Bundesverband Öffentlicher Banken Deutschlands e.V.

Verband deutscher Pfandbriefbanken e. V

Comments by

the Association of German Public Sector Banks[1]
and
the Association of German Pfandbrief Banks[2]

ESMA call for evidence
on ratings data periodic reporting requirements for CRAs according to Article 21 (3)(e) of the Draft Amended CRA Regulation

20. Juni 2011

[1] The Association of German Public Sector Banks – Bundesverband Öffentlicher Banken Deutschlands, VÖB – is a leading industry association in the German banking industry. It represents 62 member institutions including the regional banks (Landesbanken) as well as the development banks owned by the federal and state governments.

[2] The Association of German Pfandbrief Banks (vdp), headquartered in Berlin, currently represents 39 member banks. The association represents the Pfandbrief-specific interests of its member institutions in dealings with legislators, supervisory authorities, rating agencies and other market participants. It places its specialized services at the disposal of all Pfandbrief-issuing banks in Germany.

Introductory Remarks

The banks that are represented by the Association of German Public Sector Banks and the Association of German Pfandbrief Banks welcome stricter regulatory requirements and increased oversight over credit rating agencies in Europe. However, to ensure that the supervisory authorities have the ability to fulfill their mandate, the utmost transparency of the rating process, rating decisions and the communication with investors and issuers is required. Therefore, we favor a detailed delivery of analytical data concerning specific rating actions.

In the past years, the credit rating process and rating decisions have been widely criticized and caused many regulators around the world to establish and increase regulation of credit rating agencies. One of the most critical issues has been the timing and the scope of rating changes as well as communicating those changes into the market.

For us, supervising credit rating agencies and their rating decisions more thoroughly requires a detailed and continuous look at ratings and rating changes. Especially in connection with other regulatory requirements such as frequent assessments as well as rigorous, systematic and continuous methodologies, having access to every single rating decision will allow the supervisory agency to make sure credit rating agencies comply with the standards and obligation put forward in EU regulation no. 1060/2009.

Q9: In your view is there any redundant or missing information in the list in paragraph 9 which should be included or omitted in order to improve supervision?

In addition to the information listed in paragraph 9, we suggest adding the default history of the cover pool assets that the credit rating agency used to evaluate a covered bond programme. This would give supervisors a better understanding of the validity of the rating and will help to reassess the underlying assumptions for a covered bond rating.

Q10: Please indicate the costs and benefits that you envisage from the analytical reporting requirements described above, for example as regards:

A higher administrative burden for credit rating agencies will ultimately lead to a rise in issuer fees. However, once a standardized reporting mechanism has been developed and established, those additional costs should decrease as the requested information by the supervisor should be readily available for the rating agency.

Since the reporting requirement does not have any impact on the rating process or the rating methodology, we don't expect any reduction in quality of the rating. On the contrary, we expect an increase in rating quality. For us, a thorough supervision of credit rating developments will encourage credit rating agencies further to comply with the requirements of EU regulation no. 2009/1060.

Appendix

(i) Name of organizations

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(ii) Annual revenue

n/a

(iii) Nature of business

Association

(iv) Areas of specialization

Financial institutions, structured finance