European Securities and markets Authority
11-13 avenue de Friedland
75008 Paris
France

13th June 2011

RE: Axesor's Response to ESMA's call for evidence on the assessment of compliance of credit rating agencies with Article 8.3 of the Credit Rating Agencies.

Axesor Conocer para Decidir S.A. (Axesor) is a Spanish company whose main business involves the provision of unsolicited ratings on all Spanish Companies on under a subscriber or pay per view model. Annual revenues in 2010 amounted to 20,7MM€. Axesor issues ratings on all Spanish corporates excluding financial institutions, insurance companies and public sector enterprise amongst others. Axesor does not issue ratings on structured finance, Sovereign or Public Finance transactions.

Axesor has been working for the past 15 years in the continuous improvement of its rating methodologies and processes, aligning its internal organization and corporate governance to best practices in the market.
We appreciate the opportunity to provide comments to ESMA regarding this consultation paper. From the point of view of a market stakeholder, following are our comments to the questions raised by ESMA:

7. What do you consider to be the most important factors within a credit rating methodology to ensure that it is:

<u>Rigorous:</u> Insuring that all procedures involved in the inputs of the model are robust is the most important factor's aspect in our opinion. Robust models do not only imply a low volatility of the ratings over time (introduced by changes in assumptions of the methodologies when it becomes necessary to adjust the models for a "point in time" situation)but also have to include procedures to detect, study, consider and correct (if necessary) the outlier information or special circumstances regarding company or macro factors.

<u>Systematic:</u> Systematic ratings are important to insure that ratings are as objective as possible, to avoid any conflicts of interest that may arise between those involved in the rating process (rating agency, company being rated, other stakeholders)

An Objective (and accurate) rating must be the goal that all credit methodologies seek to achieve to, ensure similar that ratings are aligned when the companies' information (financial, sector, size…) and macro-environment situation are equal. Under our point of view the most effective way to attain an objective rating is to develop rating models where all the main elements that support a rating are backed by information that has been contrasted and imbedded in a standardized process. In other words eliminate all the subjective elements which *are parts of the methodology. This, obviously, includes the methods used to evaluate the qualitative information.*

8. In relation to each of the factors identified in Q7, is there a factor that is not covered in the standards embodied in the CESR Guidance published on 30 August 2010? If so, please provide reasons as to why that factor should be included in the RTS.

We feel that granularity is not covered as part of the factor "rigorous". It is our belief that adequate granularity is essential to insuring good quality ratings. In our opinion it does not make sense to group a large number of companied that are similar in nature but not equal in the same rating as it makes differentiation between them more difficult. Despite the fact that a group of companies could be classified as having low (or high) credit risk, the rating scale must be granular enough to show differences between companies in order to be able to rank them effectively. As such we believe instituting measurements such as probability of default is much more accurate, as it serves to differentiate on an objective basis ratings of entities with different risk profiles that fall into the same ratings (ie. As we have seen in the recent crisis, not all AAA risks are the same).

9. Are there any factors covered in the standards embodied in the CESR Guidance that you do not consider to be important? Please identify factors and provide reasons.

Just as a matter of opinion, we want to point out that we believe that under the traditional rating approach, were the number of rated companies is fairly small, (this is especially true in many European countries) backtesting is not so relevant This is because the sample groups over which backtesting is done are not normally large enough to provide statistically significant results.

12. Do you expect any of the standards embodied in the CESR Guidance, if transposed to RTS, to have any impact on existing or future credit ratings? If so, please specify which type(s) of rating (e.g. corporate, structured finance, financial institution, insurance, sovereign ratings) and what the impact(s) will be. Please specify how the impact will occur and allocate the impact to each standard embodied within the CESR Guidance.

We believe that the improvements will be especially relevant in the areas of structured finance and sovereign, where we expect a significant increase in quality as a result of an increase in transparency related to the methodologies used and an increase in the level of assumptions and or factors analyzed in the rating process. We also belief that it is essential that issuers provide greater transparency with the information provided in the rating process. For example a lack of due diligence and information gathering on the underlying portfolio's has been one of the main causes of the market problems (ie all collateral in a structured transaction is not the same and should be subject to additional analysis; this is most evident in mortgage portfolios).

13. Will the standards embodied in the CESR Guidance, if transposed to RTS, have an impact on market size, market structure and your position in the markets within which you operate? Specifically, do you expect.

We belief that the Guidance will have a negative impact on the smaller or local CRA´s, that may lead to them eventually exiting the markets as a result of the administrative burden. We believe smaller CRA´s will have a higher proportionate cost (cost/sales) in terms of additional headcount and resources needed to create and maintain the documentary requirements the new regulation would requires. As an example, elaborating all the required documents related to the policies and frameworks of the rating process, the process of model creation and validation, would imply an important effort that is difficult to assume by a small CRA directly. We would urge that careful thought is given to clearly separating those regulations that are deemed to be essential for protecting stakeholders which should be implemented no matter what the cost and those that have little or no impact on the stakeholders but may entail as much of an administrative burden as those regulations that are required.