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To: European Securities and
Markets Authority (ESMA)
11-13 avenue de Friedland, 75008
Paris, France

cc: Hellenic Capital Markets
Kolokotroni 1 & Stadiou, 105 62, Athens, Greece

Athens, 20th October 2011

Subject: *ICAP Group's response to ESMA's consultation paper on the content and format of ratings data periodic reporting.*

Dear Sirs,

ICAP Group welcomes the opportunity to provide feedback on issues that concern the content and format of ratings data periodic reporting. ICAP has no concerns on the methodology employed in the Impact Assessment which selected the solution of analytical data. However, as a medium sized CRAs like the majority of European CRAs, we would like to take the opportunity to express our concern regarding the purpose of maintaining two separate reporting mechanisms (CEREP's semi-annual and monthly ratings data).

Through its participation in the first call for evidence, ICAP has already expressed the opinion that these two reporting mechanisms should share the maximum possible common requirements, in an effort to eliminate unnecessary and disproportionate to the size of the CRA, reporting costs.

ICAP favours the solution of an integrated single reporting mechanism that will support both purposes i.e. informing the regulatory authorities as well as investors and other third parties, an approach not fully endorsed in the draft RTS.

Q1: Do you believe the level of detail of the draft Regulatory Technical Standards is appropriate?

Q2: Do you think the current proposal for the draft Regulatory Technical Standards covers all relevant data that should be periodically reported to ESMA?

Q1 & Q2: Although in principle the draft Regulatory Technical Standards' level of detail is judged appropriate, there are fields that are deemed of less important (such as communication time, publication time) for the effectiveness of the supervision or too specific (such as seniority-currency) to certain CRA's procedures. Given that the reporting of this information creates unnecessary costs we feel that the draft RTS covers more than the relevant data that should be periodically reported to ESMA.

In Q7-Q20 responses we explicitly describe our concerns for the relevance of certain fields or the adequacy of specific standards.

Q3: What is your view of the reasons highlighted in the Consultation Paper for requesting periodic analytical data on rating actions?

ICAP agrees with the view that the availability of regular and frequent analytical data allows ESMA to supervise more closely the rating activities and respond promptly to cases of actual or potential breaches of the Regulation.

Q4: What is your view on the possible benefits linked to the effectiveness of on-going supervision that may derive from the use of analytical data?

ICAP shares the view that the proposed regulatory changes aim to higher transparency and enable ESMA to execute its purpose for an effective on-going supervision which in turn promotes the CRAs' reputation. Furthermore, the standardization of the reporting requirements reduces the costs compared to ad hoc reporting requests and sets up a clear and consistent communication channel between Regulatory Authorities and CRAs.

Q5: Do you agree with the proposed reporting principles?

ICAP would like to comment on ESMA's position on the first reporting period, as stated in Article 3, paragraph 3,

The first reporting period shall cover the period from the date of entry into force of this Regulation, or from the date of registration or certification if registration or certification occurs after the date of entry into force of this Regulation, to the end of the following month.

The regulation should provide an appropriate transition period for the incorporation of the requirements and allow enough time for the development and testing of the IT systems, as well as, the verification and processing of the first file. The experience with the CEREP repository has shown that such a transitional period is critical for both parties in order to bridge the gaps between the IT systems.

Q6: Do you agree that the suggested frequency (monthly) for reporting is appropriate to enable ESMA to discharge timely and effectively its obligations and to ensure it has up-to-date data?

Given the longer term nature of ratings and the time needed for a rating process to conclude, one alternative could be that the reporting is required on a three-month basis. It should be pointed out that the reporting of data on a monthly basis increases the overhead disproportionately to the size of the CRA.

Specific questions regarding the data to be reported to ESMA

Q7: Do you believe that the specification of the data to be reported, as per Table 1, 2 and 3 of the Annex, is appropriate?

The specifications given are appropriate for the majority of the fields. Additional information is required for a number of fields in Table 2.

Table 2 Fields:

- *Action Type* (n.8): please refer to question 9
- *Rating value* (n.14): In the rare case of a 'rating' changing more than once during the reporting period, should all the in-between changes be reported?

- *Previous Rating value* (n.15): please confirm that it is the rating reported on a previous monthly period.
- *Seniority* (n.28): This field is specified as mandatory and applicable for rating types "C" (corporate rating) or 'S' (sovereign & public finance rating). In case of "Issuer Ratings", i.e. the rating is assigned to the company and not to a specific debt liability, what should be the value for this field?
- *Currency* (n.29): Similarly to seniority, what should be the value of this field for "Issuer Ratings"?
- *Action validity time* (n.31)- *Communication date* (n.32) - *Communication time* (n.33) - *Adoption date* (n.34): The retrieval of the above creates important overheads disproportionate to their usefulness for the assessment of the quality of the rating actions..

Q8: Do you agree with the standards indicated for the data fields in Table 2?

Some questions arise on specific fields.

a) *Action Type* (n. 8): see reply on Q9.

b) *Default field* (n. 46): The standards for default include the values "Y" and "N", the latter when the default status is lifted. However, a default definition may contain events that are not terminal i.e. not leading to bankruptcy or liquidation of the company - and have no duration. In this case, it is important to indicate how many consecutive periods should be examined until the default is lifted to "N".

Q9: Do you think that additional actions should be included in field n. 8 of Table 2 of the Annex?

Action Type (n. 8): It is not clear if this field can take one or multiple values (combination of values) among those specified in the standards. Although some standards ("NR", "UP", "DG", "WD") are unique, some other ones could be used in combination.

For example,

- A New Rating (standard "NR"), could also have an Outlook (standard "OT")
- A rating can have an Outlook (standard "OT") and be in Watch (standard "WA")
- A rating Withdrawn (standard "WD"), could also be a Defaulter (standard "DF")

What should be the value of the field "Action Type" in the above combined cases?

Watch (n. 10): We would also like to highlight that not all standards included in the RTS are employed by all CRAs (e.g. ICAP does not distinguish between positive and negative watch).

Q10: Do you think that additional options/items should be included in fields' n. 9, 10 and 11 of Table 2 of the Annex?

We believe that the list of options in fields 9, 10 and 11 is exhaustive.

Q11: Do you believe that the solutions proposed for the identification of instruments, issuers and originators are appropriate? Should ESMA consider alternative identifiers?

The suggested identification code (BIC) is not publicly available in Greece while asking companies to provide it could potentially raise legal issues. ESMA may consider alternatives such as the VAT number which is publicly available and at the same time is a trustful source of issuer identification.

Q12: Do you agree with the method proposed for the cancellation of records?

It is not clear if the field identifier refers only to qualitative data cancellation, or if it is possible to cancel only a specific field for a rating identifier and not the entire record.

Q13: Do you think that any of the fields that are proposed to be filled in only the first time a rating is reported should instead be provided more frequently?

ICAP agrees with proposals that reduce the reporting overhead without impairing the quality and the sufficiency of the reported data.

Q14: How many actions do you believe your organisation should report each month to ESMA under the proposed draft Regulatory Technical Standards? Can you provide an estimate of the data points correlated to those actions which should have to be reported?

ICAP's monthly rating actions fluctuate over time following broadly the publication of financial statements by the rated companies. For example,

- 1) March - April: the companies listed in Athens Stock Exchange, publish their financial statements triggering a rating review
- 2) May - August: the majority of the remaining (not listed) Greek companies publish their financial statements, triggering a rating review.
- 3) Jan-Feb, Sept-Dec: companies are monitored for separate rating action upon receiving material information affecting their credit assessment.

Q15: Would this kind of reporting require the implementation of significant changes to your organisation in order to comply with the requirements established in the proposed draft Regulatory Technical Standards?

As noted earlier, there are fields similar to the information reported to the Central Repository of Ratings (CEREP) which require no significant changes. However, the introduction of the new fields in the monthly reports (e.g. communication date and time) will create substantial effort and important costs- both one-off and maintenance costs-, that are disproportionate to the CRA's size.

Q16: What is your view on the requirement that CRAs should include in the periodic reporting to ESMA information about changes of outlooks or the issuance of "watches" (or watchlist designations) on credit ratings? Do you agree that reporting of these data can materially improve the effectiveness of supervision from ESMA?

Outlooks indicate a contingent rating action and as such this information can in principle improve ESMA's effectiveness since it allows for a pro-active supervision. Nevertheless, a large number of rating actions occur without any outlook to be preceded. Hence, the inclusion of this information may in practice have a lower than anticipated impact on ESMA's effectiveness of supervision.

Q17: Do you believe that the proposed content and format of the requested information on outlooks and watches is consistent with the policies and procedures adopted by your organisation for outlooks and watches?

In the field "Watch" not all standards are applicable (e.g. ICAP does not distinguish between positive and negative watch). In addition, the standard "EVO" for Outlook field does not exist.

Q18: Do you believe that your organisation (applicable to CRAs) should support any material additional cost linked to the reporting of actions regarding outlooks and watches to ESMA? If so, please clarify the nature (IT, fixed, ongoing) of these costs and provide figures or estimates. Please specify any similar concerns on the reporting to ESMA of the placement under observation of a rating following a regulatory review.

ICAP concluded in summer the implementation of the reporting application for CEREP. The additional requirements included in the monthly ratings data reporting as well as the difference in the reporting philosophy (CEREP included the rating at the beginning and at the end while the monthly ratings data includes all rating actions) imply that a development of a new application is required. The one off

costs includes primarily IT-related actions and is approximately 60k-70k €. The ongoing costs are split between 12k-15k € per annum for IT maintenance and support and 35k € per annum for other resources.

Q19: Do you agree that for the purpose of ongoing supervision ratings on covered bonds (that are not structured finance instruments) should be reported to ESMA as a separate type of ratings different from corporate ratings? What is your view on the specific issues/risks linked to covered bonds ratings? Can the clear identification of covered bond ratings in the periodic reporting help ESMA to deliver a more effective and timely supervision of those risks and issues?

Not applicable to ICAP.

Q20: Do you believe that your organisation (applicable to CRAs) should support any material additional cost linked to identification in the reporting to ESMA of covered bond ratings as a separate type of ratings? If so, please clarify the nature (IT, fixed, ongoing) of these costs and provide figures or estimates.

Not applicable to ICAP.

We are at your disposal for any further clarifications.

Yours Sincerely,

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