

Milan, 08-02-2013

Reference: Consultation paper 2012/841 on Guidelines and recommendations on the scope of the CRA regulation

Q1. Do you agree with the approach set out above on the obligation to register?

We agree with the proposed approach on the obligation to register.

Q2. What may be alternative/additional criteria to require registration and certification?

No further proposals.

Q3. Do you agree with the explanation of credit ratings provided in this document?

We agree with the proposed explanation of credit ratings.

Q4. Do you believe that the intervention of rating analysts in the assessment of the relevant information is the key element to distinguish credit ratings from credit scorings?

We agree on the proposed statement; in our opinion, the intervention of a rating analyst in the assessment of both quantitative and qualitative information is the key element to distinguish credit ratings from credit scorings. We also fully agree on the proposed statement that qualitative input from credit rating analysts is a complement and not a substitute for the use of techniques that ensure consistent treatment of quantitative data.

Indeed, the analytical contribution of credit rating analysts is instrumental to high quality assessment of creditworthiness of a rated entity. This contribution may be provided in different forms according to the specific credit rating methodology implemented by a credit rating agency, and may occur at different stages of the rating process, as mentioned in the consultation document.

In any case, the intervention of a credit rating analyst shall contribute to improve the performance of credit ratings (i.e. in terms of accuracy of a rating model), with respect to a system summarizing and expressing data based only on a pre-set statistical model.

The analytical contribution of credit rating analysts might be properly assessed:

a) *objectively* (i.e. statistically)

- a1) by calculating the impact of an analyst qualitative contribution on the outcome of the rating process (this analysis can be performed when the rating model allows to quantify the specific contribution of credit rating analyst);
- a2) by analyzing performance differences between a credit scoring system and a credit rating system whenever both models are available on the same portfolio of rated entities;
- a3) within the framework of backtesting of the relevant credit rating methodology, in terms of performance differences between risk assessments expressed ex ante by a credit rating system and a credit scoring system on the same portfolio (i.e. including vs. excluding the contribution of credit rating analysts);

b) *discretionally*

If the specific credit rating methodology implemented by a credit rating agency is not suitable for application of objective criteria to assess the analytical contribution of rating analysts, the supervisory Authority should examine the relevant methodology and evaluate, on a case by case basis, the effective credit rating analyst's role within that methodology.

Q5. Do you agree with the explanation of private ratings provided?

We basically agree with the explanation of private ratings, and acknowledge the particular attention paid by the Authority to investor protection, in particular by prescribing restricted use of private credit ratings.

Indeed, the consultation document requires a credit rating agency issuing a private rating to inform the recipient about the restricted use he is only allowed to make of the rating, and that the private rating cannot be used for regulatory purposes.

Private credit ratings may be issued by registered CRAs as well, therefore this disclosure serves the general purpose of investor protection and could effectively prevent misselling and misuse of private credit ratings.

The same approach should apply to credit scorings, since they may be issued by registered CRAs too (see Q9-11 below).

Q6. Do you agree with the approach taken in the text above regarding the establishment of branches of registered credit rating agencies outside the Union?

No comment.

Q7. Do you agree that credit rating agencies should demonstrate that there is an objective reason to conduct certain credit rating activities in branches established outside the Union?

No comment.

Q8. Do you agree that ESMA's capacity to deliver effective supervision would be impaired where credit rating agencies conducted entirely or prevalently important operational functions, and in particular credit rating activities, in branches outside the EU?

No comment.

Q9. Do you agree with the disclosure best practices indicated above and with their remit?

We agree with ESMA's recommendation that credit scoring firms provide clear and prominent disclosure that scores distributed to the public in the Union are not credit ratings issued in accordance with the CRA Regulation.

In our opinion, however, this recommendation shall apply to any firms providing credit scores – either credit scoring firms and export credit agencies or registered CRAs – in order to protect investors, and any other users of credit scores, and prevent misunderstandings concerning the nature and uses allowed for credit scores.

Q10. Do you agree that credit scoring firms and export credit agencies that distribute their products to the public in EU should consider ESMA's suggested disclosures that such scores or ratings are not issued in accordance with the CRA Regulation?

As mentioned above not only credit scoring firms and export credit agencies but also registered CRAs that distribute their credits scores to the public in EU should consider ESMA's suggested disclosures that such scores are not issued in accordance with CRA Regulation.

Q11. Do you agree with ESMA recommendations that the credit scoring firms and export credit agencies retain full responsibility for the disclosure indicated above when their scores or ratings are distributed to the public in the EU via agreement with third parties?

We agree.

Q12. Do you agree that ESMA should take action to prevent any entity from abusively distributing credit ratings in the EU?

We agree.