



THOMSON REUTERS

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Mr Enrico Gagliardi
European Securities and Markets Authority
103 Rue de Grenelle
75007 Paris
France

20th February 2013

Dear Sirs

**RESPONSE TO ESMA CONSULTATION ON GUIDELINES AND RECOMMENDATIONS
ON THE SCOPE OF THE CRA REGULATION**

Thomson Reuters welcomes the opportunity to respond to this consultation and comment on the scope of the EU's Credit Rating Agency regulation.

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals.

We combine industry expertise with innovative technology to deliver critical information to leading decision makers in the financial, legal, tax and accounting, healthcare, science and media markets, powered by the world's most trusted news organization.

As part of our products and services we offer to our customers, the Thomson Reuters Fixed Income Content teams capture, store, aggregate and distribute ratings data from over 50 credit ratings agencies to Thomson Reuters products, principally 3000 Xtra, Eikon, the Datascope product suite, Datastream and ThomsonOne.

Thomson Reuters also offers our clients access to systematic quantitative investor-paid models. The StarMine Credit Risk models generate their scores and ratings in a 100% systematic quantitative process with no allowance for manual or human intervention. Every day each StarMine model processes information from various Thomson Reuters content sets on 25,000 – 35,000 public companies and outputs default probabilities, scores and ratings according to a set algorithm that was determined through rigorous backtesting and optimization on 10-20 years of historical data. In addition, the StarMine credit risk models are 100% "investor paid" models.

Yours faithfully,

Scott McCleskey
Global Head of Regulatory Intelligence, Thomson Reuters Financial & Risk

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

Thomson Reuters agrees with the approach set-out.

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

We agree that credit ratings, as defined in the CRA Regulation, should include substantial qualitative analysis and should be the expression of the individual or collective opinion of the rating analyst(s).

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 that the exercise of an analyst's judgement is the key element to classify a regulated credit rating. While some degree of qualitative analysis may be involved in order to supplement what are otherwise quantitative analyses, a true credit rating is in the end the qualitative judgment of the rating agency and so the level of qualitative input in the process should be significant.

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

We agree that ratings provided to a list of subscribers would not constitute a private rating and that they must instead be provided on an individual basis. In practice, it may be difficult to limit provision of the rating to "the person who placed the order" since in many cases the private rating is intended for a small and limited number of parties forming a consortium. We suggest clarification on this point by stipulating that the 'person who placed the order' may be a clearly defined and limited group of persons acting in the capacity of a consortium, and that the confidentiality provisions would apply equally to each.

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

We believe that a balance must be struck which recognises both the need for ESMA to have access to the records, individuals and processes necessary to perform its supervisory role while at the same time permitting credit rating agencies to make commercial decisions which will enable them to compete in markets outside the Union and to maintain lower costs. Such a balance in our view is best achieved by requiring rating agencies registered with the EU to provide timely access at all times to all relevant records and information, rather than by limiting the proportion of its revenues and operations may be based elsewhere.

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?

Yes, assuming that commercial reasons are considered “objective”. It would clearly be inappropriate for a rating agency to maintain activities outside the EU simply to avoid regulatory scrutiny, but it is in the best interest of the EU to permit EU-registered agencies to make commercial decisions which make them competitive.

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?

Not necessarily. As long as the EU-registered parent is required to provide appropriate access, we believe credit rating agencies should be allowed to conduct activities where they are most efficiently located. Moreover, limiting the conduct of credit rating activities outside the European Union would effectively undermine the ability of EU credit rating agencies to compete against non-EU agencies in the global market.

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

Thomson Reuters agrees with the disclosure recommendations indicated.

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?

Thomson Reuters believes that credit scoring firms and export credit agencies that distribute their products to the public in the EU should disclose that the CRA Regulation does not apply to their scores. We do not agree that there should be a disclosure that the scorings are not in accordance with the EU’s CRA Regulation.

Q11. Do you agree with ESMA recommendation 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 believe that it is reasonable for credit scoring firms and export credit agencies to retain full responsibility, with the exception of actions or omissions made by the third party.



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

With the reservation regarding the ability of credit rating agencies to carry out services outside the EU as discussed in our response to Question 8, we agree.