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Additional Information

Level 1 Regulation

Credit Rating Agencies Regulation (CRAR) Regulation (EC) No 1060/2009

Topic

CRA Regulation

Subject Matter

Article 8(5) – Conduct of Annual and Semi-Annual Review of Credit Ratings (ESMA33-5-87 Q&A 8 bis)

Question

What steps should a CRA take in order to ensure a sufficient level of quality and transparency in the periodic review of credit ratings conducted in accordance with Article 8(5)?

Original language

In conducting the periodic review of a credit rating in accordance with Article 8(5) of the CRA Regulation, a CRA should ensure that:

- i. The staff member responsible for approving the outcome of the periodic review is of an at least equivalent level of seniority and experience to the staff member responsible for approving the result of an initial credit rating.
- ii. The analysts that perform the periodic review are of an at least equivalent level of seniority and experience to the analysts that performed an initial credit rating.
- iii. The staff member responsible for approving the outcome of the periodic review, the analysts that perform the periodic review, and any other person involved in the periodic review process, are subject to controls that are as strong as those carried out for the initial credit rating. These controls should cover the safeguards established to protect the independence of credit ratings from the possible conflict of interests of staff involved in credit rating activities.
- iv. As part of the periodic review, CRAs should ensure that all available and relevant information, and any changes in macroeconomic or financial market conditions are taken into account. The periodic review should encompass a documented assessment of all aspects required by the applicable methodology and the use of related models, related key credit rating assumptions and criteria where these are in place.
- v. The rated entity or a related third party should be contacted during the conduct, or prior to the outcome of the periodic review, in order to allow it the possibility to inform the CRA of any material developments.
- vi. Upon completion of the periodic review the CRA should systematically and publicly disclose on its website that the credit rating has been subject to a periodic review, indicating the date of the review and explaining the key rating drivers or factors considered as part of the process.