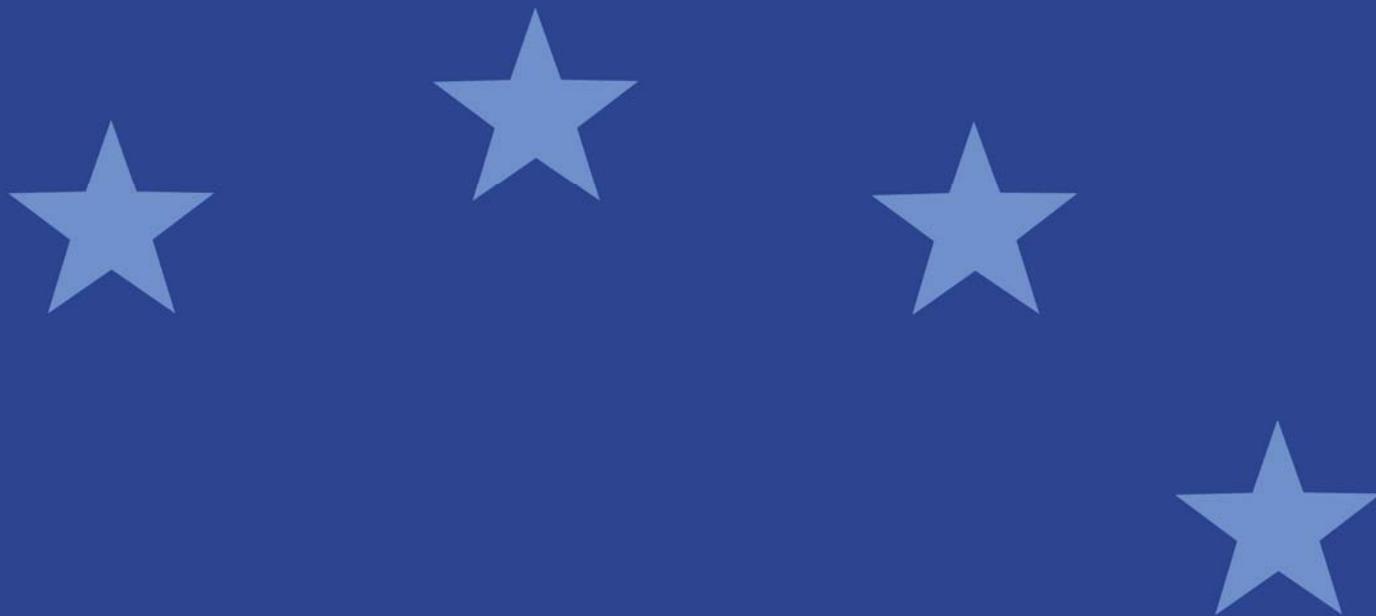


Consultation Paper

ESMA's draft Regulatory Technical Standards on the presentation of the information that credit rating agencies shall disclose in accordance with Article 11(2) and point 1 of Part II of Section E of Annex I to Regulation (EC) No 1060/2009



Responding to this Consultation Paper

ESMA invites comments on all matters in this Consultation Paper and in particular on the questions listed in Annex 1. Comments are most helpful if they:

- (a) indicate the specific question to which the comment relates;
- (b) respond to the question stated;
- (c) contain a clear rationale; and
- (d) describe any alternatives ESMA should consider.

ESMA will consider all comments received by the 21 October 2011.

All contributions should be submitted online at www.esma.europa.eu under the heading 'Consultations'.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publically disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the heading 'Disclaimer'.

Who should read this Consultation Paper

Since the central repository is a database credit rating agencies have to report to, they are certainly addressed by this Consultation Paper. Users of credit ratings and anybody who is interested in statistics on the (historical) activities and performance of credit rating agencies should read the paper as well. This could comprise investment firms, asset management firms, issuers of any kind of debt, central banks, supervisory bodies but also academics.



Table of Contents

I. Executive Summary	6
II. Outline of the central repository and the main reporting features	7
Annex I - Questions	10
Annex II -- Legislative mandate to develop technical advice	11
Annex III -- Draft Regulatory Technical Standards	12

Acronyms used

ABCP	Asset-Backed Commercial Paper: Commercial paper collateralised by a pool of assets including loans, leases or receivables.
ABS	Asset-Backed Security: A security backed by non-mortgage financial assets (consumer loans, credit card debt, etc.).
BIC	Business Identifier Code. An 11-character alpha-numerical code that uniquely identifies a financial or non-financial institution. It is defined by ISO code 9362.
BOP	The beginning of the period corresponds to the date of the first day of the reporting period at 00:00:00 hours (Central European Time).
CDO	Collateralised Debt Obligation: A security backed by a pool of bank loans and/or negotiable debt instruments (bonds etc...) and/or credit derivatives.
CEBS	Committee of European Banking Supervisors, London, United Kingdom. CEBS ceased to exist at the end of 2010. It was the predecessor of EBA, the European Banking Authority.
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors, Frankfurt, Germany. CEIOPS ceased to exist at the end of 2010. It was the predecessor of EIOPA, the European Insurance and Occupational Pensions Authority.
CEREP	Central repository for historical performance data of credit rating agencies.
CESR	Committee of European Securities Regulators, Paris, France. CESR ceased to exist at the end of 2010. It was the predecessor of ESMA, the European Securities and Markets Authority.
CFO	Collateralised Fund Obligation: A security backed by funds of hedge funds or funds of private equity funds.
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.
EOP	The end of the period corresponds to the date of the last day of the reporting period at 23:59:59 hours (Central European Time).
ESMA	European Securities and Markets Authority, Paris, France. Started operations in 2011.
HEL	Home Equity Loan: A loan secured by a home equity i.e. the home's fair market value minus the outstanding balance of the original mortgage.
ISIN	International Securities Identification Number: A 12-character alpha-numerical code that uniquely identifies a security. It is defined by ISO code 6166.



- ISO** International Organization for Standardization.
- NACE** The statistical classification of economic activities in the European Community (in French: **Nomenclature statistique des activités économiques dans la Communauté européenne**), commonly referred to as NACE, is a European industry standard classification system containing a 6-digit code.
- See: http://ec.europa.eu/competition/mergers/cases/index/nace_all.html
- 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.
- Vintage year** The year of issuance of the instrument. Available for structured finance ratings.
- 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.
- XSD** XML Schema Definition.

Executive summary

Reasons for publication

Article 21(4)(c) of Regulation (EC) No 1060/2009 on credit rating agencies requires ESMA to submit draft Regulatory Technical Standards for endorsement by the European Commission. Before doing so, ESMA has to seek the opinion by its Securities and Markets Stakeholder Group. In order to do so, ESMA has prepared the Consultation Paper at hand. At the same time, ESMA is asking the public to express its views on the draft.

This procedure is in line with ESMA's internal procedures for developing and adopting draft Technical Standards and Guidelines and Recommendations (ESMA/2011/BS/4).

Contents

Credit rating agencies are required to report data to a central repository (CEREP) run by ESMA. The very purpose of this CEREP is to improve transparency and to contribute to the protection of investors by providing information on the past performance of credit rating agencies and about credit ratings issued in the past.

In order to enable ESMA to compile the necessary information on certain activities and historical performance measures of credit rating agencies it is necessary to specify the technical details of the credit rating agencies' reporting requirements. This is being done in this Consultation Paper.

Section II of the Consultation Paper outlines the basic features of the CEREP and the main reporting features. It also reports on the already very advanced status of this technical system. This shall give readers some background to better understand the draft Technical Regulatory Standards.

Annex I to this Consultation Paper contains some questions ESMA would like the interested parties to consider.

Annex II to this Consultation Paper presents the legislative mandate to develop technical standards.

The full text of the draft Regulatory Technical Standards as the main part of this Consultation Paper is to be found in Annex III. They specify the general provisions as well as the format, the method and the period of reporting. Attached as annexes to the draft Regulatory Technical Standards are several tables which list and specify the fields which have to be used for reporting.

Next steps

Based on the feedback to this consultation ESMA will review its draft Technical Regulatory Standards. ESMA will publish both, the opinion received from the Securities and Markets Stakeholder Group and its own feedback statement thereby summarising the comments it received and the conclusions it drew.

The next step will then be the consultation of EBA and EIOPA on the reviewed draft Regulatory Technical Standards.

The last step will be to review the draft again and to send a final report including the draft Regulatory Technical Standards to the European Commission for endorsement by 2 January 2012.

II. Outline of the central repository and the main reporting features

1. The construction and building of the central repository (CEREP) has already very much advanced. All basic business and technical decisions have been taken in 2009 and 2010. The construction and set up has been almost finalised and the testing with credit rating agencies started already in February 2011. On 1 July 2011, the system went live.
2. In light of this advanced status of development of the CEREP, considering that there is no longer the possibility for pursuing an alternative approach and in accordance with Article 7(2) of the ESMA Procedures for developing and adopting draft Technical Standards (ESMA/2011/BS/4), it is considered disproportional to conduct an additional cost-benefit-analysis and unnecessary to publish a Call for Evidence. Therefore, this Consultation Paper is restricted to the draft Regulatory Technical Standards.
3. This is underlined by the following list which describes all the steps and decisions taken until now:
 - From 9 July 2009 to 7 August 2009, CESR conducted a comprehensive consultation (CESR/09-579) outlining the CEREP and asking for comments by interested parties. A Feedback Statement on the results and the decision taken by CESR was published in mid-September 2009 (CESR/09-822a).
 - During summer 2009, CESR developed a Business Requirements Document (BRD) which was approved by the CESR Plenary on 16 October 2009 (CESR/09-823a). An Impact Analysis (IA) on the usage of two different technical options on how to implement the CEREP was conducted. The IA was separately consulted with and approved by CESR members in advance of the CESR Plenary's approval of the BRD. The CESR Consultative Working Group was given the opportunity to informally comment on a draft BRD in early October 2009.
 - On 4 June 2010, CESR published the "Guidelines for the implementation of the Central Repository (CEREP)" as required by the Regulation (EC) No 1060/2009. In advance of the publication, the Guidelines were consulted with the CESR Consultative Working Group as well as with CEBS and CEIOPS.
 - On 8 July 2010, credit rating agencies were given the "CRA Reporting Instructions". These are the basis for programming or amending the credit rating agencies' IT systems. The CRA Reporting Instructions were slightly updated and distributed to credit rating agencies by 30 December 2010.
 - On 1 July 2011, those credit rating agencies which have been registered or certified by ESMA started reporting.
4. All the decisions taken up to now need to be interpreted against the two main arguments which led to the creation of the CEREP, 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 market participants that the data presented by credit rating agencies has not always been complete and that credit rating agencies differ in their approaches to collecting and presenting the data.
5. The second argument revolves around the Regulation's request to enhance transparency and to contribute to the protection of investors by providing information on the past performance of credit

rating agencies and about credit ratings issued in the past. The idea is that relevant information on credit rating agencies rating performance will be made public by ESMA in a standardised form. In addition, ESMA will publish annual summaries on the main developments observed on this information.

6. The CEREP system collects centrally data on credit ratings issued by credit rating agencies that are registered in compliance with the EU 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 EU Regulation. In addition, the 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 as a registered credit rating agency if these ratings are provided to CEREP on a voluntary basis.
7. The CEREP calculates performance and rating statistics for various periods of time in a harmonised manner and discloses them for public access through the CEREP's website. Thus, the CEREP will contribute to reducing the cost of information (for searching and processing the data) for both market participants and regulators. Reduced cost of information creates an incentive for market participants to conduct more comprehensive analyses of a credit rating agency's rating performance. This should help market participants better assess the reliability of credit ratings and thereby assist them when taking investment decisions.
8. In short, the purpose of the CEREP can be summarised as follows:
 - to enhance transparency: Provide complete, standardised and consistent data;
 - to protect investors: Facilitate the comparison of rating performances of credit rating agencies;
 - to help regulators to assess developments with regard to credit rating agencies (annual reports);
 - to reduce the cost of information for market participants and regulators.
9. With regard to reporting procedures, it should be noted that all credit rating agencies registered in compliance with the EU Regulation as well as credit rating agencies that have been certified in compliance with the EU Regulation will have to provide their data to the CEREP. The credit rating agencies are responsible for the accuracy and completeness of the data sent.
10. Members of a group of credit rating agencies may report separately to the CEREP. However, ESMA strongly encourages credit rating agencies that act and apply as a group of credit rating agencies to report to the CEREP on an aggregated basis at a group level. If a group of credit rating agencies does not report at a group level each member of the group has to report individually. The statistics are displayed in the public website independently for each reporting unit. The CEREP does not perform aggregation of data provided separately by members of a group of credit rating agencies.
11. ESMA collects the ratings data using a raw data concept. This means, that credit rating agencies deliver individual ratings and their characteristics to the CEREP. Based on these data, ESMA calculates the activity and performance statistics centrally. ESMA does not disclose any individual rating information to the public but publishes aggregated statistics only. In order to enable ESMA to compile these statistics, credit rating agencies have to report two types of data:

- rating data for corporate, sovereign/public finance, and structured finance ratings;
 - qualitative data, i.e. explanations of the concepts and definitions used by credit rating agencies.
12. The CEREP website displays statistics for public access by all interested parties. It allows users to search, filter, print and download the statistics. Several types of statistics are compiled and published for each credit rating agency and for different time periods: rating activity (several measures), default rates and rating transition rates. Default rates and transition matrices are presented from six months to multi-year statistics. The filters provided on the website grant users a broad variety for selecting data in order to enable users to run bespoke requests.
13. It is important to highlight that:
- ESMA collects the raw data containing the information related to individual ratings, and calculates the statistics centrally;
 - the CEREP statistics are based on a stock concept model, so that intra-period rating activity is derived from a comparison of ratings at the beginning and the end of a period;
 - ESMA does not disclose individual rating information to the public but statistics only;
 - ESMA does not restrict access and (commercial) use of the statistics;
 - all statistics referring to a new period will be published on a predefined date for those credit rating agencies that have sent the data to ESMA;
 - credit rating agencies are allowed to change the data submitted in previous periods to correct factual errors.

Annex I - Questions

The following questions relate to the draft Regulatory Technical Standards as set out in Annex III of this Consultation Paper.

- Q1: Do you think that the chosen structure of the Regulatory Technical Standards is appropriate? In particular, what is your view on the balance of provisions set out in the text of the Regulatory Technical Standard and the annexes?**
- Q2: Do you think that the level of detail of the Regulatory Technical Standards is appropriate?**
- Q3: Do you think that ESMA did cover all relevant items?**
- Q4: Is it possible that a credit rating agency does not know the 'Responsible CRA unique identifier'? See field 23 in Table 1 of Annex 2 to the Regulatory Technical Standards.**



Annex II - Legislative mandate to develop technical advice

The legislative mandate for the draft Regulatory Technical Standards proposed in this Consultation Paper is to be found in Article 21(4) (c) of Regulation (EU) No 513/2011 of the European Parliament and of the Council of 11 May 2011 amending Regulation (EC) No 1060/2009 on credit rating agencies.

Excerpt of Article 21(4) (c):

By 2 January 2012 ESMA shall submit draft regulatory technical standards for the endorsement by the Commission in accordance with Article 10 of Regulation (EU) No 1095/2010 on:

1. the presentation of the information, including structure, format, method and period of reporting, that credit rating agencies shall disclose in accordance with Article 11(2) and point 1 of part II of Section E of Annex I.



Annex III - Draft Regulatory Technical Standards

2012/[...] (COD)

COMMISSION DELEGATED REGULATION (EU) No [.../2012]

OF [...]

supplementing Regulation (EC) No 1060/2009 of the European Parliament and of the Council with regard to regulatory technical standards for the presentation of the information that credit rating agencies shall make available in a central repository established by the European Securities and Markets Authority

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies and in particular Article 21(4)(c) thereof,

Acting in accordance with [...],

Whereas:

1. This Regulation provides for rules relating to the presentation of the information that registered or certified credit rating agencies shall make available in a central repository established by the European Securities and Markets Authority (hereinafter 'ESMA').
2. Article 11(2) of Regulation (EC) No 1060/2009 ⁽¹⁾ requires credit rating agencies to make certain information on historical performance data available in the central repository established by ESMA. This information shall be provided in a standard form as provided for by ESMA. ESMA shall make this information available to the public by publishing summary information on the main developments observed.
3. In accordance with Article 21 (2) (d) of Regulation (EC) No 1060/2009, the Committee of European Securities Regulators (hereinafter 'CESR') published 'Guidelines for the implementation of the

¹ OJ L 302, 17.11.2009, p. 13.

central repository (hereinafter 'CEREP')⁽²⁾ in June 2010. The Guidelines provided credit rating agencies with the necessary information to start planning their reporting systems to the central repository established by CESR and contained information about the possible usage of the system by the public. Based on these Guidelines, CESR developed detailed technical 'CRA Reporting Instructions' for credit rating agencies applying for registration in the Union.

4. This Regulation is addressed to all credit rating agencies subject to the reporting requirements to the central repository. This Regulation describes the technical features a credit rating agency needs to know in order to report to the central repository, in particular the structure, format, method and period of reporting.
5. Credit rating agencies belonging to a group of credit rating agencies located in the Union may report separately to the central repository. However, due to the credit rating agencies' highly integrated functional organisation at Union level and in order to facilitate the understanding of statistics, credit rating agencies are encouraged to report to the central repository on a global basis for the whole group.
6. The central repository system collects centrally data on credit ratings issued or endorsed by a registered credit rating agency and on credit ratings issued by certified credit rating agencies in compliance with Regulation (EC) No 1060/2009. In order to help market participants to better assess the reliability of credit ratings and thereby assist them in taking investment decisions, the central repository should also accept on a voluntary basis credit ratings issued by third country credit rating agencies belonging to the same group of credit rating agencies but not endorsed in the Union.
7. To further facilitate the understanding of the statistics produced, the reporting of data on credit ratings shall include any data relating to at least the last ten years before the entry into force of Regulation (EC) No 1060/2009. A credit rating agency is not required to report these data if it can demonstrate that this would not be proportionate in view of their scale and complexity.
8. This Regulation is based on the draft regulatory technical standards submitted by ESMA to the Commission in accordance with Article 10 of Regulation (EU) No 1095/2010.
9. ESMA has conducted an open public consultation on the draft regulatory technical standards and requested the opinion of the Securities and Markets Stakeholder Group established by Article 37 of Regulation (EU) No 1095/2010. However, ESMA did not conduct a cost-benefit-analysis since it considered this being disproportionate given the fact that CESR set up the central repository already in 2010.

HAS ADOPTED THIS REGULATION:

CHAPTER I

² Reference number: CESR/10-331.

General Provisions

Article 1

Subject matter

This Regulation specifies the rules for the presentation of the information, including structure, format, method and period of reporting, that credit rating agencies are required to make available in a central repository in accordance with Article 11(2) of and point 1 of Part II of Section E of Annex I to Regulation (EC) No 1060/2009.

Article 2

Scope

This Regulation shall apply to all credit rating agencies that have been registered or certified according to Regulation (EC) No 1060/2009.

CHAPTER II

Reporting Structure

Article 3

Reporting principles

- (1) A credit rating agency shall submit the following types of reports to the central repository set up by ESMA:
 - (a) qualitative data reports which shall include information on the matters set out in Article 8;
 - (b) rating data reports which shall include information on the matters set out in Article 9.
- (2) A credit rating agency shall be responsible for the accuracy, completeness and availability of its reported data. It shall ensure that the reports are provided in due time according to the file exchange principles specified in Article 12 using the reporting channels as described in Article 13 and following the reporting procedure stipulated in Article 14.
- (3) Where a credit rating agency belongs to a group of credit rating agencies the members of the group may mandate one of their members to present the required information on behalf of the group. Both the mandated and the responsible credit rating agency shall be identified when the information is presented.

Article 4

Ratings to be reported

- (1) A credit rating agency shall report data on a credit rating for each reporting period until this credit rating is withdrawn.
- (2) A credit rating agency shall report both solicited and unsolicited ratings. It shall indicate whether a rating is solicited or unsolicited.
- (3) A credit rating agency belonging to a group of credit rating agencies may report voluntarily on a global basis. In this case the information provided may include data of third-country credit rating agencies belonging to the same affiliated group which are not used in the Union by means of endorsement. Where a credit rating agency chooses a non-global reporting approach, it shall give an explanation in the qualitative data section.
- (4) A credit rating agency shall report data on credit ratings covering at least the last ten years before entry into force of the Regulation (EC) No 1060/2009. Where a credit rating agency has not been in existence for that long it shall report only the data corresponding to the time of its rating activity. As regards these data a credit rating agency is not required to report them if it can demonstrate that this requirement is not proportionate in view of its scale and complexity. The reporting of these data shall follow the same logic as the ordinary reporting.
- (5) A credit rating agency shall report the following types of ratings:
 - (a) corporate ratings;
 - (b) structured finance ratings;
 - (c) sovereign and public finance ratings.

Article 5

Corporate ratings

- (1) A credit rating agency shall report data concerning corporate ratings on an issuer basis.
- (2) A credit rating agency may treat ratings of a subsidiary of an undertaking either as an individual rating or not. A credit rating agency shall explain the policy chosen.
- (3) When reporting corporate ratings a credit rating agency shall classify the ratings within one of the industry segments specified in field 18 of Table 1 of Annex 2.
- (4) With regard to corporate ratings data for short-term and long-term ratings shall be reported where available. As long-term rating the issuer rating shall be reported. Where an issuer rating is not

available, the long-term unsecured debt rating shall be reported. Where foreign and local currency ratings are available, only the foreign currency rating shall be reported.

Article 6

Structured finance ratings

- (1) Without prejudice to the specific characteristics set out in paragraph 2 and 3, a credit rating agency shall report long-term ratings on an issue basis for structured finance instruments.
- (2) A credit rating agency shall report long-term ratings on an issuer basis for structured investment vehicles and similar structures.
- (3) A credit rating agency shall report short-term ratings on an issue basis for asset-backed commercial papers.
- (4) When reporting structured finance ratings, a credit rating agency shall classify the ratings within one of the following asset classes:
 - (a) Asset-backed securities. This asset class includes the sub-asset classes 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, and trade receivables.
 - (b) Residential mortgage-backed securities. This asset class includes the sub-asset classes prime and non-prime residential mortgage-backed securities and home equity loans.
 - (c) Commercial mortgage-backed securities. This asset class includes the sub-asset classes retail or office property loans, hospital loans, care residences, storage facilities, hotel loans, nursing facilities, industrial loans, and multifamily properties.
 - (d) Collateralised debt obligations. This asset class includes the sub-asset classes collateralised loan obligations, credit backed obligations, collateralised synthetic obligations, single-tranche collateralised debt obligations, credit fund obligations, collateralised debt obligations of asset-backed securities, and collateralised debt obligations of collateralised debt obligations.
 - (e) Asset-backed commercial papers.
 - (f) Other structured finance instruments that are not included in the preceding asset classes, including structured covered bonds, structured investment vehicles, insurance-linked securities and derivative product companies.
- (5) A credit rating agency shall specify in the rating data report section of the central repository which asset class and sub-asset class each rated instrument belongs to.
- (6) The country of issue of the instrument shall be the domicile of the majority of the underlying assets. Where it is not possible to identify the domicile of the majority of the underlying assets, the rated instrument shall be classified as 'International.'

Article 7

Sovereign and public finance ratings

- (1) A credit rating agency shall report data concerning sovereign and public finance ratings on an issuer basis. The credit rating agency shall classify the ratings within one of the following sectors:
 - (a) local currency sovereign ratings;
 - (b) foreign currency sovereign ratings;
 - (c) sub-sovereign and municipalities ratings such as states and local governments;
 - (d) supranational organisations' ratings such as institutions established, owned and controlled by more than one sovereign government shareholder including organisations covered by code U (Activities of extraterritorial organisations and bodies) according to the statistical classification of economic activities in the European Communities (hereinafter 'NACE');⁽³⁾
 - (e) public entities ratings including those covered by NACE codes O (Public administration and defence; compulsory social security), P (Education) and Q (Human health and social work activities).
- (2) Within each sector the short-term and the long-term issuer ratings shall be reported. Where an issuer rating is not available, the long-term debt rating shall be reported.
- (3) Where no specific country can be identified as country of issuance in the case of supranational organisations as specified in paragraph (1) (d), the rated issuer shall be classified as 'International.'

CHAPTER III

Format of Reporting

Article 8

Qualitative data

- (1) A credit rating agency shall provide the qualitative data in the format specified of Table 1 of Annex 1. In particular, a credit rating agency shall provide qualitative data on its rating scale explaining the individual characteristics and the meaning of each rating. A credit rating agency shall declare up to six different rating scales depending on the time horizon and the rating type.

³ Regulation (EC) No 1893/2006 of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains.

- (2) A rating scale contains an undetermined number of broad rating categories that may include as subcategories an undetermined number of notches. A credit rating agency shall report both rating categories and notches, if applicable.

Article 9

Rating data

- (1) A credit rating agency shall provide the rating data for ratings referred to in Article 4(1) in the format specified in Table 1 of Annex 2.
- (2) A credit rating agency shall report a default to ESMA where one of the following events has occurred:
- (a) the rating indicates that a default has occurred according to the credit rating agency's definition of default;
 - (b) the rating has been withdrawn due to bankruptcy of the rated entity or due to debt restructuring;
 - (c) any other instance in which the credit rating agency considers a rated entity or security as defaulted or materially impaired or equivalent.
- (3) All reported ratings that are withdrawn during a specific reporting period shall be classified to a reason for withdrawal according to field 11 of Table 1 of Annex 2. Ratings that were withdrawn before 7 September 2010 may be identified in the category 'end of rating due to other reasons'.

Article 10

Changes and cancellations of qualitative data

- (1) A credit rating agency shall report changes and cancellations of qualitative data reported in case it has to:
- (a) reflect changes in qualitative data;
 - (b) correct factual errors in the reporting of a rating scale.
- (2) For the purpose of changes in qualitative data, except data on the rating scale, a credit rating agency shall send a new report containing the updated data. A credit rating agency shall only send a new qualitative data report if there is a change in any of the data, and only the data that have changed shall be reported. In the event of a methodology change, a credit rating agency shall report the updated qualitative data and may refer to additional information on historical methodology changes provided on its website.
- (3) Where a change of a rating scale occurs, a credit rating agency shall take the following measures:

- (a) In the case of a change to the labels of categories or notches a credit rating agency shall send the qualitative data report containing an updated record of the previous rating scale (identified by its unique rating identifier) modifying the labels or descriptions as appropriate. The other fields relating to the rating scale shall be included in the report with no changes. A credit rating agency shall use the fields specified in Table 1 of Annex 1.
- (b) In the case of a material change to a rating scale, a credit rating agency shall declare a new rating scale and perform the following steps:
 - (i) A qualitative file with an updated record of the previous rating scale modifying the end validity date to the date of the end of the previous reporting period shall be sent. The credit rating agency shall use the fields specified in Table 1 of Annex 1.
 - (ii) The credit rating agency shall report the new rating scale with a new unique identifier and a start validity date of the first reporting period for which it is valid.
 - (iii) Only once the credit rating agency has received the feedback file from the central repository confirming that the new rating scale has been accepted, the credit rating agency shall send the rating data files corresponding to the first reporting period to which the new rating scale applies using the new rating scale.
- (4) In case of a cancellation of a rating scale, a credit rating agency shall perform the following steps:
 - (a) The cancellation shall take place before the credit rating agency reports any rating data to the central repository relating to that rating scale. In case rating data have already been reported, the credit rating agency has to cancel all rating data using the previous rating scale.
 - (b) A qualitative data file containing the cancellation of the rating scale shall be sent. The credit rating agency shall use the field specified of Table 2 of Annex 1.

Article 11

Cancellation of rating data and historical reporting of rating data

- (1) In case of factual errors identified in the rating data that has been reported, a credit rating agency shall report the cancellation of that rating data and shall replace the cancelled rating data.
- (2) For the purpose of a cancellation of rating data a credit rating agency shall take one of the following measures:
 - (a) In case of a rating record of the current reporting period, a credit rating agency shall use the field specified of Table 2 of Annex 2. Once the original record has been cancelled, it shall send a new version of the record;
 - (b) In case of a rating record of previous reporting periods, a credit rating agency may cancel the original rating data for all reported periods using the field specified of Table 2 of Annex 2. Then, it may replace the original version of the record in all periods using the procedure described in Article 4 (4).

- (3) When reporting rating data retroactively, a credit rating agency shall add to the rating fields the historical reporting period of the rating and the reason for the reporting of historical rating data, as specified in fields 24 and 25 of Table 1 of Annex 2.

CHAPTER IV

Method of Reporting

Article 12

File exchange principles and reporting periods

- (1) A credit rating agency shall send all files covering a specific reporting period within the subsequent prepublication period to the central repository. This requirement covers both qualitative data files and rating data files.
- (2) The reporting period shall cover a six months period lasting from 1 January to 30 June or from 1 July to 31 December. The prepublication period is a period of three months following the end of the respective reporting period, lasting from 1 January to 31 March or from 1 July to 30 September. The beginning and the end of a prepublication period and a reporting period shall be determined by Central European Time.
- (3) A credit rating agency shall first transmit qualitative data. It shall send rating data files only when it has received a feedback file from the central repository verifying the qualitative data.
- (4) During each prepublication period, a credit rating agency shall submit to the central repository rating data files including all the information as specified of Tables 1, 2 and 3 of Annex 2. Cancellations of rating data shall be reported according to Article 11.
- (5) The first time a credit rating agency reports to the central repository, it shall forward a qualitative data file including all qualitative data as specified of Tables 1, 2 and 3 of Annex 1. Subsequently, that credit rating agency shall report only new rating scales, updates to and cancellations of qualitative data according to Article 10.
- (6) In addition to its first report to the central repository a credit rating agency shall also report the historical data according to Article 4(4). That reporting shall be performed in a chronological order of the reporting periods, starting with the earliest one.

Article 13

Reporting channels and data transfer

- (1) In order to report data to the central repository, the credit rating agency shall use the reporting facilities of the central repository system.

- (2) All the files sent to and received from the central repository shall be in XML format compliant with the XSD schemes as provided for by ESMA.
- (3) A credit rating agency shall name the files according to the naming convention as provided for by ESMA.
- (4) A credit rating agency shall store the files sent and received in electronic form for at least five years. They shall be made available to ESMA on request.

Article 14

Reporting procedure

- (1) A credit rating agency shall ensure that the information sent to the central repository corresponds to its internal records. Within each prepublication period all relevant files shall be sent in chronological order and errors shall be corrected within the prepublication period.
- (2) The central repository shall send a feedback file to the credit rating agency for each data file reported either confirming that the file has been received and loaded correctly or informing the credit rating agency about detected errors. Where the central repository has detected an error, the credit rating agency shall send corrections in due time as follows:
 - (a) in the case of a file error, the credit rating agency shall correct the error as indicated in the feedback file and resend the whole file again;
 - (b) in the case of a content error, the credit rating agency shall correct the error as indicated in the feedback file and shall resend only the corrected records.

CHAPTER V

Final provisions

Article 15

Entry into force

This Regulation shall enter into force on the twentieth day following its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, [...].



[For the Commission
The President]

[For the Commission
On behalf of the president]
[Position]

ANNEXES

Annex 1: List of fields for a qualitative data file

Table 1: List of business fields for the first declaration and the update of a qualitative data file

No.	Field identifier	Description	Type	Standard
1	CRA Name	Name used to identify the credit rating agency in the web interface of the CEREP. It shall correspond to the name used by the credit rating agency in the registration process and all other supervisory procedures within ESMA. In case one member of a group of credit rating agencies reports for the whole group it shall be the name referring to the group of credit rating agencies.	Mandatory for initial reporting or in case of changes.	--
2	CRA Description	Brief description of the credit rating agency.	Mandatory for initial reporting or in case of changes.	--
3	CRA Methodology	Description of the credit rating agency's rating methodology. The credit rating agency has the possibility to describe unique features of its rating methodology.	Mandatory for initial reporting or in case of changes.	--
4	Solicited and unsolicited ratings policy	Description of the credit rating agency's policy on solicited and unsolicited ratings.	Mandatory for initial reporting or in case of changes.	--
5	Subsidiary ratings policy	Description of policy regarding the reporting of the rating of subsidiaries.	Mandatory for initial reporting or in case of changes. Only applicable for credit rating agencies issuing corporate ratings.	--
6	Geographical reporting scope	Description whether there is a global coverage. If the coverage is not global, the credit rating agency shall explain why not.	Mandatory for initial reporting or in case of changes.	A selection of Global/Non global XML tag selection should be used to identify whether there is global coverage or not. In case non global coverage is selected, a subfield is mandatory to explain the reason.

No.	Field identifier	Description	Type	Standard
7	Definition of default	Describes the definition of default by the credit rating agency.	Mandatory for initial reporting or in case of changes.	--
8	Rating scale identifier	Identifies uniquely a specific rating scale of the credit rating agency.	Mandatory if a rating scale needs to be reported or updated.	--
9	Rating scale validity start date	The date at which the rating scale starts being valid (BOP). It shall correspond to a valid date of the beginning of a reporting period existing in the system. The date shall not overlap with already reported rating scale for the same scope.	Mandatory if 'rating scale identifier' is reported.	ISO 8601 Date Format (YYYY-MM-DD).
10	Rating scale validity end date	The last date a rating scale is valid (EOP). It shall correspond to a valid date of the end of a reporting period existing in the system. If no specific end validity date is known or it is in the future, it shall be declared as 9999-01-01. The date shall not overlap with already reported rating scale for the same scope.	Mandatory if 'rating scale identifier' is reported.	ISO 8601 Date Format (YYYY-MM-DD).
11	Time horizon	Identifies the applicability of the rating scale based on the time horizon. The combination of Rating type and Time horizon shall be valid.	Mandatory if 'rating scale identifier' is reported.	<ul style="list-style-type: none"> – 'L' in case the rating scale is applicable to long term ratings; – 'S' in case the rating scale is applicable to short term ratings.
12	Rating type	Identifies the applicability of the rating scale based on the rating type. The combination of Rating type and Time horizon shall be valid.	Mandatory if 'rating scale identifier' is reported.	<ul style="list-style-type: none"> – 'C' in case the rating scale is applicable to corporate ratings; – 'S' in case the rating scale is applicable to sovereign & public finance ratings; – 'T' in case the rating scale is applicable to structured finance ratings.
13	Rating category label	Identifies a specific rating category within the rating scale.	Mandatory if 'rating scale identifier' is reported.	--
14	Rating category description	Definition of the rating category in the rating scale.	Mandatory if 'rating scale identifier' is	--

No.	Field identifier	Description	Type	Standard
			reported.	
15	Rating category value	Order of the rating category in the rating scale, considering notches as subcategories.	Mandatory if 'rating scale identifier' is reported.	The ordinal is an integer value with minimum value 1 and a maximum value of 20. The declaration of the rating categories values must be consecutive. There must be as a minimum one rating category for each rating.
16	Notch label	Identifies a specific notch within the rating scale. Notches provide additional detail to the rating category.	Mandatory if a notch in rating scale is declared.	--
17	Notch description	Definition of the notch in the rating scale.	Mandatory if a notch in rating scale is declared.	--
18	Notch value	Order of the notch in the rating scale. The notch value is the value that is assigned to each rating, to identify the rating at the beginning and at the end of each period.	Mandatory if a notch in rating scale is declared.	The notch value is an integer with minimum value 1 and a maximum value of 99. Values provided must be consecutive. There is an undetermined number of notches belonging to each specific rating category.

Table 2: Field for the cancellation of rating scales

No.	Field identifier	Description	Type	Standard
1	Rating scale identifier	The identifier of the rating scale to be cancelled.	Mandatory.	--

Table 3: List of technical fields for a qualitative data file

No.	Field identifier	Description	Type	Standard
1	Language	Defines the language of the file.	Mandatory.	ISO 639-1.
2	CRA unique identifier	Code used internally by the system to identify the credit rating agency. Must be the Business Identifier Code (BIC) of the credit rating agency sending the file.	Mandatory.	ISO 9362.
3	Version	The version of the XML Schema Definition (XSD) used to generate the file.	Mandatory.	Shall be the exact version number.
4	Creation date	The date at which the file was created.	Mandatory.	ISO 8601 Date Format (YYYY-MM-DD).
5	Creation time	The time at which the file was created. It shall be reported in the local time of the credit rating agency generating the file and expressed as Coordinated Universal Time (UTC) +/- hours.	Mandatory.	ISO 8601 Time Format (HH:MM:SS).
6	Creation time offset	Indicates that a local time offset for the creation of the file was used HH ahead or behind UTC. Separated subfield with values (+/-) HH, which shall be adjusted for summer time.	Mandatory.	--

Annex 2: List of fields for a rating data file

Table 1: List of business fields for a rating data file

No.	Field identifier	Description	Type	Standard
1	Rating identifier	Unique identifier of the rating, which shall be maintained unchanged over time.	Mandatory.	--
2	Rating name	Name or description of the rating. It shall identify the rating, the instrument or issuer being rated.	Optional.	--
3	Internal instrument identifier	Unique code to identify the financial instrument that is rated. It shall be maintained unchanged over time.	Mandatory. Applicable only for structured finance (not SIV) ratings.	--
4	Standard instrument identifier	International Securities Identifying Number (ISIN) of the rated instrument. It shall be maintained unchanged over time.	Optional. Applicable only for structured finance (not SIV) ratings.	ISO 6166 code.
5	Internal issuer identifier	Unique identifier of the issuer (or the parent company of the issuer). It shall be maintained unchanged over time.	Mandatory. Applicable only for corporate, sovereign and public finance, and SIV ratings.	--
6	Standard issuer identifier	Unique Business Identifier Code (BIC) of the issuer. It shall be maintained unchanged over time.	Optional. Applicable only for corporate, sovereign, public finance and SIV ratings.	ISO 9362 code.
7	Rating BOP	Notch value at the beginning of the reporting period. It shall be identical with the Rating EOP of the previous period, except in case of changes in the rating scale.	Mandatory. Applicable only for ratings which did exist at the BOP.	--
8	Rating EOP	Notch value at the end of the reporting period.	Mandatory. Applicable only for ratings which did exist at the EOP.	--
9	New rating	Flags that the rating has been generated for the first time during the reporting period.	Mandatory.	--
10	Withdrawal	Flags that the rating was withdrawn during the reporting period. Once withdrawn, this specific rating shall not be reported any more in the	Mandatory if the rating was withdrawn during the reporting	--

No.	Field identifier	Description	Type	Standard
		subsequent reporting periods.	period.	
11	Withdrawal reason	Reason of withdrawal in case there is an entry in the 'withdrawal' field.	Mandatory if field 'Withdrawal' is reported.	<ul style="list-style-type: none"> – '1' in case of incorrect or insufficient information on the issuer/issue; – '2' in case of bankruptcy of the rated entity or debt restructuring; – '3' in case of reorganisation of the rated entity including the merger or acquisition of the rated entity; – '4' in case of the end of maturity of the debt obligation; – '5' in case of automatic invalidity of rating due to business model of a credit rating agency; – '6' in case of end of rating due to other reasons.
12	Default	Identifies whether the rated issuer or instrument defaulted during the reporting period, as specified in Article 9(2) of this Regulation.	Mandatory.	--
13	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.	Mandatory.	<ul style="list-style-type: none"> – 'S' in case the rating is solicited; – 'U' in case the rating is unsolicited; – 'N' in case this information is not available for the reporting periods before 7 September 2010.
14	Location of the issuance of the rating	Defines by whom the rating is issued.	Mandatory.	<ul style="list-style-type: none"> – 'I' in case the rating is issued in the EU by a registered credit rating agency; – 'E' in case of an

No.	Field identifier	Description	Type	Standard
				<ul style="list-style-type: none"> – endorsed rating; – ‘T’ in case the rating is issued by a certified credit rating agency; – ‘N’ in case this information is not available for the reporting periods before 7 September 2010; – ‘O’ in any other case.
15	Time horizon	Identifies whether the rating is a short-term or a long-term rating. It shall be maintained unchanged over time.	Mandatory.	<ul style="list-style-type: none"> – “S” if it is a short-term rating; – “L” in case it is a long-term rating.
16	Rating type	Identifies whether the rating is a corporate rating or a sovereign and public finance rating or a structured finance rating. It shall be maintained unchanged over time.	Mandatory.	<ul style="list-style-type: none"> – ‘C’ in case it is a corporate rating; – ‘S’ in case it is a sovereign and public finance rating; – ‘T’ in case it is a structured finance rating.
17	Country	Country code of the rated issuer/instrument.	Mandatory.	ISO 3166-1.
18	Industry	Industry segment of the issuer.	Mandatory. Applicable for corporate ratings.	<ul style="list-style-type: none"> – ‘FI’ in case it is a financial institution including credit institutions and investment firms; – ‘IN’ in case it is an insurance undertaking; – ‘CO’ in case it is a corporate issuer that is not considered a financial institution or an insurance undertaking.
19	Sector	Specifies subcategories for sovereign and public finance ratings.	Mandatory. Applicable for sovereign and public finance ratings.	<ul style="list-style-type: none"> – ‘FC’ in case it is a sovereign foreign currency rating; – ‘SL’ in case it is a sovereign local currency rating;

No.	Field identifier	Description	Type	Standard
				<ul style="list-style-type: none"> – ‘SM’ in case it is a sub-sovereign or municipality rating; – ‘SO’ in case it is a supranational organization rating; – ‘PE’ in case it is a public entity rating.
20	Asset class	Defines the main asset classes for structured finance ratings.	Mandatory. Applicable for structured finance ratings.	<ul style="list-style-type: none"> – ‘ABS’ in case it is an asset-backed security; – ‘RMBS’ in case it is a residential mortgage backed security; – ‘CMBS’ in case it is a commercial mortgage backed security; – ‘CDO’ in case it is a collateralised debt obligation; – ‘ABCP’ in case it is an asset-backed commercial paper; – ‘OTH’ in all other cases.
21	Sub-asset	Defines the sub-asset classes for ABS, RMBS and CDO ratings.	Mandatory. Applicable for defined asset classes of structured finance ratings.	<p>For ABS:</p> <ul style="list-style-type: none"> – ‘CCS’ in case it is a credit card receivable backed security; – ‘ALB’ in case it is an auto loan backed security; – ‘OTH’ in case it is another type of ABS. <p>For RMBS:</p> <ul style="list-style-type: none"> – ‘HEL’ in case it is a home equity loan; – ‘PRR’ in case it is a prime RMBS; – ‘NRR’ in case it is a non-prime RMBS. <p>For CDO:</p> <ul style="list-style-type: none"> – ‘CFH’ in case it is a cash flow or hybrid

No.	Field identifier	Description	Type	Standard
				CDO/CLO; – ‘SDO’ in case it is a synthetic CDO/CLO; – ‘MVO’ in case it is a market value CDO.
22	Vintage year	Specifies the year of issuance of the rated instrument. It shall be maintained unchanged over time.	Mandatory. Applicable for structured finance ratings.	--
23	Responsible CRA unique identifier	Business Identifier Code (BIC) of the entity responsible for the rating, i.e. in case of: <ul style="list-style-type: none"> – a rating issued in the EU, the registered credit rating agency that has issued the rating; – an endorsed rating, the registered credit rating agency that endorsed the rating; – a rating of a certified credit rating agency, the certified entity; – a rating issued in a third country but not endorsed by a registered credit rating agency, the third country credit rating agency that has issued the rating. 	Mandatory.	ISO 9362.
24	Historical reporting period of the rating	Identifies the reporting period of the rating, if in the past. It shall be used if the rating is reported for a published period for the correction of factual errors.	Optional.	ISO 8601 Date Format (YYYY-MM-DD).
25	Reason for historical rating reporting	The reason why the rating is reported for a previously reported period.	Mandatory if the field ‘Historic reporting period of the rating’ is reported.	--

Table 2: List of fields for the cancellation of rating data

No.	Field identifier	Description	Type	Standard
1	Rating identifier	Declaration of an existing rating identifier to be cancelled.	Mandatory.	--
2	Reason for Historic Cancellation	The reason why the rating is cancelled for all the previously reported periods.	Optional. Mandatory in case of complete cancellation (cancellation of the rating for all the periods)	--

Table 3: List of technical fields for a rating data file

No.	Field identifier	Description	Type	Standard
1	Language	Defines the language of the file.	Mandatory.	ISO 639-1.
2	CRA unique identifier	Code used internally by the system to identify the credit rating agency. Must be the Business Identifier Code (BIC) of the credit rating agency sending the file.	Mandatory.	ISO 9362.
3	Version	The version of the XML Schema Definition (XSD) used to generate the file.	Mandatory.	Shall be the exact version number.
4	Creation date	The date at which the file was created.	Mandatory.	ISO 8601 Date Format (YYYY-MM-DD).
5	Creation time	The time at which the file was created. It shall be reported in the local time of the credit rating agency generating the file and expressed as Coordinated Universal Time (UTC) +/- hours.	Mandatory.	ISO 8601 Time Format (HH:MM:SS).
6	Creation time offset	Indicates that a local time offset for the creation of the file was used HH ahead or behind UTC. Separated subfield with values (+/-) HH, which shall be adjusted for summer time.	Mandatory.	--
7	Reporting period	Identifies the reporting period of the file. It corresponds to the date of the beginning of the period.	Mandatory.	ISO 8601 Date Format (YYYY-MM-DD) of the BOP.
8	Number of records	Total amount of ratings records in the file, including ratings declarations and cancellations.	Mandatory.	--