chart should include all employees allocated to a function.

19. With regards to the section “Geography”:

- “Global” means that the organisational chart should include staff from all regions;
- “EU” means that the organisational chart should include only staff from EU. In case an employee reports outside of the region, the global reporting line should be provided.

#### **Item 4 - Litigation**

20. CRAs should submit to ESMA information on any existing, new or potential legal actions that have been or that the CRA is aware may be taken against the group on a Global level.

21. ESMA expects to receive a brief description of, and updated information on pending and current court proceedings, arbitration proceedings and any form of binding dispute resolution proceedings which were in existence during the reporting period, and which may adversely impact the continuity or quality of ratings and/or materially impact the financial position of a CRA. This description should include a summary of the proceedings and of the potential outcome of the proceedings in terms of liability.

#### **Item 5 - New and Potential Conflicts of Interest**

22. CRAs should submit Template 2a [Conflicts of Interest] in which they should include any changes during the reporting period to the existing or potential conflicts of interest that were notified to ESMA during the CRAs’ registration process.

### 5.3.2.2 Ratings and Methodologies

#### **Item 6 - Annual Review of Credit Ratings**

23. CRAs should submit Template 3 [Annual review ratings] in which they should provide information as to whether or not it has completed an annual review of all currently issued credit ratings and provide details where any deviation has occurred.

#### **Item 7 - Semi-Annual review of Sovereign Ratings**

24. CRAs should submit Template 4 [Semi-annual review SOV rat] in order to provide ESMA with information regarding the completion of the semi-annual review of sovereign ratings.

#### **Item 8 - Annual Review of Methodologies**

25. CRAs should submit Template 5 [Annual review methodologies] in which they should provide information as to whether or not it has conducted an annual review for each methodology applicable in the EU and provide details where any deviation has occurred.

### **Item 9 – Resourcing: Analysts and Credit Ratings**

26. CRAs should submit Template 6 [Resource planning AF] in which they should indicate per business line the number of analysts employed by the CRA in addition to the number of credit ratings for which they are responsible. This should be completed at the level of the EU group of CRAs.

### **Item 10 – Resourcing: Methodologies and Models**

27. CRAs should submit Template 7 [Resource planning IRF] in which they should indicate the number of staff assigned to the review or validation of the methodologies and models of the CRA. This should be completed at the global level of the CRA.

### **Item 11 - Objective Reasons**

28. CRAs should submit Template 8 [Objective reasons] in which they should provide a description of the objective reasons for the elaboration of any credit rating on EU entities or instruments by the CRA outside of the EU<sup>5</sup>.

#### **5.3.1.3 Internal Control**

29. Each CRA should submit its Compliance, Internal Audit and Risk Management reports to ESMA according to the specifications outlined in this section and to its reporting categorisation.

### **Item 12 - Compliance Work Plan**

30. CRAs should submit a copy of their Compliance Work Plan to ESMA.

### **Item 13 - Internal Audit Work Plan**

31. Where a CRA has established an Internal Audit function or commissioned internal audits from an external party, a CRA should submit a copy of its annual Internal Audit work plan. This document should be reported on an individual basis, in addition to where it may have been included as part of any Board Pack.

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<sup>5</sup> ESMA determines the location of an entity or instrument for the purposes of this item in accordance with the RTS on the European Rating Platform. As outlined in footnote 16 of ESMA's November 2017 Guidelines on the application of the CRA endorsement regime "For the purposes of these Guidelines, the country of an entity or financial instrument follows Articles 4-6, as well as Field 10 of Table 1 of Part 2 of Annex I of the Commission delegated Regulation 2015/2 of 30 September 2014 with regard to regulatory technical standards for the presentation of the information that CRAs make available to ESMA

#### **Item 14 – Compliance Assessments, Risk assessments and Internal Audit Reports**

32. CRAs should submit to ESMA copies of any internal reports or assessments conducted by the Compliance or Risk Management Function during the reporting period or when requested by ESMA.
33. Where a CRA has established an Internal Audit function or commissioned internal audits from an external party, ESMA expects to receive a copy of the Internal Audit assessment or reports that have been produced during the reporting period

#### **Item 15 – Internal Control Monitoring: Assessments**

34. CRAs should submit Template 9 [IC\_CM & IA Overview] to provide information regarding their assessments of the adequacy and effectiveness of their systems, internal control mechanisms and arrangements established to ensure compliance with the CRA Regulation.
35. The template should be completed in respect of internal control assessments that were completed during the reporting period, either at the initiation of ESMA or the CRA's internal control functions (e.g. compliance, risk management, internal control, internal audit, information security), as well as any remedial actions that were implemented following a completed assessment.

#### **Item 16 - Attestation on Internal Controls**

36. Where a CRA's governing body attests on the effectiveness of its internal control environment and, where this does not conflict with any confidentiality obligations to other supervisory bodies, CRAs should submit a copy of the attestation.

#### **Item 17 - Business Continuity Plan / Disaster Recovery Plan**

37. CRAs should submit a copy of its Business Continuity Plan, the results of any annual test, and if this is separate, the CRAs IT Disaster Recovery Plan.

#### **Item 18 - Risk Dashboard**

38. CRAs should submit their risk management dashboard, which should include the highest risks as identified in the context of the CRAs' risk management process. Should the CRAs have separate dashboards for IT and information security risks, CRAs should provide with these documents as well.

### **5.3.2.3 Information Technology Reporting**

#### **Item 19 - IT Strategy**

39. CRAs submit a copy of their IT strategy.

## **Item 20 - IT Book of Work: IT Projects**

40. CRAs should submit information on the progress or completion of key IT projects by completing Template 10 [IT Book of Work]. For this purpose, Key IT projects are those IT projects that support and improve the operation of a CRA's credit rating process (including rating production and dissemination), methodology development, methodology validation, methodology review and commercial or business development processes.

### **5.3.2.4 Financials, FTE & Headcount**

#### **Item 21 - Staff Numbers & Other Indicators**

41. CRAs should submit Template 11 [ Staff Numbers and Other Indicators] providing information on total Full Time Employees (FTE) at a EU and Global level, providing a breakdown of staff numbers according to the following areas:

- Analytical
- Information Technology
- Information Security
- Compliance
- Internal Audit
- Risk Management

42. CRAs should submit Template 11 [Staff Numbers Other Indicators] providing information on the number of IT rating applications in use, the on-going IT projects across the following areas:

- Rating Process
- Methodology Development, validation and review
- Commercial and Business Development Process

#### **Item 22 - Revenues and Costs**

43. CRAs should submit Template 12 [Financials], to provide a breakdown of the costs and revenues generated from credit ratings and other products or services (including ancillary services) for the preceding calendar year. For other products or services, CRAs should include a brief description of each type of product or service reported. Costs and revenues should be determined according to the same accounting principles used in preparation of the CRA's financial statements.

44. For credit ratings, CRAs should report annual revenues broken down by following types of credit ratings: Corporate Non Financials; Corporate Financials; Corporate Insurance; Sovereign / Public Finance; Structured Finance; Covered Bonds. For other products or services, CRAs should report annual revenues broken down by each type of product or service offered.

45. For credit ratings, CRAs should report annual costs per type of credit rating, broken down by operating and non-operating costs. Operating Costs should be further disaggregated between compensation costs (e.g. payroll expenses) and other operating costs. For other products or services, CRAs should report annual costs per product or service broken down by operating and non-operating costs in the same manner. Non-operating costs may include interest and tax charges.

#### 5.3.2.5 Internal Policies and Procedures

##### **Item 23 – Active Internal Policies and Procedures**

46. CRAs should submit Template 13 [Policies and Procedures] in order to provide ESMA with a list of all active internal policies and procedures related to the CRA's compliance with the CRA Regulation.
47. In the case of no material changes to existing policies and procedures during the reporting period, CRAs should confirm this by submitting Template 13 in accordance confirming that there have been no material changes or additions to their policies and procedures since the last scheduled submission.
48. In the case of a material change to the CRAs existing policies and procedures during the reporting period, CRAs should submit Template 13 in accordance with the periodic reporting calendar indicating the policies and procedures that have been added or changed during the reporting period.
49. For the purposes of this Item and Item 34, a material change should not be understood as including changes made in order to correct typographical errors, or other editorial changes. For the purposes of this Item, and Item 34, an addition to the CRA's policies and procedures should be understood as the introduction of a new policy and procedure relating to that CRA's compliance with the CRA Regulation that had not previously been notified ESMA.

#### **5.3.3 Ad-Hoc Reporting Requirements**

50. Reporting under this heading should be conducted on an as soon as possible basis in accordance with the reporting calendar in Section 5.4. For the purposes of "as soon as possible", ESMA expects to be notified of an issue without any undue delay and that this initial notification is followed up with a more substantial notification within one month in the event further information becomes available.
51. In practice and unless otherwise specified, CRAs should make their own judgement as to what constitutes "as soon as possible" in a given situation, having regard to the urgency and significance of the matter.

##### 5.3.3.1 Notifications of Material Changes to the Initial Conditions for registration

52. ESMA considers a “material change” to be any change that may affect the CRAs initial conditions of registration or its compliance with the requirements of the CRA Regulation. In this regard, CRAs should notify ESMA as soon as possible of any material changes to the conditions of its initial registration, including but not limited to the following matters:

**Item 24 - Opening and Closing of Branches**

53. CRAs should notify ESMA of any decision to establish a new branch or close an existing branch of one of its legal entities.

**Item 25 - Use of Endorsement**

54. CRAs should notify ESMA of any decision to begin endorsing credit ratings from a new third country jurisdiction, or to cease the endorsement of credit ratings from an existing third country jurisdiction.

**Item 26 - Continuing Right to Exemptions**

55. CRAs should notify ESMA of any change to its existing business activities, corporate structure, staffing levels or other factor that could result in it being unable to benefit from an exemption to certain requirement(s) of the CRA Regulation, granted at the time the time of registration.

**Item 27 - Outsourcing Arrangements**

56. CRAs should notify ESMA of material changes to the outsourcing of any important operational functions notified to ESMA in accordance with Article 25 of Delegated Regulation 449/2012<sup>6</sup>. This notification should include an explanation as to how and why the material change will have no material risk on the CRAs’ internal control and the ability of ESMA to supervise the CRA’s compliance with obligations under the CRA Regulation.

**Item 28 - Legal Form**

57. CRAs should notify ESMA of any change to its legal form. This notification should be made as soon as possible in advance of the change and should include a description of the actions taken and the rationale.

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<sup>6</sup> Commission Delegated Regulation (EU) No 449/2012 of 21 March 2012 with regards to regulatory technical standards on information for registration and certification of credit rating agencies.

### **Item 29 - Business Structure**

58. CRAs should notify ESMA of any change to its business structure including any internal reorganisation or restructuring of its activities such as spin-offs to other group or external entities.

### **Item 30 - Business Activities**

59. CRAs should notify ESMA of any change to the CRAs' business offerings, this includes the provision of a new asset class, a new service and launch of new product in either the rating or non-rating business.

### **Item 31 - Change to Ownership Structure**

60. CRAs should notify ESMA of any change to its ownership structure. This notification should encompass the acquisition or disposal of holdings above 5% of the issued share capital of the CRA.

### **Item 32 - Change to Membership of Supervisory / Administrative Board**

61. CRAs should use Template 14 [Board Members Details] in order to notify ESMA of any changes to the membership of its Supervisory or Administrative Board. In the event of a new member, CRAs should also submit an updated version of the template<sup>7</sup>.

### **Item 33 - Change to Compliance Function or Review Function**

62. CRAs should notify ESMA of any significant changes to the composition, structure or organisation of its compliance and internal review functions. This notification should focus on informing ESMA where there have been significant changes in numbers of personnel, senior management or internal responsibilities and the reason for the changes.

### **Item 34 - Change to Procedures used in credit rating activities**

63. In the case of material change to a CRA's existing policies and procedures or the introduction of a new policy and procedure relating to the CRA's compliance with the CRA Regulation, CRAs should submit an updated version of Template 13 [Policies and Procedures].
64. In providing the template, CRAs should indicate the policy and procedure that has been changed or added, together with an explanation of the rationale for the change or

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<sup>7</sup> Any notification under this item is without prejudice to CRA's requirements under Article 15 'Fitness and Appropriateness' of Commission Delegated Regulation (EU) 449/2012, supplementing regulation (EC) n. 1060/2009);



addition. In this regard, a material change does not include the correction of typographical errors, changes to defined terms or other editorial changes.

65. The updated document that triggered the notification should also be provided alongside the template in track changes.

#### **Item 35 - Financial Resources**

66. CRAs should notify ESMA of any material change to its financial situation. This should include any change to its capital structure or issues that may affect its viability as a going concern.

#### **Item 36 - IT Process and Information Processing Systems**

67. CRAs should complete Template 15 [IT Technology Summary] to notify ESMA of any major changes to the IT processes and information processing systems supporting the rating process. The information included in this template should be limited to the IT applications and systems supporting each element of the credit rating process, methodology/models reviews and development and business development / commercial processes. CRAs should only notify ESMA where there is a change to one of these applications. This template should be notified on an initial one-off basis, and thereafter on an ad-hoc basis.
68. CRAs should complete Template 16 [IT Notification Cloud Computing] to notify ESMA of the CRA's engagement of a cloud computing service provider to support their credit rating process, methodology/models reviews and development and business development / commercial processes. In this regard, CRAs should notify ESMA using the first table of Template 16 as soon as possible following the engagement, with the full Template to be provided following the completion of the outsourcing project. For any change relating to the outsourcing agreement with the Cloud Service Provider CRAs should re-submit Template 16 [IT Notification Cloud Computing] highlighting the changes.

#### **5.3.3.2 Non-Material Changes to Registration Notifications**

#### **Item 37 - Identification of errors in methodologies / model processes**

69. CRAs should complete Template 17 [Error] to provide information regarding errors in their CRAs' methodologies or models in accordance with ESMA's Q&A on the identification of errors in methodologies or models<sup>8</sup> [.

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<sup>8</sup> [Question 8 of ESMA's Questions and Answers on the Implementation of the Regulation \(EU\) No 462/2013 on Credit Rating Agencies](#)

### **Item 38 - CRA IT and information security incidents notifications**

70. CRAs should complete Template 18 [IT Notification & IT Sec Incident] in order to provide information on any IT or information security incidents that impact the operation of CRA's credit rating business under the CRA Regulation.
71. CRAs should submit an initial notification within 24 hours of becoming aware of the incident and submit a follow up notification within one month of the initial notification.

### **Item 39 - Sovereign Rating Calendar**

72. CRAs should submit to ESMA the calendar for sovereign rating actions for the forthcoming year that is published on the CRA's website in accordance with the CRA Regulation. In cases where a CRA deviates from the calendar and the CRA publishes an amended calendar on their website, the CRA should provide this updated calendar to ESMA with a detailed explanation of the reasons for the deviation.

### **Item 40 - Notification of New / Change to existing Methodology**

73. CRAs should complete Template 19 [Methodologies] in order to provide ESMA with information following the publication of any new methodology, or change to an existing methodology or underlying model. This template should be submitted after the completion of any consultation conducted in respect of Article 8(5a) of the CRA Regulation, and is without prejudice to CRA's ongoing obligations under Article 14(3) of the CRA Regulation.

### **Item 41 - Endorsed Credit Ratings**

74. CRAs should notify ESMA of the results of any internal review that was conducted by the CRA in accordance with Guideline 4.2 Line 17 of ESMA's Guidelines on the Application of the Endorsement regime. Such a notification should include an update on the appropriate steps taken by the CRA.

### **Item 42 - Internal Complaints submitted to the Compliance Department**

75. Following the receipt of a complaint within the scope of the CRA Regulation by its Compliance Department, CRAs should complete Template 2b [Internal Complaints ] to notify ESMA of the following information:
  - A description of the content of the complaint;
  - The follow-up actions undertaken by the CRA;
  - Information on whether an internal investigation was opened as a consequence, including whether the investigation is ongoing or closed at the date of reporting; where the investigation has been closed, a copy of any consequent report made in respect of the investigation.

76. This notification should be provided in accordance with Section 5.3.3 of these Guidelines.

#### **Item 43 - Potential and actual cases of non-compliance with the CRA Regulation**

77. For reporting under this item, CRAs should complete Template 2c [Actual or Potential Breach] to provide information regarding possible cases that may result in non-compliance with any of the initial conditions for registration, including:

- A description of each case which may result in a possible non-compliance with the initial conditions for registration including cases resulting from activities performed by any control function;
  - A statement of the reasons why such case has arisen;
  - A statement of the actions undertaken by the CRA following the identification of the case concerned;
  - A statement of whether an internal investigation has been opened in relation to the case concerned and of whether such investigation is ongoing or closed; and where closed, furnish a copy of any consequent report made in respect of the investigation.

78. This notification should be provided in accordance with Section 5.3.3 of these Guidelines.

### **5.3.4 CRA supervisory fee and market share calculations**

#### **Supervisory fee**

79. For the purpose of calculating the supervisory fees, CRAs should submit to ESMA their annual audited accounts for the previous year, at the latest by 31<sup>st</sup> May each year.

80. The basis for the calculation of the supervisory fee is the revenue generated from the CRA's credit rating activities and ancillary services. A CRA providing a service or services other than credit ratings should provide ESMA with a detailed description of such service(s) so that ESMA can assess whether the service(s) concerned constitute non-rating services, non-ancillary services or ancillary services.

81. Where a CRA, with annual total revenue of at least 10 million euro, identifies revenues as generated from non-rating activities and/or non-ancillary services, the CRA should provide ESMA with a detailed description of such activities and services. This is to allow ESMA to assess whether the revenues generated from those activities and services are eligible for deduction from the applicable turnover. The amounts corresponding to

those non-rating activities and non-ancillary services should be appropriately certified by the CRA's external auditors<sup>9</sup>.

82. Where a CRA with annual total revenue of at least 10 million euro provides credit rating activities and ancillary services to different clients, it may request to deduct the related revenues from the calculation of the revenues generated from ancillary services. The CRA should provide ESMA with a detailed description of its internal structure, as well as relevant policies, processes and procedures, if any. This is to enable ESMA to assess, on a case by case basis, whether the outcome is the provision of services to different clients thereby removing potential conflict of interest and the need for supervisory scrutiny. On this basis, ESMA will determine whether the revenues generated from the differentiated client bases are eligible for deduction from the applicable turnover. The amounts corresponding to the revenues generated from ancillary services which are provided to different clients who do not receive rating services in the applicable financial year should be appropriately certified by the CRA's external auditors on a client-by-client basis and aggregated basis. Any change to the CRA's structure or to the relevant policies, processes or procedures relative to the provision of ancillary services to a given client should be communicated to ESMA without undue delay.
83. For the purpose of the above-mentioned calculation and the assessment of the absence of potential conflict of interests, 'client' means any client within the meaning of the term as defined in the last paragraph of point 2 of Part II of Section E of Annex I of CRA Regulation who does not receive any rating service from the CRA group<sup>10</sup>.
84. Where a CRA requests any other adjustment to the applicable turnover (such as the elimination of intercompany transactions), the CRA should provide ESMA with a detailed description of the requested adjustment and the reasons for such an adjustment. The amount corresponding to such adjustment should be appropriately certified by the CRA's external auditor.
85. The calculation of a CRA's supervisory fees is without prejudice to ESMA's ongoing supervisory powers to assess whether the provision of ancillary services provided by a CRA constitutes a potential conflict of interest and, where this is the case, to adopt appropriate measures in accordance with the CRA Regulation.

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<sup>9</sup> Certification may be done by the CRAs external auditor through different means such as a specified procedures report or an agreed-upon procedure report with the CRA's external auditor, a statement of the CRA's revenues or amounts billed by the CRA's external auditor, or by including this certification request in the audit engagement with the CRA's external auditor.

<sup>10</sup> The final paragraph of point 2 of Part II of Section E of Annex I of the CRA Regulation states: "*client means an entity, its subsidiaries, and associated entities in which the entity has holdings of more than 20%, as well as any other entities in respect of which it has negotiated the structuring of a debt issue on behalf of a client and where a fee was paid, directly or indirectly, to the credit ratings agency for the rating of that debt issue.*"

### 5.3.5 CRA market share calculation

86. As the calculation of CRA's market share is made on the same basis as the calculation of supervisory fees, the guidelines for calculating the applicable turnover for supervisory fees will be applicable to the calculation of the CRA's market share.
87. For the purpose of calculating the yearly CRA's market share, CRAs with a financial year other than the calendar year should provide ESMA with the financial accounts adjusted to the calendar year. The amounts corresponding to such adjustments should be appropriately certified by the CRA's external auditors. A CRA may also provide audited financial statements broken down by quarter or by other time periods as long as the information enables ESMA to make its annual calculation for the total market share and the calculation of the supervisory fees.

### 5.4 Reporting Calendars

See Annex I.

### 5.5 Reporting Templates

See Annex II.