To:	secretariat@cesr.eu
From:	Luc Albrecht, KBC Group
Re.:	CESR survey on the day-to-day application of the IOSCO code by the Credit Rating Agencies
Date:	25 July 2006

Dear Sir,

Please find below KBC Group's points of view on the issues in the questionnaire on the day-to-day application of the IOSCO code by the credit rating agencies (both as an issuer and as a user of ratings).

We remain at your disposal should you have additional questions or remarks,

Best regards,
Luc Albrecht
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QUESTIONNAIRE

1. Do you know of cases where the methodologies used by CRAs were not consistently applied or where changes of methodologies were not clearly explained and disclosed ?

As an issuer: No. In general, rating agencies tend to communicate with us about major changes in methodology that are relevant for us.

As a user: No knowledge of such cases, except for some issues with one major rating agency concerning "country ceilings" (insufficiently documented).

2. Do you know of ratings based on inaccurate information or issued without the credit rating agencies having taken into account all relevant information ?

Both as an issuer and user: No. Unsolicited ratings (see further) evidently are based on a lower degree of information than full interactive ratings and it could therefore be argued that they cannot take all relevant information into account.

3. Do you consider that the CRAs devote sufficient resources to assign high quality credit ratings ?

Both as an issuer and user: Yes, we think they assign enough resources.

Do you consider that the CRAs devote sufficient resources to assign high quality credit ratings of structured finance instruments and to monitor them on an on going basis ?

Both as an issuer and user: We are not convinced that monitoring of structured products (CDOs etc.) is done on an ongoing basis.

4. **Do you consider that the period of time during which the rating decisions, the rating reports and the updates are publicly available is sufficient ?**

Both as an issuer and user: In general yes, though significant time-lags between yearly updates can occur.

5. **Is it always clear to you which are the critical elements underlying the rating decision (including its updates)?**

As an issuer: Prior to rating decisions, rating agencies tend to inform us by telephone and give some background information. The main critical elements are always explained, but it remains unclear as to the weight of every element.

As a user: rating actions of all rating agencies clearly state the drivers leading to the rating change. Nevertheless, the analyses are not always well structured. In the case of one major agency, an extensive rating rationale is often lacking, whereas in the case of another agency, a summary of strengths and weaknesses and potential rating drivers is not available.

6. **Do you think that the ongoing surveillance of CRAs on ratings, which can result in a rating action, is effective and timely?**

As an issuer: Yes. We are constantly (via tel/e-mail) in contact with each rating agency (tens of phone calls and mails per month). The analyses however are generally published rather late (in many cases with ‘old’ figures, dating back quite a number of quaters).

As a user: we note that in the past rating agencies have often reacted a number of days after important news/information on an issuer is publicly available (the reason may be that they first await the latest quaterly figures or the lenghtly rating/decision process).

7. **Have you ever experienced (or heard about) situations where the CRA or its employees have given any assurance or guarantee of a particular rating prior to a rating assessment.**

Both as an issuer and user: no.

8. **Do you consider that the CRAs disclose clearly in the rating decision whether a) the rating was not initiated at the issuers request and b) the issuer has not participated in the rating process ? Is the above-mentioned disclosure valuable for you? Do you know of cases where ratings of the type mentioned above (a and b) had a lower degree of quality than others.**

Both as an issuer and user: some rating agencies assign a certain indication to “unsolicited ratings” (such as “pi”, which stands for “public information based rating”), though we are not sure every potential investor clearly understands the meaning of this and can differentiate between real interactive ratings and pi-ratings. In the case of one major rating agency, no such indication is given, making it impossible to see a difference.

As, generally speaking, unsolicited ratings are largely based solely on public information, and hence miss the additional information that is provided via the yearly company visit and the day-to-day contacts with the company, we consider them of inferior quality compared to full interactive ratings. In general, we consider this practice to be both unsound and not beneficiary to the market.

In any case, for unsolicited ratings, we feel a clear indication, both in the ratings and in the underlying analyses, is essential. In general though, we repeat that we are strongly opposed to the whole concept of "unsollicited ratings".

Ps: note that we, as a company, are confronted with a number of unsolicited ratings for a number of our subsidiaries.

9. Have you ever experienced (or heard about) situations where the CRA has denied the issuer the opportunity to clarify any likely factual misperceptions or other matters that the CRA should be aware of prior to issuing or revising the rating ?

As an issuer: No. We always get the opportunity to read through the analyses before they are published. If certain points are unclear, we have an additional discussion prior to finalization of the analysis.

As a user: No.

10. Are you aware of cases where the rating decision was influenced by pressures from the issuers or other parties?

Both as an issuer and user: No.

11. Do you consider that CRAs have put in place adequate separations and firewalls between credit rating analysts and staff involved in providing other businesses (such as rating advisory, consulting, credit assessment, research)? Have you ever been in contact with credit rating analysts for other services than the one they provide within the context of credit rating ?

Both as an issuer and user: we have (as yet) had no indication to the contrary.

We have not been in contact with rating agencies for any other services than the one they provide within the context of credit ratings.

12. As an issuer, have you ever negotiated the fees of the rating service with analysts involved in the rating process ?

As an issuer: No. Fee negotiations are never done with the analysts themselves. There seems to be a clear separation between the analysts and the persons involved with fee negotiations.

13. Have you ever experienced any situation where the rating disclosure was not done in a timely manner ?

As an issuer: We experienced an "accident" with a major rating agency on the Rating Assessment Service regarding a major restructuring operation of our company (merger of KBC and Almanij). The ""shadow rating" was released, due to a human error at this agency, a few days before the deal was made public, causing us regulatory concerns of the highest degree.

As a user: We have not experienced a situation where the rating disclosure was not done in a timely manner. However, it has to be noted that the agencies do not always react on time on specific events.

14. Have you encountered any problems in relation to the use of confidential information in your day-to-day business with CRAs

As an issuer: No, except for the afore-mentioned incident.

15. Do you know of cases where the credit rating agencies are not applying the provisions of their own codes of conduct?

Both as an issuer and a user: No.

16. Are there any other comments you would like to make ?

- Oligopolistic position of the three main rating agencies (S&P's, Moody's and Fitch) results in high prices for the services they offer. Having three ratings seems to be a market standard for medium and large-sized banks in W-Europe.
- Though rating methodologies are available and information on this subject is improving (mainly the case for Moody's), we still feel the available methodological information could further improve.
