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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 7(4) and Annex I Section C – Rules on Rating Analysts and Other Persons Directly Involved in Credit Rating Activities (ESMA33-5-87 Q&A 12)

Question
a) What are the rotation periods for “lead analysts”?

b) What are the rotation periods for “rating analysts”?

c) What are the rotation periods for “persons approving credit ratings”?

d) Are there any exceptions to the requirement to rotate lead analysts?

e) Are there any exceptions to the requirements to rotate rating analysts and persons approving credit ratings?

f) How are the rotation periods calculated?

ESMA Answer

17-07-2023

Original language

a) Lead analysts are required to be rotated every four years, with a cooling off period of 2 years in between assignments involving the same rated entity or related third party.

b) Rating analysts are required to be rotated every five years, with a cooling off period of 2 years in between assignments involving the same rated entity or related third party.

c) Persons approving credit ratings are required to be rotated every 7 years, with a cooling off period of 2 years in between assignments involving the same rated entity or related third party.

d) Lead analysts can only be exempted from the rotation requirements where the CRA has been granted an exemption by ESMA in accordance with Article 6(3) of the Regulation.

e) Rating analysts and persons approving credit ratings may only be exempted from the rotation requirements, where:

i. The CRA has been granted an exemption by ESMA in accordance with Article 6(3); or,

ii. The CRA issues only solicited non-sovereign credit ratings.

f) Rotation periods should be calculated from the date of appointment. In the case where an exemption from rotation requirements is lifted (in accordance with Article 6(3)) the rotation period for lead analysts, ratings analysts and persons approving credit ratings should be calculated from the date of the lifting of the exemption.

In the case where the CRAs credit rating activities no longer enable it to benefit from an exemption, the rotation periods for ratings analysts and persons approving credit ratings should be calculated from the date of the lifting or non-applicability of the exemption.