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GUIDELINES

**CESR's Guidelines for the
implementation of the Central
Repository (CEREP)**



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I. INTRODUCTION

A. European legislation

On 12th November 2008, the European Commission published a draft regulation on credit rating agencies¹. The amended version of this draft regulation was approved on 23rd April 2009 by the European Parliament² and on 27th July 2009 by the European Council³. The final version was published on 17th November 2009 in the EU's Official Journal (Regulation (EC) No 1060/2009). It entered into force on 7th December 2009. Credit rating agencies operating in the Community before 7th June 2010, which intend to apply for registration under the Regulation, shall adopt all necessary measures to comply with its provisions by 7th September 2010. According to this Regulation CESR will discharge important co-ordination and advisory functions alongside its traditional role of promoting convergence through Level 3 guidelines and recommendations.

Among other tasks, according to Article 11.2 and 21.2 (d) of the Regulation, CESR shall:

- Establish a central repository (**CEREP**) where credit rating agencies shall make available information on their historical performance data including the ratings transition frequency and information about credit ratings issued in the past and on their changes,
- Define the standardized form in which the credit rating agencies shall provide information to that repository,
- Make that information accessible to the public and publish summary information on the main developments observed on an annual basis,
- Issue guidance on common standards on the presentation of the information, including structure, format, method and period of reporting, that credit rating agencies shall disclose. In particular, credit rating agencies shall disclose every six months data about the historical default rates of their rating categories, distinguishing between the main geographical areas of the issuers and whether the default rates of these categories have changed over time⁴.

CESR has to provide guidance on common standards on the presentation of historical performance data within six months of entry into force.

B. Goal and purpose of the central repository

Two main arguments for the creation of the CEREP were taken into account: one of them being market participants' claim of a lack of transparency of credit rating agencies with regard to the information provided on historical performance data (e.g. rating transitions and default statistics). In particular, it was indicated by those market participants that the data presented by the credit rating agencies have not always been complete and that credit rating agencies differ in their approaches to collecting and presenting the data⁵.

The other, being the Regulation's request to enhance transparency and to contribute to the protection of investors by providing information to a central repository on the past performance of credit rating agencies and about credit ratings issued in the past. Credit rating agencies should provide information to that repository in a standardised form. CESR should make that information available to the public and should publish annual summary information on the main developments observed.

¹ http://ec.europa.eu/internal_market/securities/agencies/index_en.htm

² P6_TA-PROV(2009)0279; <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2009-0279+0+DOC+XML+V0//EN&language=EN#BKMD-56>

³ PE-CO_S 3642/09; <http://register.consilium.europa.eu/pdf/en/09/st03/st03642.en09.pdf>

⁴ See Article 11(2) and Annex I, Section E, Part II, Point 1 of the Regulation.

⁵ See Impact Assessment of the European Commission on the proposal for a Regulation on Credit Rating Agencies, SEC(2008)2745, 12th November 2008, p. 20f.



Considering above mentioned reasons as well as the feedback received by market participants, CESR has decided to implement the CEREP system.

The CEREP system collects centrally data on credit ratings issued by credit rating agencies that are registered in compliance with the Regulation, on credit ratings that are endorsed by a registered credit rating agency, and on credit ratings issued by credit rating agencies that have been certified in compliance with the Regulation (**Ratings**). In addition, CEREP will collect credit ratings issued in a third country by credit rating agencies not certified or registered in the Community but belonging to the same group of credit rating agencies as a registered credit rating agency if these ratings are provided to CEREP on a voluntary basis. The CEREP calculates performance and rating statistics for predefined periods of time in a harmonized manner and discloses them for public access through the CEREP's website. By that, the CEREP will contribute to reduce the information costs (for searching and processing the data) for both market participants and regulators. Reduced information costs create an incentive for market participants to conduct more comprehensive analyses of a credit rating agency's rating performance. This should help them to better assess the reliability of credit ratings (and credit rating agencies) and thereby assist them when taking investment decisions.

C. Principles

All credit rating agencies that are registered in compliance with the Regulation as well as credit rating agencies that have been certified in compliance with the Regulation (**CRAs**) with a minimum of one year of rating activity will have to provide their data to the CEREP. The CRAs are responsible for the accuracy and completeness of the data sent.

Members of a group of credit rating agencies might report separately to the CEREP. However, CESR strongly encourages CRAs that act and apply as a group of credit rating agencies to report to the CEREP on an aggregated basis on a group level. If a group of CRAs does not report on a group level each member of the group has to report individually. The statistics will be displayed in the public website independently for each reporting unit; the CEREP will not perform aggregation of data provided separately by members of a group of credit rating agencies.

It is important to highlight that CESR will collect the data based on a raw data concept. This means, that CRAs deliver individual ratings and their characteristics to the CEREP. CESR will calculate the ratings and performance statistics centrally. CESR will not disclose any individual rating information to the public but publish aggregated statistics only.

D. Function of the CEREP

CESR will collect raw data containing information related to individual ratings, and calculate the statistics centrally. The CEREP system consists of four stages:

1. Receiving the data from CRAs,
2. Processing and loading the data into a central database,
3. Requiring data review and validation by the CRAs, and
4. Publishing the compiled statistics on CESR's website.

The CEREP website displays statistics for public access to all interested parties. It allows users to search, filter, print and download the statistics. Several types of statistics will be compiled and published for each CRA and for different time periods: rating activity (several measures), default rates and rating transition rates. Default rates and transition matrices will be presented in yearly and multi-year statistics. Multi-year statistics will be provided at minimum for the latest 3, 5, 7, 10, 20, and 30 years of published statistics, where applicable.



E. Purpose and target audience of the Guidelines

Target audience of these Guidelines are all credit rating agencies that are registered in compliance with the Regulation, and credit rating agencies that have been certified in compliance with the Regulation. The Guidelines shall be a manual for those CRAs to deliver their data to the CESR CEREP. Thus, this document specifies the scope and definition of the data that CRAs have to deliver. Further technical information containing more details and specifications are provided in the CRA Reporting Instructions which will be available for CRAs upon request to CESR as of July 2010.

Additionally, these Guidelines shall provide information about the design and the intention of the CEREP to investors and all other interested parties.



II. SCOPE OF THE CENTRAL REPOSITORY

A. Entities subject to reporting requirements

Subject to the reporting requirements provided in these Guidelines are CRAs with a minimum of one year of rating activity. If a group of credit rating agencies would report the above mentioned data, the members of the group shall mandate one of their numbers to submit all the data to the CEREP on behalf of the group. The mandated CRA shall provide the information for each member of the group. Both, the mandated and the responsible party for reporting the ratings have to be identified.

The CRAs are required to deliver data to the CEREP on a biannual basis.

B. General standards

B.1 Ratings to be reported

Ratings that have to be reported are ratings which were active at the beginning or at the end of the period under review.

B.2 Treatment of solicited/unsolicited ratings

CRAs shall report all solicited and unsolicited ratings according to the requirements stipulated in Article 10.5 of the Regulation. To allow CESR to differentiate both different rating types, CRAs shall always indicate if they report a solicited or an unsolicited rating.

B.3 Treatment of rating withdrawals

CESR considers it as valuable information for investors to know why a rating was withdrawn. Based on this, CESR decided to introduce a distinction between different reasons of withdrawal. Thus, all reported ratings that are withdrawn after the registration under the Regulation shall be assigned to one of the following six categories:

1. Incorrect or insufficient information provided,
2. Bankruptcy of rated entity or debt restructuring,
3. Reorganisation of rated entity (including merger or acquisition of rated entity),
4. Maturity of the debt obligation,
5. Automatic invalidity of rating due to business model of CRA in case of a subscription based rating model,
6. End of rating due to other reasons.

Expecting that not all CRAs distinguish the reason of withdrawal so far, this requirement is effective only for ratings withdrawn after the CRA has been registered or certified under the Regulation and not for the historical data reporting requirement. Thus, all ratings that fall under the reporting requirement of the CEREP and have been withdrawn before the CRA has been registered or certified according to the Regulation may be assigned to category 6 in order to simplify the historical data reporting for CRAs.

B.4 Reporting of default

CRAs' treatment of default differs in some cases considerably. In order to produce performance and default statistics that are comparable between CRAs, it is necessary to define a common standard for the reporting of a default. Thus, for CEREP purposes CRAs are required to report defaults based on



CESR's definition. This definition might deviate from what CRAs report as default in their own performance statistics. It is important to note that CESR does not interfere with the business model of CRAs and does not request CRAs to change their individual default definition. The definition provided by CESR is based on the individual CRA's default definition and only adds cases CESR considers to be a default. This is done in order to improve the comparability between the CRAs' definitions. CRAs have the possibility to describe in the qualitative data section the definition of default they use.

CESR considers a default to have happened, if:

- The rating indicates that a default (according to the CRA's definition of default) has occurred, or
- The rating has been withdrawn due to bankruptcy of the rated entity or due to debt restructuring (equals withdrawal category 2), or
- Any other instance in which a CRA considers a rated entity or security as defaulted or materially impaired (or equivalent).

CRAs are required to report in these cases a default to the CEREP. In order to do so, they will indicate a default in the reporting field 'default'.

B.5 Geographical scope of ratings reported

According to the scope stipulated in Article 2 of the Regulation CRAs shall report data on all ratings which are disclosed publicly or distributed by subscription. CESR encourages CRAs to report on a global scope. In case of a global reporting the information provided can include on a voluntary basis also data of credit rating agencies belonging to the same group of credit rating agencies which are not certified or registered in the Community. If a non-global reporting approach is taken, an explanation in the qualitative data section is mandatory. In either case, reporting has to be consistent over time and across all asset classes.

B.6 Definition of the reporting period and statistical period

The publication of data in the CEREP is based on two reporting periods a year:

- 1st of January to 30th of June,
- 1st of July to 31st of December.

The beginning of the reporting period (BOP) corresponds to the date of the first day of the reporting period at 00:00:00 hours (Central European Time). The end of the reporting period (EOP) corresponds to the date of the last day of the reporting period at 23:59:59 hours (Central European Time). The characteristics reported at the beginning of a period should be consistent with the ones reported at the end of the previous period.

Thus, each CRA provides a report with the rating related data twice a year to the CEREP. Other reports with data regarding the CRA's rating methodology as well as the definition of terms and rating scales shall also be reported in each period, if substantial changes occurred.

The data shall be reported during the three months following the end of each reporting period (pre-publication period), i.e. by the 31st of March and 30th of September of each year.

So, CRAs have to report biannually for a six months reporting period. For example, the data related to the period ending on 31st December 2011 should be reported by the CRAs to the CEREP by the 31st March 2012 at the latest and will concern rating activity and performance from 1st July to 31st December 2011.



Although the CRAs have to report data every six months, the minimum period for the displayed data to the CEREP's users will be twelve months (statistical period). Depending on the time-span of the statistical period, the CEREP distinguishes two types of statistical periods:

- Yearly⁶: covering 12-months periods (two consecutive six-months reporting periods)
- Multi-year: covering multiple 12-months periods.

B.7 Reporting of historic data

CRAs should submit information on their rating activity and on the historical performance of ratings covering at least the last ten years before entry-into-force of the Regulation. CRAs which have not been in existence for that long will be required to report only the data corresponding the time of their rating activity. As regards historic data CRAs are solely required to report data that can be provided without creating unreasonable effort. The reporting of historic data will follow the same logic as the current reporting.

B.8 Treatment of methodology changes⁷

CESR acknowledges that methodology changes by CRAs may be necessary to incorporate new knowledge and to react on a changing business environment. However, methodology changes create potential difficulties regarding their treatment in the CEREP since they might lead to inconsistencies in the statistics.

Thus, two options were considered by CESR:

- The first one was to stick with the statistics once they are compiled and provide information on the methodological changes in the qualitative data reports only.
- The second option was to require CRAs to resend updated (historical) data reports to enable CESR to recalculate the statistics.

CESR decided to choose the first option (no update of the historical data) considering that this option would reduce complexity of the CEREP as well as the workload on CRAs. Additionally, this increases transparency regarding the disclosed historical data. That way, the original ratings based on the original methodology at the time of issuance are reflected. In this case, the generated time series reflects the performance of a specific rating over time in a more correct way than if the historic rating would be updated based on a newly developed methodology.

Changes in the rating methodology will have to be reported in the qualitative data section. CRAs are offered to refer to additional information on historical methodology changes on their website.

B.9 Changes in rating scale

In case of a change in a CRA's rating scale or in a CRA's methodology that might impact the rating scale, CESR considers two scenarios as possible that each results in a different treatment of the changes within the CEREP:

1. Renaming the rating scale without further amendments. In this case the format of the new rating scale will be adopted in the CEREP. The rating scales of the existing historical rating data will be amended to the new format.
2. Changes in the rating scale that amend or alter the existing rating scale in a way that would create a break in historical performance statistics. In this case, CESR decided to stop creating statistics based on the old rating scale and to start reporting and producing statistics based on the new rating scale from the time of change on. Existing performance

⁶ Even if the reporting periods will be of 6-months length, the minimum length for the statistics reports will be 12 months.

⁷ Excluding changes in the rating scale – please refer to Section B9.



statistics for the old rating scale would still be accessible. However, the old and the new rating scale would not be comparable. A mapping of the old and the new scale will not be provided by CESR.

C. Definition of rating type

Three broad rating categories have been defined by CESR:

- Corporate ratings,
- Structured Finance ratings and
- Sovereign and public finance ratings.

CESR will monitor future developments in these areas and adapt categories if major structural changes occur.

C.1 Corporate ratings

C.1.1 RATED ENTITIES

For corporate ratings CRAs shall report data on an issuer basis.

A special case is the treatment of the companies' subsidiary ratings. Subsidiary ratings tend to be influenced by the rating of the parent company. However, their rating may differ positively or negatively due to individual factors. Thus, it is open to CRAs whether to count subsidiary ratings as individual ratings or not. In any case the treatment has to be consistent over time and must be explained.

C.1.2 DEFINITION OF RATINGS

For corporate ratings CRAs shall report data for both, short-term and long-term ratings if available. Other ratings concerning the field of corporate finance are not to be reported. CRAs shall indicate for each rating, if they report a long-term or a short-term rating.

As long-term rating in the context of the CEREP the 'issuer rating' (or similar) shall be reported. Otherwise, if an issuer rating is not available, the 'long-term unsecured debt rating' (or similar) shall be reported instead. If foreign and local currency ratings are available, only the foreign currency rating shall be reported.

As well, reports of short-term ratings are limited to the foreign currency rating, if a local and a foreign rating is available.

C.1.3 SEGMENTATION OF INDUSTRY

When reporting corporate ratings, CRAs shall classify the ratings to one of the following industrial segments:

1. Financial institutions including banks, brokers and dealers,
2. Insurances,
3. Corporate issuers that are not considered to be a financial institution or insurance.

C.2 Structured Finance ratings

C.2.1 RATINGS OF INSTRUMENTS AND ENTITIES

According to article 3.1 (l) of the Regulation a 'structured finance instrument' means a financial instrument or other asset resulting from a securitisation transaction or a scheme referred to in



Article 4(36) of Directive 2006/48/EC⁸. This Article states: “securitisation’ means a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranching, having the following characteristics:

- a) payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures, and
- b) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.“

For structured finance instruments CRAs shall report data on an issue basis. Only long-term issue ratings (or similar) shall be reported.

Exceptions:

- One exception is the rating of structured investment vehicles (SIV) and similar structures for which CRAs shall report long-term ratings on an issuer basis.
- The second exception concerns asset-backed commercial papers (ABCP): for ABCP only short-term debt ratings shall be reported (on an issue basis).

C.2.2 ASSET CLASS SEGMENTATION

In order to enable users of the CEREP to compare ratings of different structured finance asset classes of credit rating agencies, six asset classes including further subcategories have been defined. They are for reporting purposes of the CEREP only and do not interfere with the structured finance definition of the capital requirements directive (CRD). The reporting classes are defined as following:

- Asset-backed securities (ABS): Securities backed by non-mortgage financial assets including auto/boat/airplane loans, student loans, consumer loans, health care loans, manufactured housing loans, film loans, utility loans, equipment leases, credit card receivables, tax liens, non-performing loans, credit linked notes, recreational vehicle loans, trade receivables, etc.
- Residential mortgage-backed securities (RMBS), including Prime and non Prime RMBS, and Home equity loans (HEL).
- Commercial mortgage-backed securities (CMBS): this segment includes asset types such as retail or office property loans, hospital loans, care residences, storage facilities, hotel loans, nursing facilities, industrial loans, multifamily properties, etc.
- Collateralized debt obligations (CDO): Securities backed by a portfolio of bonds and/or loans. This segment includes CDOs, CLOs, CBO, CSO, single-tranche CDO, CFOs, CDOs of ABS, CDOs of CDOs,⁹ etc.
- Asset-backed commercial papers (ABCP).
- Other structured finance consist of structured finance securities which cannot be categorized into the five majors sectors above including structured covered bonds, structured investment vehicles (SIV), insurance-linked securities and derivative product companies.

CRAs subject to reporting requirements shall specify in the rating data report section of the CEREP which asset class and subcategory each rated instrument belongs to.

C.2.3 GEOGRAPHICAL SEGMENTATION

The country of issue of the instrument shall be the domicile of the absolute majority of the underlying assets. In case of no absolute majority of one country in multi-region asset pools, the domicile of the relative majority of the underlying assets shall be used as the secondary variable. In case it is not possible to identify the domicile of the absolute or the relative majority of the underlying assets, the rated instrument shall be classified to the category ‘International’.

⁸ Directive 2006/48/EC of the European Parliament and of the Council of 14th June 2006 relating to the taking up and pursuit of the business of credit institutions.

⁹ Please refer to the glossary for a short explanation of these abbreviations.



C.3 Sovereign and Public finance ratings

C.3.1 RATED ENTITIES

This section contains for reporting purposes the following rating categories:

- Sovereign.
- Sub-sovereign and municipalities: State, local government or any government entity below that of the country as a whole.
- Supranational organisations: these institutions are established owned and controlled by more than one sovereign government shareholder. This segment includes NACE code U (Activities of extraterritorial organizations and bodies).
- Public entities: this segment includes NACE Codes O (Public administration and defence; compulsory social security), P (Education) and Q (Human health and social work activities).

C.3.2 RATING SEGMENTATION

For the category Sovereign, the following ratings shall be reported, if available:

- Foreign currency short-term issuer ratings (or similar).
- Local currency short-term issuer ratings (or similar).
- Foreign currency long-term issuer ratings (or similar).
- Local currency long-term issuer ratings (or similar).

For sub-sovereigns, municipalities, public entities, and supranational organisations, the long-term and the short term issuer ratings (or similar) shall be reported. If issuer ratings are not available, 'long-term debt rating' (or similar) shall be reported instead.

C.3.3 GEOGRAPHICAL SEGMENTATION

In case no specific country can be identified as country of issuance in the case of supranational organisations, the rated issuer shall be classified to the category 'International'.



III. REPORTING STANDARDS

The CRAs will report information to the CEREP based on pre-defined periods of time. The CEREP admits different types of files depending on the type of information. This chapter explains the main principles related to the file reporting flow. For more detailed data and reporting standards please refer to the CRAs Reporting Instructions.

A. File exchange principles

The main principle is that the file exchange between a CRA and the CEREP is performed during the pre-publication periods. During these periods, CRAs can report data to the CEREP any day at any time.

Each CRA provides two types of files to the CEREP for two different types of data:

- Files with the qualitative data regarding their business methodologies and definition of terms and rating scales (qualitative data files), and
- Files with rating data (rating data files).

The main rule of the file exchange is that each CRA generates and sends a rating data file within each pre-publication period. This file contains all active ratings at the beginning or at the end of the reporting period.

In addition, each CRA might also send a qualitative data file if the respective qualitative information has changed. This means that there is no obligation to resend qualitative data if none of the qualitative data has changed with regard to the information reported during the previous pre-publication periods. However, the first time a CRA sends a rating data file to the CEREP the CRA must send a qualitative data file.

For each data file reported to the CEREP the CRA receives a feedback file confirming the reception of the file and informing about errors detected (for more information on feedback files please refer to the following subchapter Error handling, B.1 Feedback files).

It is highly recommended that a CRA starts sending its data to the CEREP as close as possible to the beginning of the pre-publication period in order to have the maximum time to correct and validate the data sent. It is the responsibility of each CRA to ensure the correctness and completeness of its data by the end of the respective pre-publication period.

If qualitative data files have to be reported, the transmission of the qualitative data files shall take place ahead of the transmission of the rating data files in order to ensure that the ratings are treated correctly according to the latest information. In this case, the CRA shall send the rating data file(s) only once it has received a feedback file verifying the correctness of the qualitative data.

However, if a CRA identifies a factual error in data sent in previous reporting periods it is required to correct the error in the next pre-publication period and name the reason for the correction. Those corrections will be flagged and monitored. Factual errors are the only reason for amending already sent (and published) data.

B. Error handling

B.1 Feedback files

The CEREP provides for each file sent a confirmation that the information has been received and loaded correctly. This control and confirmation process is performed via the use of feedback files.



The CRA receives one feedback file for each file sent to the CEREP. The feedback file facilitates the control that the respective file has been received by the CEREP and provides information on errors, if there are any.

The feedback process applies to all files types transferred to the CEREP system, both for qualitative data files and rating data files. Two cases can be observed when the system sends a feedback file:

- File sent contains no errors:
 - o A feedback file is transmitted confirming that the file has been received and that there are no errors.
- File sent contains errors:
 - o A feedback file is transmitted informing the CRA that the file has been received and that some errors have been detected,
 - o The CRA shall send corrections to the errors notified. These corrections have to be send during the pre-publication period.

The CEREP sends a feedback file to the sender shortly after the file has been treated. However, if the sending CRA does not receive a feedback file for a sent file it should check the status of the file before resending it.

The CRAs Reporting Instructions contain a list of controls that the CEREP executes and explains the related file and content errors. The feedback files will not contain errors other than those listed in the CRAs Reporting Instructions.

B.2 Responsibilities of CRAs

A CRA is responsible for the accuracy, completeness and availability of its data. In particular, the CRA must ensure that:

1. Files are sent to the CEREP,
2. A feedback file has been received for every file sent,
3. The number of records sent by the CRA is consistent with the number of records processed,
4. Errors are corrected.

The CRA is responsible for all files (qualitative data files and rating data files) sent. It must ensure that all files have been delivered, that the information contained corresponds to their internal records and that the correct technical format has been used for the reporting.

CRAs have to check feedback files, correct records, if necessary, and resend the corrected files to the CEREP. Two types of errors have to be distinguished:

- In case the feedback file contains file errors, the entire file has to be corrected and resent.
- In case the feedback file contains content errors, only the incorrect records have to be corrected and resent.

The correction of the incorrect records shall be done as soon as possible.

C. Data verification by CRAs

CRAs have the possibility to check the data that shall be published prior to publishing by using the pre-publication interface. The pre-publication interface is a restricted-access web interface that allows CRAs:

- To monitor their reporting activity,
- To review their raw data processed by the system.

It also provides a simulation of the real-time calculated statistics based on the data in the system prior to publication.



Changes and data corrections will only be possible during the pre-publication period.

The pre-publication interface is available 7 days a week and 24 hours a day. It is recommended to access the pre-publication interface during the pre-publication periods in order to monitor the file transfer activity and to review in real-time the data provided by the CRAs. However, the pre-publication interface is also available to consult data once the pre-publication periods are closed. Then, the pre-publication interface reflects the data as reported at the closing of the previous pre-publication period.



IV. DATA FIELDS

A. General

All reports sent by CRAs to the CEREP need to conform to an agreed standard. A simple, organised and harmonised set of standards defining the content of the reporting files from the CRAs is essential in order to ensure the success of the CEREP.

This chapter defines the content of qualitative data reports containing the general information of the CRA. This information is needed for the correct understanding of the rating data reports and is used to display additional information to the users of the CEREP. Additionally, this chapter defines the content of the rating data reports containing the information for each active rating of a CRA.

This chapter outlines the content of the qualitative and rating data reports which have to be sent by CRAs to the CEREP. It elaborates which fields need to be filled and defines their content. For detailed technical data standards and reporting procedures that shall be used to populate the following data fields, please refer to the CRAs Reporting Instructions of the CEREP that CESR will provide separately to CRAs.

B. Qualitative data fields

CRAs shall report rating activity and performance data according to their individual rating scales. To enable users to distinguish between the individual characteristics of a CRA and to enable CRAs to display their specific characteristics CRAs are required to provide qualitative data on different aspects of their business. CRAs are required to submit this information in a language customary in the sphere of international finance.

In addition to the qualitative data that are to be published in the public web interface later on, CRAs shall provide in the qualitative data field section detailed information on their rating scale that will be used in order to enable a correct calculation and display of data in the CEREP. This is necessary because each CRA uses different rating scales for different time horizons and/or rating types. In addition, the meaning of a rating category and/or rating subcategory might be different within the different rating scales or for different rating types.

Additional technical information (such as creation date, version, reporting CRA unique identifier, responsible CRA unique identifier, etc.) will have to be reported each time sending the files.

B.1 General description

The following information will be displayed in the CEREP web-interface.

CRA Name

Name of the CRA. In case one member of a group of CRAs reports for the whole group it shall be the name referring to the group of CRAs.

CRA Description

Brief description of the CRA.

CRA Methodology

Brief description of the methodology used by the CRA to create the ratings. A CRA has the possibility to describe unique features of its rating methodology (i.e. whether the rating is based on 'probability of default' or on 'probability of default x loss given default', etc.). CRAs are offered to provide a hyperlink to the historical methodology changes on their website.



Solicited and unsolicited ratings

Description of the CRA's policy on solicited and unsolicited ratings.

Subsidiary rating policy

Description of policy regarding the reporting of the rating of subsidiaries. Only applicable for CRAs issuing corporate ratings.

Geographical reporting scope

Information whether the CRA reports on a global or non-global basis to the CEREP. If non global coverage is chosen, the CRA has to describe the scope it covers.

Definition of default

Description of the definition of default used by the CRA. Inter alia, a CRA shall point out if it uses different definitions for different rating categories.

B.2 Structure of the rating scale

For presentational purposes CESR decided to segment rating scales in two levels: a rating category value and a notch value. A rating scale contains an undetermined number of categories (rating categories) that might contain an undetermined number of notches. While the data on the notch level will be used to compile activity statistics, the data on the rating category level will be used for performance statistics. However, by doing so, CESR will not interfere in a CRA's methodology or its definition of its rating scale.

The rating category value relates to the main rating classes (e.g. AAA, AA, A, BBB, etc.), the notch value to the subcategories (e.g. notches). The lowest number of the main rating category corresponds to the best rating in the scale (e.g. AAA equals 1). The highest number corresponds to the worst rating in the scale. Rating categories and subcategories definitions are each characterized by three fields.

Rating category value

Order of the main category in the rating scale (i.e. 1 stands for the rating category AAA or Aaa, 2 for AA or Aa, 3 for A, 4 for BBB or Baa, etc.).

Rating category label

Label of the rating category in the rating scale (i.e. AA stands for the AA+, AA and AA-, or Aa stands for Aa1, Aa2 and Aa3, etc.).

Rating category description

Description of the rating category in the rating scale (i.e. AAA, AA, A or Aaa, Aa, A).

Notch value

Order of the notch in the global rating scale in absolute values (i.e. notch value 1 stands for AAA/Aaa and notch value 2 for AA+/Aa1, etc.).

Notch label

Label of the notch (i.e. AA+, AA, AA- or Aa1, Aa2, Aa3, etc.).

Notch description

Description of the notch in the rating scale (i.e. +/- or 1/2/3).

B.3 Rating scale characterization



A CRA might use different rating scales for different time horizons and/or rating types. The rating scales of the CRAs do not vary depending on any other characteristic of the rating. Therefore, up to six different rating scales might be declared per CRA. Each rating scale of the CRA is characterized by two fields related to its definition and its applicability.

Rating scale identifier

Identifies each specific rating scale of a specific CRA.

Scope of the rating scale

Identifies the applicability of the rating scale depending on the time horizon (short-term and/or long-term) and the rating type (corporate rating, sovereign and public finance rating, structured finance rating).

C. Rating data report

This chapter defines the content of the rating data files which will be sent by CRAs to the CEREP. It defines which fields need to be populated and the data standards that shall be used to populate these data fields. Additional technical information (such as creation date, version, reporting period of the rating, reason for historic rating change etc.) will have to be reported each time sending the files/reports.

Rating identifier

Unique identifier of the rating. This identifier shall be maintained among reporting periods for a specific rating.

Internal instrument identifier

Unique identifier of the financial instrument that is rated. The identification of the instrument rated corresponds to the CRA internal unique code. Applicable only for structured finance ratings.

Standard instrument identifier

Unique International Securities Identifying Number (ISIN) of the rated instrument. Entering this field is optional but advisable. Applicable only for structured finance ratings.

Internal issuer identifier

Unique identifier of the issuer (or the parent company of the issuer). CRA internal unique code. Applicable only for corporate, sovereign and public finance ratings, and SIV ratings.

Standard issuer identifier

Unique Bank Identifier Code (BIC) of the respective issuer (if available). Entering this field is optional but advisable. Applicable only for corporate, sovereign and public finance ratings and SIV ratings.

Rating BOP

Notch value at the beginning of the reporting period. The field shall not be reported for ratings that existed only at the end of the period (i.e. new ratings).

Rating EOP

Notch value at the end of the reporting period. The field shall not be reported for ratings that existed only at the beginning of the period (i.e. withdrawals).

New rating

Flag that the rating has been generated for the first time during the reporting period. Signals that this rating has not been reported by the CRA before.



Withdrawal

Flag if the rating was withdrawn during the reporting period. In case it is flagged, a field is available which shall be used by the CRA to specify the reason of withdrawal.

Withdrawal reason

In case a withdrawal is reported, a field is available which shall be used by the CRA to specify the reason of withdrawal. There are six possible reasons for withdrawal:

1. Incorrect or insufficient information provided.
2. Bankruptcy of rated entity or debt restructuring.
3. Reorganization of rated entity (including merger or acquisition of rated entity).
4. Maturity of the debt obligation.
5. Automatic invalidity of rating due to business model of CRA in case of a subscription based rating model.
6. End of rating due to other reasons.

Default

Identifies whether the issuer/instrument rated defaulted during the reporting period.

Solicited/Unsolicited

Identifies whether it is a solicited or an unsolicited rating.

Location of issuance of rating

Defines by whom the rating is issued:

1. Issued in the EU by a registered CRA,
2. Issued in a third country in case of an endorsed rating,
3. Issued in a third country by a certified credit rating agency,
4. Other.

Time horizon

Identifies whether the rating is a short-term rating or a long-term rating.

Rating type

Type of the rating:

1. Corporate rating,
2. Sovereign and Public finance rating,
3. Structured Finance rating.

Country

Defines the country of the issuer / rated instrument.

Industry

Industry segment of the issuer. Available for corporate ratings only. There are three broad industry segments:

1. Financial institutions including banks, brokers and dealers
2. Insurances
3. Corporate issuers that do not belong to class 1) or 2)

Sector

Defines subcategories for sovereign and public finance ratings. There are five broad subcategories:

1. Sovereigns foreign currency,
2. Sovereigns local currency,
3. Sub-sovereigns / municipalities,
4. Supranational organisations,
5. Public entities.

Asset class



Defines main asset classes for structured finance. When an asset is reported, a subfield (sub-asset) may be available for reporting. The main asset classes are:

1. Asset-Backed Securities (ABS),
2. Residential Mortgage Backed Securities (RMBS),
3. Commercial Mortgage Backed Securities (CMBS),
4. Collateral Debt Obligations (CDO),
5. Asset-Backed Commercial Papers (ABCP),
6. Other.

Sub-asset class

Defines sub-asset classes for some structured finance ratings. Sub-asset classes available for three main asset classes:

For ABS:

- Credit card receivable backed securities,
- Auto loan backed securities,
- Other ABS.

For RMBS:

- Home equity loans,
- Prime RMBS,
- Non-prime RMBS,
- Other RMBS.

For CDO:

- Cash flow and hybrid CDOs/CLOs
- Synthetic CDOs/CLOs,
- Market value CDOs,
- Other CDOs.

Vintage year

The year of issuance of the instrument (available only for structured finance ratings).

Reporting CRA unique identifier

Unique internationally available code to identify the registered or certified CRA reporting data to the CEREP (e.g. the Bank Identifier Code BIC). The identifier will be used internally by the system for identification.

Responsible CRA unique identifier

Unique internationally available code to identify the registered or certified CRA responsible for the reporting of data to the CEREP (e.g. the Bank Identifier Code BIC). The identifier will be used internally by the system for identification.



V. PUBLIC WEB INTERFACE

A. General information

The public web interface allows all users to access and search qualitative information and statistics on the different CRAs. The statistics are related to rating activity and rating performance. The information published incorporates information for each CRA's historical performance data including the ratings transition frequency, information about credit ratings issued in the past and on their changes. Detailed statistics about the historical default rates are presented as well. Individual ratings will not be disclosed to the public.

The public web interface also displays additional data, information and reports including methodologies used by CESR as well as the annual reports and summaries done by CESR.

B. Availability

The public web interface is available 7 days a week and 24 hours a day. It is accessible for all interested parties and for all available statistical periods. The public web interface provides unrestricted access to statistics compiled by CESR and qualitative information. It allows users to print and to export reports. However, the public web interface does not allow users to modify data in the system.

C. Access to the public web interface

The public web interface is accessible via http protocol to all visitors on the web. It can be accessed using a web browser. Users can connect in two ways to the public web interface, either directly by using a designated URL or by using a link that will be accessible on CESR's website.

D. Available statistics and CEREP information

The Public web interface provides three reports on one year statistics:

- CRAs rating activity. The CEREP will provide rating activity figures, in two formats: as absolute figures and as a percentage, where applicable. The figures will include among others the rating changes (upgrades and downgrades), the number of withdrawals, reasons of withdrawals, and the average number of notches for upgrades and downgrades.
- CRAs one-year default statistics.
- CRAs one-year rating transition matrices.

The Public web interface will also provide two reports regarding multi-year statistics:

- CRAs multi-year default rates.
- CRAs multi-year rating transition matrices.

The public web interface will allow all users to access and search statistics of the different CRAs. The statistics will be related to rating activity and rating performance.

In order to display the statistics, users will be able to search statistics of a specific CRA and for a specific type of rating (corporate, sovereign and public finance, structured finance) including different time horizons of ratings (short-term, long-term), if available. For each specific CRA, rating type and time horizon selected, it will be possible to select further on a geographic area and a segment level (industry, sector type of asset, depending on the previous selection). If no selection is made, an aggregation of data for the main categories will be displayed. It will be possible to navigate between different one year and multi-year periods and between different statistics tables.



In addition, it will be possible to access some brief descriptive information on CRAs through the public web interface, such as the brief description of a CRA and of its methodology, its definition of default, its reporting scope, the subsidiary rating policy and whether it does only solicited ratings, unsolicited ratings or both.



Glossary

ABS	Asset-backed security: A security backed by non-mortgage financial assets (consumer loans, credit card debt, etc.).
CBO	Collateralised Bond Obligation: A security backed by a pool negotiable debt instruments (bonds etc...) and/or credit derivatives.
CDO	Collateralised Debt Obligation: A security backed by a pool of bank loans and/or negotiable debt instruments (bonds etc...) and/or credit derivatives.
CESR	Committee of European Securities Regulators, Paris, France.
CESR SC on CRA	CESR Standing Committee on credit rating agencies.
CLO	Collateralised Loan Obligation: Type of CDO where the underlying portfolio includes bank loans.
CMBS	Commercial Mortgage-Backed Security: Security backed by mortgage loans on commercial property.
CSO	Collateralised Synthetic Obligation: Type of CDO where the underlying portfolio includes credit derivatives.
CEREP	Central repository for historical performance data of credit rating agencies.
CRA	A Credit Rating Agency that is registered in compliance with the Regulation and a credit rating agency that has been certified in compliance with the Regulation respectively.
HTML	Hyper Text Mark-up Language: Language used to create world wide web documents. It provides a means to describe the structure of text-based information in a document, by denoting certain text as links, headings, paragraphs, lists, and so on – and to supplement that text with interactive forms, embedded images, and other objects.
HTTP	Hypertext Transfer Protocol: Communication protocol for the transfer of web or intranet pages (for subsequent display or other purpose). HTTP is a request/response standard between a client (end-user) and a server (web-site).
HUB	Generic term for any device which connects two or more computers or devices together on a network allowing them to communicate. In CESR infrastructure, the HUB consists on a secured file server that enables the secured exchange of files in an organized manner.
ISIN	International Securities Identification Number: A 12-character alpha-numerical code that uniquely identifies a security.
Joint Group on CEREP	The ‘Joint Group’ is composed of the CESR Standing Committee on Credit Rating Agencies subgroup 3, members of CESR IT Management and



Governance Group and CESR's IT Directorate.

NACE Code	Statistical classification of economic activities in the European Community (Nomenclature statistique des activités économiques dans la Communauté européenne).
Rating	A credit rating issued by credit rating agency that has been registered in compliance with the Regulation, or a credit rating that has been endorsed by a registered credit rating agency, or a credit rating issued by credit rating agency that has been certified in compliance with the Regulation.
Regulation	Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 th September 2009 on credit rating agencies.
RMBS	Residential Mortgage-Backed Security: Security backed by mortgage loans on residential property.
SIV	Structured investment vehicle: An (usually open-ended) investment vehicle which issues short-term notes and invests the proceedings in long-term securities, mostly in structured finance instruments.
Solicited/unsolicited	A credit rating is considered as unsolicited, if the credit rating is not initiated on the request of the issuer or the rated entity. A credit rating is considered as solicited, if it was initiated by the issuer, the rated entity or its agent.
XML	Extensible Markup Language: Classified as an extensible language, it allows its users to define their own elements. Its primary purpose is to facilitate the sharing of structured data across different information systems, particularly via the Internet and it is also used to encode documents.